

**Northern Ireland Electricity Limited**

**RESPONSE TO THE  
UTILITY REGULATOR'S CONSULTATION  
ON CONTESTABILITY  
IN CONNECTIONS**

February 2015



## **1. INTRODUCTION**

- 1.1 This paper comprises the response of Northern Ireland Electricity Limited (**NIE**) to the Utility Regulator's (**UR**) consultation entitled, "Consultation on the Introduction of Contestability in Connections", dated 2 December 2014 (the **Consultation**).
- 1.2 NIE is currently the sole provider of all activities associated with connection to the distribution network, and of construction services for connection to the transmission network. NIE would expect that the introduction of contestability will be introduced to the market in an orderly, consistent and non-discriminatory manner.
- 1.3 Furthermore NIE expects that when contestability is introduced NIE will continue to be the sole provider of certain key inputs needed to make a connection, for example determining the point of connection. These same key inputs will be required both for NIE's own connection business, and for any independent providers that enter the market i.e. potential competitors.
- 1.4 For the above reasons, NIE recognises the important role that it will play in making contestability both a reality and, importantly, workable. We welcome the opportunity to respond to the UR's Consultation.

## **2. RESPONSE TO QUESTIONS POSED IN THE CONSULTATION**

### ***Q1. Are there any other factors in Northern Ireland not discussed in Section 4 that should be taken into consideration when implementing contestability?***

- 2.1 Section 4 identifies factors that are specific to Northern Ireland needing consideration before implementing Contestability. At this stage there would be nothing further that NIE would wish to add, however we do recognise additional unforeseen factors may arise as we work through the process of introducing contestability in Northern Ireland.

### ***Q2. From the model highlighted in RoI and GB (Section 5), which do you think would present the best option for NI and why?***

- 2.2 NIE will support whatever model is proposed by the UR, however paragraph 5.2.3 of the Consultation specifies that in GB, only Independent Connection Providers (ICP) which have gone through a formal accreditation process, are allowed to build contestable assets and then hand them over to the local utility who adopt them as part of their network. It is NIE's view that, to allow for an orderly approach, a similar formal ICP status will be required by any party carrying out contestable works in Northern Ireland.

***Q3. From the issues highlighted in Ofgem's review (Section 6), are there any that cause a significant threat to contestability being successful in NI?***

- 2.3 NIE considers it important to remain mindful of lessons learned in other markets to assist in arriving at the optimal model for Northern Ireland and ensuring a smooth transition to competition and a successful outcome.

***Q4. Is there any documentation that has been missed from the list detailed in 7.11.1?***

- 2.4 Updates to market processes may be required to ensure competitors provide market and cost data that is critical to enable suppliers to register new customers so that sites can be energised and the applicable meter type (as agreed by the market in NI) is installed. Updates to market processes may lead to a need for investment in the IT systems that currently support market processes.

NIE has an obligation to publish and make publicly available a Statement of Charges in terms of connection costs. With the introduction of contestability any Independent Connection Providers entering the market must be required to publish a similar Statement of Charges.

***Q5. Are there any other non-contestable works that are not outlined in 7.12 that should be considered?***

- 2.5 Although the list of non-contestable works in 7.12 refers to Handover and Acceptance, this does not explicitly state commissioning works. NIE considers that commissioning of any new plant and equipment should be a non-contestable activity.

***Q6. Do you agree with the approach described in 7.13.1?***

- 2.6 NIE agrees that O&M charges need to be levied when NIE adopts the new connection. An appropriate schedule of charges will be required.

***Q7. Should the connecting party be allowed to choose what contestable elements they wish to undertake?***

- 2.7 To provide clarity for customers and ensure that the contestable market operates effectively, it is essential that there is a clear separation of contestable and non-contestable works, and where the customer elects to appoint an independent provider then all contestable works are carried out by that provider. This means there will be no opportunity for the customer to pick and choose from a menu of contestable items as such an approach would be unworkable. Furthermore, a consultative document issued by HSENI in December 2014 is proposing a revision to the existing CDM regulations which will remove the pre-construction co-ordination role of the CDM Co-ordinator and pass this responsibility to the 'principal designer'. This means that responsibility for managing the health and

safety risks associated with construction must be carried by the designer. Therefore if an ICP was undertaking the design on behalf of the connecting party and NIE was undertaking the construction, NIE would be relying on the ICP also fulfilling any responsibility under the new CDM Regulations for the health and safety risks faced by NIE or vice versa. The duty on the designer is included in the new CDM Regulations at Regulation 11.

When taking the above into account and also consideration of the practical factors around onsite construction responsibilities at the NIE/ICP interfaces, it is NIE's belief that allowing flexibility in picking and choosing contestable elements is unworkable due to logistical and safety management issues.

***Q8. Are there any further policy considerations that have not been considered in 8.1?***

- 2.8 NIE would not accept the view raised concerning cross border connections (8.1.5.) Although there are a number of wind farms connected or proposed to be connected to the NIE network, but which are located in the RoI, the point of supply will always be within Northern Ireland meaning NIE has no assets within the RoI. This position will not change under contestability.

***Q9. Are there any further practical considerations that have not been considered in 8.2?***

- 2.9 NIE supports the need to consider fully the practical considerations covered in the consultation. NIE also supports the need to introduce contestability as soon as practicable, however the timeframe to review and publish policies by the time the Next Steps Paper is published on the 26<sup>th</sup> of June is unrealistic. There may be changes required to IT systems and specifications, method statements and policies will need to be developed and published to ensure a successfully functioning market is achieved. This will require substantial effort making it highly unlikely that the target date included in the consultation paper will be achieved.

Another practical consideration that has not been highlighted is the significant effort required by NIE to develop and support a contestable market. There is a need to deploy appropriate processes and suitably qualified resources to ensure its success. Should NIE be required to expend a significant amount of costs, including required IT developments, then NIE should be allowed to recover these costs, either through specific price control allowances or through an on-cost addition to NIE's connection charges. In RP6 and beyond, cost recovery should be through specific price control allowances only, and not through connection charges.