

# Utility Regulator Draft Forward Work Programme 2021-22 SONI Consultation Response

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# 1 Introduction

SONI Ltd. is the Electricity Transmission System Operator for Northern Ireland. We have a unique set of roles. Our central role is to plan and operate the electricity transmission system in Northern Ireland. In addition, through the contractual joint venture SEMO, we operate the Single Electricity Market. We also manage power flows on interconnectors with our neighbours. This gives us a whole-of-system perspective.

SONI is focused on delivering an efficient, reliable, secure and increasingly cleaner electricity supply for Northern Ireland consumers. We ensure that electricity is always available when and where it is needed. We do this in the most cost-effective way possible, and in the interests of all electricity users across Northern Ireland.

SONI is an independent entity, with no vested interest in the generation or selling of electricity. We do not own the grid infrastructure, and have no self interest in adding to it. We work in closely with Northern Ireland Electricity Networks (NIE Networks) who own and build the grid transmission assets.

NIE Networks also operate the electricity distribution system. The transmission and distribution systems are intertwined. SONI recognises that the operation of the transmission and distribution systems requires partnership working and that this is critical to the success of the energy transition. So we are collaborating and co-ordinating with our colleagues in NIE Networks to achieve the best outcomes for the consumer.

SONI is regulated by the Utility Regulator for Northern Ireland who determines our funding. We implement policy set by government and as approved by the Utility Regulator. We look forward to collaborative engagement with the Utility Regulator as it progresses its forward work programme.

## SONI's Role in the Energy Transition

SONI fulfils an essential and critical role which is central to the wider Northern Ireland economy and in service of society. Our whole-of-system perspective gives us the deep expertise needed to deliver a low-carbon, cost-effective power system which will help to facilitate the decarbonisation of the heat and transport sectors.

Between 2015 and 2020, Northern Ireland met the challenge of providing 40% of our electricity needs from renewable sources. This realised some 1,600 megawatts of energy from renewable sources being accommodated on the system. SONI was among the key organisations central to this success.

Over the past five years we have delivered the integration of world leading amounts of variable renewable electricity, and we have done this through innovation and collaboration with NIE Networks. Presently we are reliably utilising 65% electricity from renewables at any one time, we are currently trialling 70% and hope to move to 75% in the coming months. This is a significant technical accomplishment.

While we work to support the Department for the Economy in the development of the future energy strategy, we note the Economy Minister's ambition for of no less than 70% of

electricity from renewables by 2030. To meet this ambition the Northern Ireland power system must be capable of delivering 95% electricity from variable renewable sources at any one time. It is expected that the amount of renewable generation will need to double from 1,600 megawatts today, to 3,200 megawatts by 2030.

The period of UR's Corporate Strategy will result in even greater change as the energy transition moves to realise a trajectory to net zero carbon emissions by 2050. SONI is a critical enabler of the energy transition and we are actively working with a broad range of stakeholders to transform the power system for future generations. We are doing this not only through the reinforcement of physical network infrastructure, but also through the development of innovative solutions, delivering flexibility and agility to markets and operations.

In order to achieve this, SONI will continue to work with key stakeholders to develop a more responsive and flexible transmission system together with the tools to operate it in an increasingly dynamic manner. As a priority, we must minimise constraints and curtailment on the network and maximise utilisation of existing infrastructure; however, additional grid investment will be required. In addition, the realisation of the North South Interconnector will have a significant impact on reducing constraints and the impacts of these constraints in terms of costs to the consumer.

Additionally, the evolution of the market and system operations will be necessary to facilitate the anticipated increase in electricity from renewable sources. SONI is considering the whole-of-system change required in its programme '*Shaping Our Electricity Future*', which will be open to public consultation in the coming weeks. In addition, through projects like '*Flex Tech*' supported by NIE Networks, we are seeking to maximise use of renewable electricity and low carbon technologies on the transmission system.

SONI has a unique and profound role to play in delivering the transformation of the power system. We are committed to realising the full benefits of this transformation for consumers through enabling the opportunities for the Northern Ireland economy in striving to have all of our energy needs met from renewable and low carbon energy sources.

## 2 SONI Response

### 2.1 Business Plan Context

SONI welcomes the approach, in particular the recognition that all stakeholders (including UR) face challenges in regard to the forthcoming change in the electricity sector. The ability to flex and adapt quickly to changing needs will be critical to enabling the energy transition. SONI welcomes the statement made by the Utility Regulator in this context:

*“In practice this may mean that regulators are less prescriptive, more pragmatic, focussed more on principles and outcomes, adopt new approaches to accommodate innovation and a more diverse stakeholder environment. This approach positions regulators more as enablers (e.g. to facilitate major infrastructural projects) with a greater emphasis on making connections between stakeholders.”*

From a SONI perspective, this concept is important in the context of our price control for 2020-25 and in particular, around the use of uncertainty mechanisms. In its business plan, SONI proposed a range of strategic initiatives; a number of which will be critical to facilitation of the energy transition. Many of these initiatives were not allowed ex ante funding in the final determination, although in many cases the need for the initiative was accepted. It is the Utility Regulator’s intention that these projects will be funded by way of uncertainty mechanisms, which increases the regulatory burden on both SONI and the Utility Regulator.

It is vital there is clear guidance and timely approval of funding submissions in line with the expectation stated above. In embarking into the energy transition, Northern Ireland is moving into less certain territory in terms of solutions and outcomes. Therefore, the Utility Regulator will also need to adapt to making decisions in a less certain environment (e.g. where the costs, details and solutions may not be fully known) whereby utilities may not be able to provide the same level of certainty as they have been able to do in the past. SONI is committed to working with the Utility Regulator (and other stakeholders as required) in a pragmatic and transparent manner in order to achieve the necessary and beneficial outcomes for the Northern Ireland consumer.

### 2.2 UR Business Plan and Resources

In page 14 of the draft Forward Work Programme, SONI notes that the Utility Regulator recognised that the timing and scope of priorities may delay work in other areas, stating that they *“often have to make choices about how to use our resources”*. SONI consider that the UR should appropriately delegate its resources in order to prioritise critical projects, as stated in the Forward Work Programme. SONI believes there is an important balance to be struck between scrutinising funding requests and progressing investments in order to deliver government policy. We ask that the UR remains committed to progressing regulatory submissions promptly and within the time constraints set out in the SONI price control guidance, where timelines are stated.

Throughout our engagement with UR since publication of the TSO price control draft determination, SONI has highlighted concerns that the price control creates a significant, additional regulatory burden on both SONI and the Utility Regulator. In order for smooth and

timely execution of these new mechanisms and regulatory requirements, as well as existing regulatory processes, SONI would expect UR to be resourced appropriately to reflect this uplift in workload. We also note that UR also expect increasing levels of resourcing will be necessary to support delivery of the Department for the Economy's forthcoming Energy Strategy for Northern Ireland. Given this, we would expect the Utility Regulator to be resourced adequately in order to facilitate the additional burden and requirements they will face in this regard.

However, this does not seem consistent with the Utility Regulator's statement that *"Despite significant uncertainties and budget pressures, we were aiming to set a budget for 2021/22 which is no higher than the level set for 2020/21..."*

In SONI's opinion, the Utility Regulator will almost certainly have to review its budget in order to adequately deliver on what will become business as usual activities as well as the need to resource the new energy strategy.

## 2.3 Commentary on Strategic Objectives

SONI has identified projects within the UR business plan that it expects to play a role in and has provided commentary.

SONI welcomes the UR's acknowledgement of the importance of regulatory approach in the context of a rapidly changing energy system. We consider this especially important to consider as SONI are currently undertaking our five year price control process. It is important that UR reflect this evolving regulatory approach through clear guidance and timely approvals of funding submissions, which reflects commitments to be less prescriptive, more pragmatic and focussed more on principles and outcomes. We look forward to engaging with UR during this Forward Work Programme period to adopt new approaches in line with this context which accommodate innovation and the increasingly diverse stakeholder environment.

As a general comment we note that for projects spanning the whole year, additional milestones would be useful to allow stakeholders to understand timings of this work so that we can factor in any required support into our work plans.

SONI recognise the importance of our close working relationship with the Utility Regulator and we look forward to working closely with the Utility Regulator to progress these important projects.

### 2.3.1 Objective 1: Promoting markets that deliver effective competition, informed choice and fair outcomes

SONI is supportive of the four projects which we expect to be involved in, as outlined in the table below.

Ref	Project Description	SONI Comment
4	Facilitate innovation in energy markets by reviewing licences	We would welcome further clarity on the scope of this project and on our role within it. We look forward to engaging with the Utility Regulator.
7	Develop more competitive future arrangements for system services	We will actively work with Utility Regulator on this project, providing support and engagement to progress this project

Ref	Project Description	SONI Comment
		as needed.
8	Work to enhance SEM-GB Trading Arrangements	We will actively work with Utility Regulator on this project, providing support and engagement to progress this project as needed.
9	Complete SEMO price control review	We will continue to work with the Utility Regulator to complete and implement the SEMO price control.

### 2.3.2 Objective 2: Enabling 21<sup>st</sup> century networks

SONI is supportive of the five projects which we expect to be involved in, as outlined in the table below.

Ref	Project Description	SONI Comment
1	Review the Moyle Interconnector regulatory framework	We will provide support to UR, as needed, in order to progress this project.
2	Put in place a customer focussed framework to deliver enhanced performance and transparency (including new licence obligations on digitalisation)	We will be actively working on this project, in line with the price control final determination. We would welcome further clarity on how this project will align with the work being done by the Department for the Economy on the Energy Strategy. SONI will provide support and engage with UR, and others, as needed in delivering this project.
4	Commence the NIE Network RP7 price control review	We will provide support and engagement to progress this project, as needed.
6	Scope a review of electricity network tariff structures	We will provide support and engagement to progress this project, as needed.
8	Deliver effective licence obligations to reflect outcome of the SONI Governance review	SONI will engage with UR on this review, as required. We would welcome clarity from UR on the expected timing of this work.

### 2.3.3 Objective 3: Ensuring security of supply and a low carbon future

SONI is supportive of the three projects which we expect to be involved in, as outlined in the table below.

Ref	Project Description	SONI Comment
1	Deliver SEM capacity auctions in line with programme	We will provide support and engagement to progress this project, as needed.
2	Review and implement appropriate licensing regime to reflect the terms of EU Exit	We will provide support and engagement to progress this project, as needed.
3	Work with DfE to progress the implementation of the Clean Energy Package (CEP)	We will provide support and engagement to the Utility Regulator and DfE to progress this project, as needed.