



**UR REVIEW OF ELECTRICITY DISTRIBUTION AND TRANSMISSION
CONNECTIONS POLICY - NEXT STEPS**

SSE RESPONSE

MAY 2017

INTRODUCTION

SSE welcomes the opportunity to respond to the URs Review of Electricity Distribution and Transmission Connections Policy – consultation on next steps. SSE has been engaged in generation in Ireland since 2008 and currently has over 1,800MW of connection to the grid which includes both renewable and conventional generation. Within this context, the connection policy will have considerable impact for SSE with respect to both existing and future development in Northern Ireland.

The Northern Ireland Affairs Committee recently published its third report of session 2016 – 17 on the Electricity sector in Northern Ireland. This report examined the industry as a whole and made recommendations in areas that were deemed to need additional investment or policy clarification.

In its report the Committee acknowledge there is a clear need for infrastructure investment above and beyond that approved by the Regulator. The report specifically notes that additional investment could support the economic development as well as the connection of additional renewable energy in NI¹.

The report also states that:

“Deficiencies in Northern Ireland’s ageing electricity network and the recent ‘connections moratorium’ imposed by NIE Networks and SONI caused considerable uncertainty for the renewables industry, threatening investment in the sector, undermining security of supply, and putting at risk the Northern Ireland Executive’s ambitious target for renewables to contribute 40 per cent of electricity supply by 2020”².

There is clearly an issue with the way connections are being offered and build in Northern Ireland. The UR has the capability within its current remit to address these issues and we would urge them to do so. Historic underinvestment in the electricity infrastructure in NI has led to a situation where security of supply is a real concern.

The URs issued its draft determination on the RP6 price control in March 2017. This set out the regulated allowances to be recovered by NIE Networks in the RP6 period (2017 – 2024). The timeframe for RP6 includes the period within which 2020 renewable energy targets are to be met. Given that there is no monetary commitment to invest in adding additional network capacity within the DD we would again urge the UR not to make a decision on connection policy simply to align with the RP6 consultation timeline.

¹ <https://www.publications.parliament.uk/pa/cm201617/cmselect/cmniaf/51/5102.htm>

² IBID

In its next steps paper the UR acknowledged stakeholders preference that the legislative remit for it to determine connection policy should be achieved. The UR also noted that this could take some time. As there is no financial commitment to infrastructure development in the RP6 DD, we do not see why the connection policy cannot wait until these discussions have been had with the department. In short, there is no need to issue a connection policy concurrent with the RP6 final determination.

In addition, there is an existing inconsistency in the treatment of Transmission and Distribution customers applying for connection to the NI system. This discrepancy in treatment must be addressed through a clear and consistent connection policy. Any interim or enduring measures put in place must harmonise the NIEN and SONI connection process. Continuing to allow for discriminatory policy approaches is unacceptable.

The remainder of this paper provides feedback on the key areas for SSE.

Recovering/utilising network capacity

The UR has asked NIE Networks to consider incidences of under-utilisation and to propose measures and options to release capacity if it is being persistently under-used, for both customers who are already connected and new connecting parties.

We are concerned that underutilisation is not defined in the consultation paper. This proposal may raise issues with the contractual rights of connected party who have paid for the capacity to connect to the system. The operational strategy of a generator should not be used as the basis for any policy decision. The URs proposal may be considered overreaching and, if implemented, would also result in further financial risk for the connected party.

As mentioned previously, the planning permission criteria for applying for a connection has meant that developers submitted applications closer to their actual capacity requirements than has been the case in Ireland. It is evident that the lack of this criterion in Ireland has resulted in significant capacity hoarding and the development of a secondary market for grid capacity. The most effective way to ensure capacity hoarding is minimised through the market is to reintroduce planning as a criteria for applying for a connection offer in NI.

There is a customer impact resulting from the approach in Ireland as the SOs seeking to increase network capacity for new applicants while those already in receipt of a connection offer do not build but hang onto the capacity.

Building more network capacity

The RP6 DD has proposed retaining the D5 mechanism being in the next price control. While this mechanism is useful as an oversight tool and a method of

monitoring infrastructure expenditure it does not provide any certainty for developers or NIEN.

It is unclear whether or not wider system reinforcements will go ahead in the absence of consented clusters or whether interdependency exists even though the network is becoming more constrained.

We would like to reiterate the comments we made in our January submission on firmness. This was discussed at the UR workshop in 2016 where the UR stated at the workshop that firmness was a SEM matter at the time. Our view is that while, in theory being firm in the market and receiving market payments is a SEM matter, physical firmness i.e. the electricity network being able to cope with the full export capacity of a generator is a jurisdictional matter. The UR has a responsibility under the SEM Generator Connection Policy Decision Paper to ensure system reinforcements are completed in a timely manner.

This has not been addressed by the UR in its next steps paper. We would welcome clarification from the UR on what it understands its remit on network reinforcement and firmness to be. This will provide developers with a better understanding of the regulators objectives for RP6 and connection policy in general.

Connections charging framework

In its next steps paper the UR has set out its views on a number of key connection policy issues. We welcome the decision not to change the connection charging methodology at this stage and believe this will help to bring stability.

We welcome the URs decision to retain the current connection charging arrangements. This provides a reasonable level of certainty for connection parties around costs.

Cluster connections policy

Again, we welcome the retention of the current approach to clusters and the resulting certainty it provides. However as outlined earlier in this submission the lack of certainty around network investment is concerning. In order to make investment decisions developers need a clear route to market. The economic development of NI must be underpinned by strong infrastructure.

Connections process and queue – Planning permission

Our preference remains that the department and the regulator work to extend the regulator remit to cover connection policy. In doing so there would be clearer boundaries on what the requirements are and who is responsible for the legislation.

Contrary to Ireland, the planning permission requirement in NI means that the majority of projects allocated capacity have built to full capacity and are not 'hoarding'

capacity. In Ireland an applicant could apply for any amount of MWs with no secondary permit or commitment to build the project as consented.

Connection process and queue – Prioritisation of connections

The paper could be interpreted as advocating for a particular technology type. This would be a discriminatory position. While the system benefit could be considered as criteria for issuing a grid connection offer, this is not currently the case.

The URs remit, as discussed in the paper does not extend to connection policy. Therefore it is our view that providing direction on same is inappropriate particularly when the statement is geared towards specific technology types.

If the UR is suggesting the prioritisation of connections for one type of technology over another on the basis of system benefit, a methodology to establish system benefits must be established.

Customer service, engagement and transparency - Pricing transparency

The UR has proposed the introduction of a Quotation Accuracy Scheme (QAS) similar to those that exist in GB. Put simply this is a QAS is a formal process, run by the network operator, which allows connecting customers to challenge a quote and receive a payment if that quote is inaccurate. The UR would need to make Guaranteed Standards of Service (GSS) for connections regulations to implement this fully.

We welcome this proposal and any other measures that can be taken to increase the accuracy and transparency of connection pricing.

Network and generator information

We welcome the URs proposals in this area and engage with NIE Networks as required.

Extension and connection offer requirements - Criteria and requirements for considering and requesting extensions

At the outset, our view is that granting requests for extensions should be the exception. The granularity of the information requested seems excessive. It would be useful to get a sense of the process timeframe for consideration of extension requests if this is the preferred route.

We believe an indicative timeline would be a better solution as it could be implemented more quickly. If the UR wants to have regulatory oversight of the process they could introduce an incentive for the SOs to issue offers in line with the guideline period.

It would also be helpful if the criteria for the SO requesting an extension were defined and consulted upon with industry. There is potential here for the request for extension process to further delay offer issuance.

Initial considerations on refusal to provide a connection offer

We agree that the legislative basis, criteria and appeal process relating to the SO refusing to issue an offer should be clarified. However, the introduction of a regulatory economic test for refusal is excessive. This seems to be an extension of control by the UR over NIE Networks and SONIs ability to issue offers in line with their own policy.

Rebates

Our response in January highlighted the issue with rebating and the different approach for Transmission and Distribution. We are aware of situations where developers have paid for shared works at 110kV substations, which other generators have subsequently connected to at a later date at Distribution level and a rebate have not been paid.

Unfortunately this situation has not been addressed in the next steps paper. This should be considered by the UR and is another example of policy discrimination between Transmission and Distribution as SONI has the ability to enable rebates, whereas NIE does not.

CONCLUSION

While there are some positives in the UR's next steps paper there is still an emphasis on having a connection policy decision in place to correlate with the issuance of the RP6 final determination. It is unclear to us where the need for these two work items to conclude on the same date stems from.

The most effective change the UR could make in relation to connection policy in our view is to initiate engagement with the department to extend its legislative remit to include the development of connection policy. SSE would support any activity in this regard and is available to discuss this point further.