



**UR REVIEW OF ELECTRICITY DISTRIBUTION AND TRANSMISSION
CONNECTIONS POLICY - CALL FOR EVIDENCE**

SSE RESPONSE

JANUARY 2017



INTRODUCTION

SSE welcomes the opportunity to respond to the URs Review of Electricity Distribution and Transmission Connections Policy – call for evidence. 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 URs review is timely given the RP6 determination will be issued in mid-2017 and will (largely) set the network expenditure from 2017 – 2024. The RP6 price control will take include 2020 when renewable energy targets are to be met. SSE would urge the UR not to make policy decisions simply to align the policy with the RP6 timeline but to consider the long term implications of the policy itself. Given the case by case approach taken to large investment decisions, the policy being delivered after the RP6 determination could be accommodated.

In terms of development in NI and future growth opportunities, SSE would emphasise that the cost of connection in NI has become more important for developers in recent years, particularly for renewable generation in the context of the removal of subsidies. Not acknowledging this shift in costs could effectively price renewables out of NI. Large scale generation development has proven more efficient and cost effective for customers than small scale. Dispersed small scale generation development has a cumulative long term impact on the electricity system. Any future connection policy should consider this and ensure that the right types of projects are prioritised.

In addition, there is an increasing trend towards self or ‘off grid’ generation being seen in Europe, it’s reasonable to assume this will become more prevalent in NI and should be considered in the connection policy. When a customer connects to the network in the usual way they are signing up to contribute to the grid through network charges. Less customers connecting to the network constitutes a reduction in the base for recovering network charges, causing an increase for those using the network in a conventional way. Minimising the impact this could have on the viability of the network must be taken into account.

The reality is that the URs position on electricity network investment lays the foundation for future development in NI and provides an economic signal to developers. Where a policy does not provide certainty (insofar as possible) for developers they are likely not to choose to invest in a jurisdiction. In the case of NI this will have a direct impact on limiting economic growth for NI particularly if generators are expected to cover the gap in costs. This doesn’t make business sense and will result in developers choosing not to invest in NI exposing customers to security and supply issues and stagnated growth due to lack of investment into NI.

Our full response to the issues raised in the consultation is set out below.

COMMENTS:

Q1. Do you agree with these strategic priorities?

1. ***Efficient and cost-effective connections:*** Connections should be delivered in a way which maximises efficient use of the electricity network and supports efficient network investment. We want to ensure wider consumers are protected: they should only have to pay what is necessary as a result of a connection and so bills should be kept as low as possible.
2. ***High levels of quality of service and transparency in the provision of connections:*** Connecting customers should receive a high quality of service which is clear and easy to understand, and which meets their unique requirements.
3. ***Maintains or improves secure supply of electricity in Northern Ireland:*** The way connections are provided should not act as a barrier to the long-term interests of NI consumers. For example, they should not prevent the issuance of efficient connections which could support an appropriate level of security of supply.
4. ***Timely, robust and flexible connections process:*** Connections should be delivered in a timely and flexible way. The connections process should be robust and adaptable enough to cope with market and policy change. Put simply, the way connections are delivered should be future-proofed where possible.

SSE broadly agrees with the UR strategic priorities however they should not be used to justify unrealistic under investment decisions in the RP6 determination. This point is particularly relevant to priority one 'efficient and cost-effective connections'. While we agree that costs need to be managed and allocated to those driving them, the wider benefit for customers as a whole is not acknowledged by the UR. A modest increase on all customer bills in order to reinforce, modernise and future proof the NI electricity network should outweigh the short term benefit of maintaining the current level of electricity network charges. The development and availability of the network also supports wider economic development in NI. SSE notes the influx of large demand side customers in ROI and the positive impact network development has had on encouraging these customers to locate in Ireland. With increasing dependence on technology the reliability and capacity of networks is becoming more important to customers.

SSE suggests that strategic priority one is amended to "bills should be kept as low as reasonably possible while allowing for necessary investment".

Q2. Do you agree that these are the main developments we should be mindful of? Are there any other developments which are important?

Yes.

Q3. Is there a role for connections policy to promote effective network management? If so, what are the issues which need addressed and potential solutions as part of this review?

The connection policy should be geared towards providing network access to real consented projects. Given the constrained network in NI, linked to lack of a meaningful investment programme, the policy for repowering existing sites should also be clarified.

The regulatory sentiment at present seems to be largely focussed on not increasing customers' contribution to network development. This could be seen as a short term view given that the monetary impact per customer would be tens of pounds rather than hundreds. The security of supply benefits associated with increased generation and network reinforcement are not being considered fully by the UR. The current grid and capacity available may be sufficient in the short term however there are longer term considerations to be taken into account.

SSE noted at the UR workshop, and at previous briefing by NIE Networks as part of the RP6 process, that the focus for the grid seems to be on maximising the existing capacity (a prudent approach) and not planning or financing any 'backbone' or system wide reinforcements. In short, from generator/developers prospective, future plans for real grid development have not been forthcoming.

Q4. Should we review the distribution charging framework, with a view to making connection charges deeper? If so, how should this be designed? What are the benefits, costs and risks of doing so?

In relation to charging, SSEs view is that the level of detail in the connection policy consultation paper is not sufficient for industry to engage in an informed discussion. There is no detail in the level of reallocation of cost being considered by the UR or what the system operators view on reallocation of costs. SSE does not support a review of the charging methodology at this time.

Q5. Should we review how the connections process and queue is managed? If so, what are the issues which need addressed and potential solutions?

SSE would support a review of the URs licence to extend its remit to include the review, development and approval of connection policy. SSEs view in this regard is consistent with the NIRIG stance and would see the UR adopt a role for NI similar to that of its current role for approving policy change in the SEM.

SSE is in favour of changes in the regulatory approach that support the development of consented projects. The UR is considering the introduction of milestones similar to the longstop date approach in ROI. While this is an avenue to reintroduce some form of planning permission in the connection process, SSE is in favour of legislative change to allow planning permission be a requirement before applying for an offer (in the absence of a review of the URs licence). In ROI submitting an application under the Gate 3 process did not have planning as a prerequisite requirement. Project consents, including planning, were only required after a number of years which meant non-viable projects could hold capacity until this 'longstop date' was reached. This created numerous problems and led to a secondary market for capacity developing. SSE would therefore caution against taking a similar approach. It is worth noting that the CER on the basis of 'Gate 3' lessons learned is now consulting on making planning permission a requirement before applying for a connection offer

SSE would not support the introduction any process that allows applicants to reserve a place in the queue for assessment regardless of whether or not that have meet the criteria for capacity allocation. This would only serve to absorb the SOs resources carrying out assessments on applications that are not ready to proceed.


At the workshop the UR flagged it is considering carrying out a consultation on the connection offer issuance process for both NIE Networks and SONI. SSEs view is that this element should have been included in this consultation rather than a separate document. Connection Policy is best viewed from a wider perspective as the policy, processing, charging etc. are all interlinked and have to be considered as a whole by developers. Currently the SOs can request an extension of the offer processing timeline (3 months) from the UR. This timeline is standard in both transmission and distribution and is deadline for the SOs issuing offers. Any change that provides further accountability, and gives more all-round certainty to connecting customers would be welcomed but not at the expense of timely processing of requests. Consideration should be given to the real world commitments developers make when applying for an offer and the reality that a project may be one of many being considered. Therefore waiting a long time for a connection offer may not be feasible as resources could be directed elsewhere.

Q6. Should we consider connections customer service, engagement and pricing transparency as part of this review? What are the issues which need addressed and potential solutions?

SSEs view is that the UR should prioritise the development of a functional connection policy in the next year ahead of the items being considered in Q6.

Q7. Are there other issues we should review? Which issue(s) are in your view the most material and why?

Rebates



SSE is 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. It appears that this situation is not addressed in the current policy i.e. rebates from Distribution to Transmission customers is not provided for, therefore a rebate would not be forthcoming. This is an area in which new policy is required.

Firmness

There is a difference between physical and financial firmness. The UR stated at the workshop that firmness was a SEM matter. 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.

For clarity, the UR already has responsibility in this regard as outlined in the SEM Generator Connection Policy Decision Paper published in 2006 (AIP/SEM/114/06) which states:

“The Regulatory Authorities consider that firm access should be provided only from the actual completion date of deep reinforcements, but that the system operators and network owners should be obliged to complete such reinforcements in a timely manner.”

In order for the system operators and network owners to be in a position to complete reinforcements the UR must provide an adequate level of capex for network investment. Every generator could be physically firm if the system proper is reinforced to allow for full physical export. If the UR were to redefine the policy to only provide non-firm offer, the developer is taking the bulk of the risk and is unlikely to satisfy a financiers requirements. In effect, the provision of non-firm offers in an environment where no strategy for meaningful system reinforcement is in place will halt the generation development in NI and would be contrary to the existing access policies.

