

# **Utility Regulator's Proposed Next Steps Paper on Contestability in Connections**

## **SONI Response**

**19 June 2015**

# 1. INTRODUCTION

SONI welcomes the publication of Utility Regulator's Proposed Next Steps paper and the opportunity to respond to it. SONI is licensed as Transmission System Operator (TSO) and Market Operator (MO) for Northern Ireland.

SONI is part of the EirGrid Group which is a leading energy business, dedicated to the provision of transmission and market services for the benefit of electricity consumers across the island of Ireland. It is a state-owned commercial company. SONI is committed to delivering high quality services to all customers, including generators, suppliers and consumers across the high voltage electricity system and via the efficient operation of the wholesale power market.

SONI is responsible for planning and operating the transmission network in Northern Ireland in an economic, efficient and coordinated manner. SONI welcomes the move towards contestable connections in Northern Ireland, as this can facilitate compliance with our duties by improving the efficiency of the construction of connection assets, and would be happy to meet to discuss our response and the ways in which we can work together to reach a successful and sustainable outcome for contestability in connections.

This response highlights the comments SONI would like to make on the various areas discussed in the Proposed Next Steps Paper.

Any questions on this response paper can be directed to Eimear Watson ([eimear.watson@soni.ltd.uk](mailto:eimear.watson@soni.ltd.uk)).

## **2. COMMENTS ON PROPOSED NEXT STEPS PAPER**

### **2.1. GENERAL**

SONI understands the concept of contestability in connections as an applicant's ability to deliver certain contestable assets that have been identified as necessary by SONI and Northern Ireland Electricity (NIE) in a transmission connection offer to connect to the transmission network. This offer will contain details of the estimated cost of SONI/NIE delivering the assets required for the connection arrangement. If the applicant/developer wishes to contest asset delivery, the process does not involve SONI revising the quote or entering into a bidding process with the applicant. The applicant either accepts a non-contested connection offer or a contested connection offer. For this reason SONI sees contestability in connections being distinctly different to competition in connections.

The reference to the "SONI Transmission Connection Charging Methodology Statement" (December 2009) in paragraph 2.1.2, SONI would like to clarify that the statement explains what is chargeable to connecting parties. The scope of connection services, as defined in the charging statement, is specified in legislation, licence and Grid Code, as interpreted by the Single Electricity Market Committee (SEMC) policy decision on the harmonisation of transmission connection policy in the Single Electricity Market (SEM), published March 2008.

Given the industry structure it is important to ensure a level playing field for generators competing in the SEM and commonality for parties connecting in both Ireland and Northern Ireland. Introducing a requirement for accreditation may introduce a delay to parties already contesting connections in Ireland and seeking to contest connections in Northern Ireland.

The Proposed Next Steps Paper appears to be very much focused on the contestability model in Great Britain (GB). SONI believe it should be noted that applicants/developers in Northern Ireland are connecting to the All Island transmission network and competing in the All Island SEM and that although contestability in connections in Ireland does not make use of any accreditation scheme there has been success with contestability in connections.

### **2.2. CONNECTION TYPE**

SONI understands that the term "all connection types" in paragraph 3.1.1 refers to transmission and distribution onshore and offshore connections. In relation to paragraph 3.2.1 SONI agree that, where appropriate, the implementation of contestability in connections should be consistent across different types of connection, however the benefits that can be obtained from contestability will vary based on the scale and skills of the applicants/developers. In particular, SONI consider it particularly important to implement contestability for large scale generation connections (connections of  $\geq 5\text{MW}$ ) in a consistent manner, from a process and timeframe perspective and consistently for both SONI and NIE.

### **2.3. SCOPE OF CONTESTABILITY**

SONI are in agreement with paragraphs 4.1.9 and 4.1.13 that the interface between the TSO, Transmission Asset Owner (TAO) and the transmission applicant when a connection is contested should be kept “...as clear and as simple as possible.” The point of contact for the TSO and TAO should be the applicant/developer as this is the party that the TSO has a contractual relationship with and who shall be ultimately responsible for the delivery of the contested activities.

In SONI’s response to the previous paper, we used the term “Functional Specification” as defined in the TIA (approved by UR March 2014). In the TIA, “Functional Specification” is defined as the information required from SONI on a transmission project to enable NIE to carry out the detailed design of the transmission project. A Functional Specification in the context of the TIA includes information such as connection point, outline design, connection route, indicative programme, Single Line Diagrams (SLDs), equipment ratings, fault ratings, protection, control and communication requirements, safety and CDM information. Given that the TIA governs the interactions between SONI and NIE for connections that potentially require transmission assets, it is essential that definitions that govern the interaction between third parties and SONI/NIE use the same definitions, to avoid conflicts between the suite of documentation that will be required to deliver contestability.

SONI notes that although Functional Specifications have been listed as being non-contestable in the Proposed Next Steps Paper, the TIA definition of Functional Specification comprises of activities such as route and site selection which have been listed in the Proposed Next Steps Paper as contestable activities.

SONI recommends that the term “Functional Specification” that is used in paragraph 4.2.1 and throughout the Proposed Next Steps Paper is clearly defined as it could be interpreted in different ways. If this definition differs from that in the TIA, an alternative term should be considered to avoid future confusion.

Notwithstanding SONI are in general agreement with the contestable and non-contestable activities listed in Section 4.2 and consider it important for SONI and NIE to work together to clearly define the contestable and non-contestable activities listed in a Contestability Implementation Guidelines paper to remove any ambiguity.

Through the Contestability Working Group SONI is aware that there is some confusion over what is meant by “point of connection” as referred to in paragraphs 4.2.1, 4.2.5 and 4.2.6 and would like to clarify our understanding of the term.

In the “SONI Transmission Connection Charging Methodology Statement” (December 2009) a user’s Connection Point is defined as “... *the point at which a User’s Plant connects to the All Island Transmission Networks, normally the busbar clamp on the busbar side of the busbar isolators on User circuits.*”

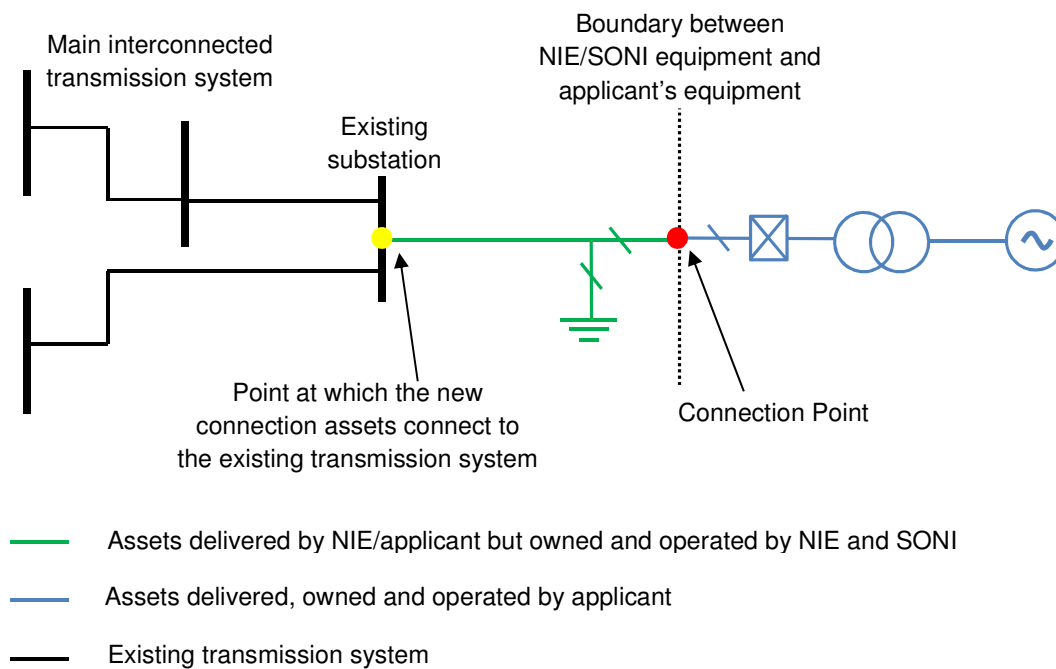
Grid Code defines Connection Point as “... *a Bulk Supply Point or a point at which a User’s Plant and/or apparatus connects to the Transmission System, which in the case of an Interconnector is the connection point specified in the relevant Connection Agreement.*” Where User’s Equipment is defined as “*the Plant and Apparatus owned and/or operated by a User.*”

A sample SONI connection agreement states that the Connection Point is, “*The point at which the Generator’s Connection Plant and Apparatus is connected to the NIE Connection Plant and Apparatus.*” It further defined as the, “*The busbar clamps at the NIE line disconnector and line earth switch towards the generator’s HV busbars to the HV current transformers will be the point of connection*”.

SONI considers that there should be no confusion between existing NIE assets, assets that are being delivered contestably that will be handed over to NIE and assets that will be installed by the applicant/developer and that will remain in the ownership of the applicant/developer. The connection point identified by SONI/NIE also identifies the change in ownership and responsibilities between SONI/NIE and the connecting party as noted in paragraph 5.2.2.

Similar definitions of Connection Point are found in the Distribution Code and NIE’s distribution connection agreements for large scale generation.

It is apparent to SONI that for large scale generation connections to either the transmission or distribution system the definition of point of connection or connection point is consistent and as indicated in the diagram below.



**FIGURE 1: POINT OF CONNECTION AS DEFINED BY GRID CODE<sup>1</sup>**

<sup>1</sup> Note that the assets coloured in green can be delivered by either the applicant or NIE depending on whether the connection is contested or not.

Comparing to GB, Western Power Distribution's "Statement of Methodology and Charges for Connection to Western Power Distribution (West Midlands) Plc's Electricity Distribution System" (November 2014) defines the Point of Connection as, "... *the point (or points) of a physical connection to our existing Distribution System.*"

This is different to the definition of point of connection for connections to the Northern Ireland transmission and distribution systems therefore care must be taken when using the term point of connection or connection point.

To clarify, in paragraph 4.2.1 it is stated that the definition of point of connection and the design of point of connection is non-contestable. SONI considers this to mean that the determination of the connection arrangements between the applicant's connection point (red point in Figure 1) and the existing transmission system to be non-contestable (yellow point in Figure 1). In other words, the determination of point of connection to the existing system is non-contestable.

SONI is also in agreement with the "all or nothing" approach explained in paragraph 4.2.5, in other words, either all or none of the contestable elements of the connection arrangements determined by the TSO between the applicant's connection point and the existing transmission system are contested.

## **2.4. OPERATIONS AND MAINTENANCE**

Paragraph 5.2.1 explains that the Operations and Maintenance (O&M) costs for a contested connection will be based on the O&M costs of the non-contested connection quote. SONI considers that this is an appropriate way to levy a charge for ongoing operation and maintenance.

## **2.5. ACCREDITATION**

It is very important to consider how the roles of the TSO and TAO in Northern Ireland compared to the roles of the TSO and TAO in GB differ and careful consideration should be given to the impact of directly adopting established policies and procedures of the contestability model in GB as indicated in this Proposed Next Steps Paper. Generators in Northern Ireland are connecting to the All Island transmission network and competing in the All Island SEM.

The paper also states that the Utility Regulator considers "...*accreditation is required to ensure compliance and reduce the risks to developer, NIE and SONI.*"

As stated previously, SONI understands the concept of accreditation but still questions whether such a scheme is necessary for the successful implementation of contestability in transmission connections in Northern Ireland. Through the Contestability Working Group it seems apparent that accreditation provides a level of comfort to investors, SONI and NIE, but it does not provide a guarantee on the competence of third parties carrying out the contestable activities. For this reason there is doubt over the value added in making accreditation mandatory.

SONI would echo Northern Ireland Renewables Industry Group's (NIRIG) sentiments that any accreditation scheme should not unduly delay the effective introduction of contestability in connections. It should be noted that accreditation will necessitate additional work streams for SONI and NIE.

To reiterate SONI's view, it is important that the contestability model chosen for Northern Ireland is suitable for the Northern Ireland electricity industry and is implemented in the interest of both current and future users of the transmission network, and indeed the Northern Ireland customer.

## **2.6. OTHER ISSUES**

In paragraph 8.1.5 the Consumer Council requested that a standardised quotation template is used by the Distribution Network Owner (DNO) and third parties for contestable connections which was then endorsed by the Utility Regulator in paragraph 8.2.4. From a transmission perspective, SONI plan to issue transparent connection offers, as recommended in paragraph 8.2.3, in accordance with the "SONI Transmission Connection Charging Methodology Statement." The quotations will clearly identify the SONI/NIE costs for delivering the contestable and non-contestable elements of a connection and the SONI/NIE costs for delivering the contestable elements contestably. This should provide the applicant with all the information required to decide whether or not to contest the connection asset delivery. The format in which third parties quote the applicant for contestable activities is an issue for the applicant and the third party.

Paragraph 8.2.1 recommends that NIE's cluster methodology and principles remain unchanged for delivery of contested shared connection assets. The concept of the present cluster methodology allows the financial risks of the delivery of the cluster infrastructure to be shared between a group of applicants with the Northern Ireland customer base covering any differential between final costs and contributions. Regulatory approval is required for the cluster to proceed.

In addition, the cluster methodology permits cluster development prior to generation projects securing planning permission and hence prior to some (or all) projects making application to NIE.

If cluster delivery is to be contestable then SONI does not consider that the present cluster methodology and principles can remain unchanged. SONI believes there are important issues to be resolved in relation to delivering cluster infrastructure contestably. The following points would need to be considered by all parties:

- How is a contested cluster development funded?
- How will a contested cluster development affect the regulatory approval process?
- How will the risk borne by the Northern Ireland customer base be factored into contestably delivered cluster infrastructure?
- Who can contest a cluster development if no parties have made formal connection application?

- Will a single party who has planning permission and applied for a connection offer be willing to contest the cluster delivery when it is intended to be used by the other projects yet to secure planning permission?
- What contractual arrangements would be required to facilitate the Northern Ireland customer contribution towards the construction cost?

Engagement between SONI, NIE, the Utility Regulator and the Contestability Working Group will be required to resolve these issues.

## 2.7. NEXT STEPS FOR THE UTILITY REGULATOR

SONI recognises the growing pressure from developers wishing to connect to the Northern Ireland transmission system in a contestable manner and is therefore prepared to develop policies, procedures and documentation to enable the implementation of contestability in advance of licence modifications taking effect. However SONI would like to note that until contestability is transposed to our Transmission System Operator Licence, contestability will have no legal effect, unless the Utility Regulator issues a direction to SONI in this regard.

In relation to the Licence modifications, as per paragraph 10.1.1, SONI is in agreement that *“...consideration will need to be given to the requirements of NIE and SONI for effective implementation.”*

In addition to the Utility Regulator being responsible for reviewing and approving the “SONI Transmission Connection Charging Methodology Statement” the Utility Regulator is also responsible for reviewing and approving any changes to the following documentation:

- TIA and TIA subsidiary documents
- Grid Code
- NIE Security and Planning Standards

As mentioned previously, the Utility Regulator plays a key role in the cluster development process and will therefore be required to engage with NIE and SONI on how to deliver cluster infrastructure contestably.

## 2.8. SONI AND NIE TIMELINES

The implementation of contestability for transmission connections will be a joint effort between SONI and NIE but will also require cooperation from the Utility Regulator and industry as the new processes are established and tested.

SONI has identified the following key risks in the implementation of contestability:

1. Licence modifications being in place directing SONI and NIE to offer contestable connections before key work streams identified in the SONI and NIE preliminary work plans are completed and/or approved.
2. Transmission and distribution processes for large scale generation connections not being aligned or consistent could create difficulties in implementations particularly in



the case of a connection asset being shared between a distribution and transmission connection or with cluster connections. SONI believe a robust rebating policy is required to make this work.

3. No process to permit the delivery of cluster infrastructure contestably. The cluster delivery is a shared SONI, NIE and Utility Regulator responsibility so it is very important that this is addressed.