Utility Regulator's Consultation on the Introduction of Contestability in Connections

SONI Response

27 February 2015

System Operator for Northern Ireland

1. INTRODUCTION

Thank you for providing the System Operator for Northern Ireland (SONI) with an opportunity to respond to the Utility Regulator's Consultation on the Introduction of Contestability in Connections 2nd December 2014. 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 welcome the move towards contestable connections in Northern Ireland 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 from this consultation process.

This paper is prepared in a format which firstly sets the context of the response by providing some background information and considerations from an TSO perspective followed by more specific responses to each of the questions asked in the consultation paper.

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

2. RESPONSE SUMMARY

SONI is responsible for providing connection offers to parties in Northern Ireland wishing to connect to the transmission network. SONI is presently responsible for defining the connection arrangement and identifying the shallow and, if necessary, deep assets required to facilitate the connection. SONI is also responsible for testing new connections to ensure that the connected equipment is compliant with the Grid Code and for the ongoing operation of the transmission system.

In relation to transmission connections SONI believe the basis upon which the Single Electricity Market (SEM) was built should also apply with the introduction of contestability for transmission connections in Northern Ireland. Contestability for transmission connections should be consistent for parties wishing to connect to the All Island transmission system.

SONI considers that looking at established contestability models in neighbouring jurisdictions is a sensible approach at a high level but it is important that the details of how the models actually work are not overlooked in determining how best to implement contestability in Northern Ireland.

The following highlights some key points identified in this response:

1. It is paramount 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. SONI's ability to meet its statutory duty to ensure that the transmission network is developed in a coordinated, economic and efficient manner should not be undermined by the introduction of contestability.

3. Contestability for connection assets should be available to all developers in Northern Ireland and the regime implemented should not present an unnecessary hindrance or barrier to any developer's ability to request and deliver a transmission connection contestably.

4. SONI recognises that there is growing pressure from developers wishing to connect to the Northern Ireland transmission system in a contestable manner. Therefore the ease and speed of implementing any contestability model should be considered so as not to hinder progress for parties wishing to connect in Northern Ireland.

5. SONI believes that once the contestable transmission assets have been delivered to the required transmission standards and functional specifications, SONI as TSO should operate the contestable transmission assets, to ensure that it is able to discharge its obligations under statute, Licence and the Grid Code.

6. SONI understands the concept of accreditation but questions whether such a scheme is necessary for the successful implementation of contestability in transmission connections in Northern Ireland.

7. Shared transmission connection assets and the cluster policy in Northern Ireland are an important consideration in the implementation of contestability in Northern Ireland, as these differ from both Ireland and GB.

8. The roles of the TSO and TAO in Northern Ireland compared to the roles of the TSO and TO in Ireland and GB are different therefore careful consideration should be given to the impact of directly adopting established policies and procedures of either of the contestability models in Ireland or GB.

9. The simplest way of implementing contestability would be an “all or nothing” approach and this would be SONI’s preference. In other words, once the TSO defines which elements of a transmission connection offer are contestable and those which are not, the applicant either decides to contest all of the contestable elements or decides not to contest any of the elements.

3. BACKGROUND AND CONTEXT

As SONI holds the Transmission System Operator Licence in Northern Ireland, it is obliged, under Condition 25, to offer Terms to Users and Connectees of the transmission system in Northern Ireland. This means that SONI is responsible for providing connection offers to parties wishing to connect to the transmission network. SONI is presently responsible for defining the connection arrangement and identifying the shallow and, if necessary, deep assets required to facilitate the connection. SONI is responsible for testing new connections to ensure that the site is capable of complying with the Grid Code. SONI is also responsible for designing and obtaining consents for any transmission reinforcements triggered by parties connecting to the distribution system at 33kV.

Northern Ireland Electricity Ltd (NIE) as Transmission Asset Owner (TAO) in Northern Ireland is responsible for delivering all transmission assets. All transmission assets are owned by NIE and operated by SONI. The relationship between SONI and NIE is outlined in the Transmission Interface Arrangements (TIA). This has been in place since the start of SEM in 2007 and was recently updated to reflect the transfer of the transmission planning function from NIE to SONI on 1st May 2014.

SONI considers that looking at established contestability models in neighbouring jurisdictions is a sensible approach at a high level but that the details of how the models actually work should not be over looked in determining how best to implement contestability in Northern Ireland.

It is also important to consider the role of the Utility Regulator in contestability. If a disagreement were to arise between any of the TSO, TAO, the applicant or the party responsible for the delivery of contestable assets that could not be resolved by following established rules and procedures on contestability, a dispute resolution framework would need to be in place.

3.1. HIGH LEVEL PRINCIPLES

SONI welcomes the move towards contestable connections for both onshore and offshore connections in Northern Ireland and is supportive of the introduction of contestability in connections in Northern Ireland.

It is in the interest of both current and future users of the transmission network, and indeed the Northern Ireland customer, that the transmission network is developed in a coordinated, economic and efficient manner. This is an obligation on the TSO as stated in Article 12 of The Electricity (Northern Ireland) Order 1992 and also in SONI's TSO Licence. SONI's ability to discharge this duty should not be undermined by the opening up of rights to deliver contestable transmission connection assets to parties other than the TSO/TAO. In other words, elements of a connection which would affect this duty should be deemed non-contestable.

Any framework for contestability in connections should ensure that network assets are constructed to the specification and in the location that is most appropriate for the long term

needs of the system, and the mechanisms which secure this public benefit must be carefully considered. To that end, the planning and development of the network should be clearly confirmed as being non-contestable. In particular, SONI's right to determine a TSO preferred connection method, as opposed to the Least Cost Technically Acceptable (LCTA) connection method, should not be lost with the introduction of contestability in Northern Ireland. It is essential that this right is maintained so that the introduction of contestability does not create a barrier to future connections.

As outlined in the Memorandum of Understanding between the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of Ireland, the philosophy upon which the Single Electricity Market (SEM) was built was to *"…incorporate a harmonised approach to transmission connection policy and planning criteria for transmission networks and activities, and appropriate regulatory and contractual arrangements for the planning, development, operation and contractual access for connection to and use of the transmission systems in Northern Ireland and Ireland being undertaken on an appropriately co-ordinated all-island basis…"* [1] In SONI's opinion implementing contestability procedures for transmission connections in Northern Ireland that are similar to those existing in Ireland would be in keeping with this philosophy, providing it is the right option for Northern Ireland.

3.2. CURRENT PROCESS IN NORTHERN IRELAND

As background, SONI considers it would be beneficial to explain how parties currently connect to the transmission system in Northern Ireland.

- Parties wishing to connect to the transmission system enter the formal connection offer process by submitting a connection application to SONI.
- At a high level, SONI is responsible for the determination of the connection point, high level functional design of the connection arrangement and indicative route selection.
- As part of the offer process and in accordance with the TIA, SONI applies to NIE (TAO) for a Construction Offer which details the cost of delivering the connection to the high level functional design provided by SONI.
- SONI then compiles the connection offer which details the connection point, high level functional design of the connection arrangement, indicative route selection, indicative costs for pre-construction activities and indicative costs of construction activities.[2]
- On acceptance of a connection offer, SONI can subsequently accept the Construction Offer from NIE and enter into a Construction Agreement.
- SONI can proceed with pre-construction activities and on completion, a fully consented connection project is handed over to NIE TAO for the construction stage.

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[1] Memorandum of Understanding between the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of Ireland (December 2006)

[2] The detail of the transmission offer process is provided in Section D of the TIA.

- NIE produces a detailed design, procure all materials, deliver and commission the connection.

3.3. CURRENT PROCESS IN IRELAND

The consultation paper provides some detail on how the contestability model works in Ireland. SONI considers that a deeper assessment of the approach adopted there would be useful to ensure the accuracy of any assessment of the issues that could arise if this was translated to Northern Ireland.

In Ireland, when an applicant is contesting their connection to the transmission system, it is the applicant who is responsible for delivering the contestable works to the required transmission standards. The applicant is always the point of contact with the TSO. The review and assessment of contestable works are managed between the TSO in Ireland, EirGrid, and TAO in Ireland, ESB, in the following way.

On acceptance of a contestable transmission connection offer, the TSO and TAO assign the following roles to the contestable project:

- *TSO Project Manager* – the TSO Project Manager is the main point of contact with the applicant and manages the connection programme including connection dates and coordination of any required transmission system outages to facilitate the connection.
- *TSO Client Engineer* – the TSO Client Engineer manages the technical aspects of the connection reviewing the contestable works at various stages of the project. The Client Engineer thoroughly reviews the design of the contestable parts of the connection and also monitors the progress of the connection, the quality of the work, performs site inspections and witnesses the installation of items such as earthing equipment etc.
- *TAO Project Leader* – the TAO Project Leader is involved in the technical aspects of the connection particularly when the project moves towards the commissioning stage.

The first stage of the process is normally for the TSO Client Engineer and TSO Project Manager to hold an initial meeting with the applicant. The purpose of the meeting is to define roles, responsibilities and communication protocols for the project. The TSO Client Engineer will need to produce a Functional Specification Pack to enable the applicant to begin the contestable works so a timeline for delivering this to the applicant is indicated.

The TSO Client Engineer will then produce the Functional Specification Pack for the connection. The Functional Specification Pack contains information such as detailed Single Line Diagrams (SLDs), substation layouts, signals list, earthing requirements etc. In addition the TSO Client Engineer provides the technical functional specifications and protection specifications to which the applicant must adhere to when carrying out the contestable works. The contestable works can start once the Functional Specification Pack is delivered to the applicant and the TAO Project Leader.

The applicant must provide the detail design in adherence to the functional specification provided by the TSO to the TSO Client Engineer for consideration, this is the first review. The review process takes place at various junctures throughout the process and feedback between the applicant and the TSO Client Engineer is usually an iterative process.

Although the TSO Client Engineer has sight of the design throughout the process, the onus is always on the applicant to ensure that their design and contested works are consistent with the Functional Specification Pack, meeting the provided transmission standards and functional specifications.

When the project reaches the pre-commissioning stage the TAO Project Leader becomes more involved, with the responsibility for co-ordinating commissioning activities, ensuring TAO staff are familiar with the connection and liaising with the TSO Client Engineer and TSO Project Manager with respect to commissioning timeframes. At the pre-commissioning stage, no live testing is carried out. There is a suite of Pre-Commissioning Technical Schedules which the applicant must complete and sign, to confirm that the contestable elements of the connection that are being delivered are ready to be commissioned and handed over to the TSO and TAO (no parts of the connection are live at this stage).

The TAO Project Leader then assigns a Commissioning Engineer to the project. The Commissioner's role is to commission the connection against the design before connection to the live network. The Commissioning Engineer uses a "Snag List" to log any items with the contestable works that are causing issue. The Snag List is fed back to the TSO Client Engineer to be resolved. All items must be resolved before the connection can be energised.

The TSO Client Engineer and TSO Project Manager coordinate the energisation of the connection by ensuring an Operational Instruction and an Energisation Instruction are issued by the TSO Operations department in the required timeframes. The TSO Project Manager and TAO Project Leader liaise with each other to ensure the energisation date can be met. The TSO Project Manager ensures that applicant has approved and adequately trained operators to complete commissioning works on applicant's side of the substation boundary. Assets are then energised and connected to the live system.

3.4. CURRENT PROCESS IN GB

SONI would also like to describe our understanding of contestability in connections works in GB.

In England and Wales National Grid Electricity Transmission plc (NGET) is both TAO and TSO owning and operating all transmission assets. Transmission assets are defined as voltage levels greater 132kV in England and Wales.

In Scotland, NGET is TSO operating all transmission assets with Scottish Power Transmission Limited (SPT) and Scottish Hydro Electric Transmission plc (SHE) being the TAOs. Transmission assets are defined as voltage levels at 132kV and above in Scotland.

The structure of the Scottish system seems to best align with that in Northern Ireland so any parties wishing to connect to the transmission system in Scotland apply to NGET for a

connection offer in the same way that parties wishing to connect to the transmission system in Northern Ireland apply to SONI.

It is our understanding that contestability in transmission connections theoretically exists, but that with NGET's very shallow connection charging methodology, transmission applicants are not actively pursuing contestable connections.

It is also SONI's understanding that there is no provision for third parties in Scotland to be independent transmission owners (like there is at distribution level). Therefore, it appears that the Independent Distribution Network Owners (IDNOs) referred to in the Utility Regulator's consultation paper cannot own and operate assets at 132kV in Scotland, like they can in England and Wales.

In GB IDNOs in addition to the six DNOs have been established. IDNOs can operate and maintain contestably built assets in any region of GB.

SONI's understanding of how the contestability model in GB works for distribution connections is that when an applicant is contesting their connection to the transmission system in GB, the applicant appoints an accredited Independent Connection Provider (ICP) who is responsible for delivering the contestable works to the required transmission standards. The review and assessment of contestable works are managed between the ICP and DNO or TSO where applicable. The DNO is responsible for any review and assessment of the design and build of the contestable assets.

The Lloyd's Register operates the National Electricity Registration Scheme (NERS) on behalf of the DNOs in GB. Accreditation is awarded to ICPs and represents the achievement of a high technical, quality and safety standard recognised by all the GB DNOs. An ICP can opt to become accredited for different levels of work at voltage levels up to and including 132kV (with 132kV being defined as distribution voltage level in England and Wales). ICPs can elect to be assessed for accreditation for the following contestable works associated with the installation of electrical connections[3]:

- design
- project management
- cable laying (LV,11kV, 33kV, 132kV)
- cable jointing (dead LV, live LV,11kV, 33kV, 132kV)
- overhead lines wooden pole and/or steel tower (up to 132kV)
- substation installation (up to 11kV/415V)
- substation installation (11kV, 33kV, 132kV)
- all associated civil engineering works including excavation, cable laying and backfilling
- network switching and intrusive cable identification

It is worth nothing that the contestability model in GB has been driven by the fact that there are multiple DNOs in GB with different specifications and standards in different regions of

[3] www.lloydsregister.co.uk/schemes/NERS/

GB. The accreditation scheme accounts for this and permits ICPs to operate in different DNO areas.

It may also be worth pointing out that Ofgem's Draft Forward Work Programme 2015-16 does indicate that contestability in transmission projects and improving competition in distribution connections is on their agenda.[4]

[4] https://www.ofgem.gov.uk/ofgem-publications/92189/forwardworkprogramme2015-16.pdf

4. SONI RESPONSE TO CONSULTATION QUESTIONS

The following section of SONI's response paper provides specific information in relation to the questions asked in the consultation paper.

Question 1: Are there any other factors in Northern Ireland not discussed in Section 4 that should be taken into consideration when implementing Contestability?

In relation to paragraph 4.12 in the consultation paper, SONI would like to clarify that since the transfer of the transmission planning function from NIE to SONI in May 2014, SONI, on behalf of NIE, obtain any wayleaves, easements or consents for transmission infrastructure. Suitable arrangements would have to be put in place for any other party to be able to complete these activities.

Regarding paragraph 4.1.3 in the consultation paper, the present structure of the relationship between SONI, transmission connectees and NIE is detailed in the TIA. As contestability will change the existing processes it will be necessary to amend the TIA to reflect any changes.

Furthermore, as the roles of the TSO and TAO in Northern Ireland compared to the roles of the TSO and TAO in Ireland and GB are different, careful consideration should be given to the impact of directly adopting established policies and procedures of the contestability models in either Ireland or GB. SONI would like to highlight the following differences as important considerations:

- SONI as TSO in Northern Ireland do not presently own any transmission assets in Northern Ireland whereas NGET as TSO in GB do own transmission assets in England and Wales.
- As indicated previously, the Client Engineer role in the contestability model in Ireland resides with the TSO. Currently in Northern Ireland under the TIA the role of the Client Engineer (for non-contestable transmission connections) is shared between the TSO and the TAO, with SONI responsible for the planning and pre-construction elements of a transmission connection and NIE responsible for the detailed design and construction elements of a transmission connection.
- Northern Ireland has a neighbouring TSO in Ireland, EirGrid. Under Condition 27 of SONI's Transmission System Operator Licence, SONI is obligated, if requested, to offer terms to the TSO in Ireland for the connection of generation. This is also reflected under Section D of the TIA. NGET in GB would not have the same cross-jurisdictional obligations, therefore the contestability model chosen for Northern Ireland should take account of this difference.
- In GB (England and Wales only) the DNO is responsible for connections at 132kV. In Northern Ireland it is the TSO who is responsible for connections at 110kV and above so the arrangements in GB may not be directly transferrable.

When considering the implementation of contestability in Northern Ireland, any differences in charging rules between Northern Ireland, Ireland and GB should be examined.

As indicated in SONI's response to the Contestability Questionnaire in October 2013, the Utility Regulator issued a Next Steps Paper in December 2013 on "Connection Arrangements for Offshore Generation" and this paper stated that "…unless otherwise specified, all licences issued under the Electricity Order (NI) 1992, cover territorial waters also. Both NIE and SONI's licences simply state that the licence covers "Northern Ireland", therefore based on The Northern Ireland Act 1998 they cover both onshore and offshore territories." SONI does not consider it appropriate that there should be any differentiation between onshore and offshore connections when it comes to applying contestability. In relation to contestability for offshore connections any differences in legislation between Northern Ireland, Ireland and GB should be accounted for in the implementation of contestability in Northern Ireland.

Question 2: From the models highlighted in RoI and GB (Section 5), which do you think would present the best option for NI and why?

To clarify in relation to paragraph 5.1.1 of the consultation paper, contestability for transmission connections was introduced in Ireland via legislation in 2000.[5] This was followed by ESB National Grid, the TSO at the time, publishing a set of contestability guidelines in March 2002. These guidelines have since been revised and the updated guidelines were published by EirGrid in October 2007. Contestability for distribution connections was subsequently introduced in Ireland via legislation in 2009.[6]

At a high level the general principles of the contestability models in Ireland and GB are very similar, therefore SONI would like to present the elements of the contestability models that are similar, and which, as outlined in SONI's response to the Utility Regulator's Contestability Questionnaire, are consistent with SONI's view of contestability in transmission connections in Northern Ireland.

The elements of contestable connections which are deemed non-contestable in both GB and Ireland are:

- Determination of connection point
- High level functional design of the final connection arrangement
- Functional specifications for equipment and transmission standards
- Design review and approval
- Any works connecting to or which cannot be carried out safely from the existing live system
- System protection, communications and metering
- Deep reinforcement of the transmission system

[5] S.I. No. 445/2000: European Communities (Internal Market in Electricity) Regulations, 2000
[6] S.I. No. 226/2009: European Communities (Internal Market In Electricity) Regulations, 2009

The elements of contestable connections which are deemed contestable in both GB and Ireland are:

- Detailed connection design
- Route and site selection
- Site acquisition
- Wayleaves, easements and planning consents
- Procurement in keeping with functional specifications
- Construction of assets up to the existing transmission system (including offshore assets)
- Pre-commissioning works (no live works)

The major differences between the contestability models in GB and Ireland seem to be:

- *Management of Contestable Works and Accreditation*
  Contestable activities in GB are exclusively carried out and managed by ICPs who must be accredited using Lloyd's Register whereas contestable activities in Ireland are managed by the applicant and no accreditation scheme exists.
- *IDNOs*
  Independent Distribution Network Operators (IDNOs) in addition to the six DNOs in GB have been established in GB. The IDNOs can operate and maintain contestably built assets in any region of GB.
- *Live Works*
  Some live works on the LV distribution system are contestable in GB and non-contestable in Ireland.
- *Commissioning*
  Commissioning is contestable in GB, witnessed by the DNO, and is currently non-contestable in Ireland.
- *Industry Structure*
  There are multiple DNOs and TAOs in GB, consequently one contractor could be obliged to meet different standards for each network owner, while in Ireland there is one TAO/DNO with one set of standards. This results in less complexity for the contractors providing the construction services in Ireland than in GB.

SONI have prepared this response to Question 2 around the elements of the contestability models in GB and Ireland which differ.

Referring to Section 3.4 of this response, the commentary provided with regards to contestability in GB is purely looking at the workings of their contestability model, albeit being used for distribution connections in GB. Further thinking is required when considering the GB model for transmission connections.

In assessing whether the contestability model in GB or in Ireland presents the best option for Northern Ireland, SONI believes it is paramount that the contestability model chosen for Northern Ireland is suited to and correct for the Northern Ireland electricity industry.

Although GB and Ireland each have their own contestability models which work well in their respective jurisdictions, how suitable these would be for the electricity industry in Northern

Ireland, with its subtle differences in legislation and TSO/TAO responsibilities, should be evaluated.

SONI recognise that at transmission level, there is growing pressure from developers wishing to connect to the Northern Ireland transmission system to be able to do so contestably. Therefore the ease of implementing certain aspects of the contestability models that have been established in GB and Ireland should be considered so as not to hinder progress on the implementation of contestability for parties wishing to connect in Northern Ireland.

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. SONI believe it would be best aligned with our duties to promote competition, to align with the overarching principles of contestability that currently exist and work well in Ireland for transmission connections, so long as they are practical, can be implemented in a timely manner and represent the best choice for Northern Ireland.

SONI would now like to discuss in more detail the differences between the GB and Ireland contestability models outlined above from a TSO perspective.

Management of Contestable Works (ICPs versus Applicant Managed)

As explained previously, contestable connection activities in GB are exclusively carried out and managed by ICPs whereas contestable connection activities in Ireland are managed by the applicant.

The model in Ireland works well and gives the applicant the opportunity to take full control of the contestable aspects of their connection and therefore have good visibility of the progress of the project. If the Ireland approach to managing the contestable works is preferred for Northern Ireland, SONI and NIE would need to be able to provide the required resources to perform the Client Engineer roles, Project Manager and Project Leader roles. A full understanding of the level of engagement and technical oversight required by the TSO and TAO would be necessary.

As alluded to previously, these roles, as they stand in Ireland, do not align exactly with TSO and TAO responsibilities in Northern Ireland. Currently under the TIA, the role of the Client Engineer, as defined by the Ireland model, is shared between the TSO and the TAO in Northern Ireland with SONI responsible for the planning and pre-construction elements of a transmission connection and NIE responsible for the detailed design and construction elements of a transmission connection.

The model in GB with the exclusive use of ICPs appears simpler. If the GB approach to managing the contestable works is preferred for Northern Ireland then how easily the ICP concept can be established in Northern Ireland should be considered.

In either model, a functional design pack is provided by the TSO/DNO for the contestable works to begin. In Ireland this is given to the applicant and in GB this is given to the ICP. The functional design pack provided by the TSO/DNO will contain all relevant transmission

standards, technical and environmental specifications that the contestable works must meet. In Ireland it is the applicant's responsibility to ensure that the contestable works meet these requirements and in GB it is the ICP's responsibility to meet these requirements.

Comparing the management aspect of contestable works between the GB and Ireland models it would appear that the role and responsibility of the ICP in GB captures the majority of the responsibility of the TSO Client Engineer, TSO Project Manager, and the applicant's project management role in the Ireland model. The ICP would not completely remove the all responsibility of the TSO and TAO roles outlined in the Ireland model but it would appear to have the potential to significantly reduce their workload.

It would seem that the model in Ireland could suit large developers/investors, as they may have the resources and expertise required to manage and deliver the contestable project. On the other hand the GB model could suit smaller less experienced developers/investors, as they may not have the resources or expertise required to manage and deliver the full contestable project.

Experienced/specialist developers may see the ICP model as adding an unnecessary extra layer of cost and bureaucracy to contestability in connections when they are more than capable of doing the contestable works themselves to the required standards.

Less experienced developers may see the ICP model as a way that they could deliver a connection contestably to the necessary standards, without assuming more risk than they (or their investors) are comfortable with. From a TSO perspective, the first design review process could involve a steep learning curve for less specialist developers, who would be responsible for ensuring that the contestable works are delivered to the appropriate standards. They would also need to have contracts in place to transfer the obligations onto their designer/contractor.

The important issue is to make sure that competition in connections is available to all types of developers in Northern Ireland and that the regime implemented does not present an unnecessary hindrance or barrier to any developer's ability to request and deliver a connection offer contestably.

SONI believes that giving the applicant the option to deliver the contestable works themselves (as per the model in Ireland) or use an accredited ICP (as per the model in GB) could suit Northern Ireland but that the contractual relationship should be between SONI and the applicant in both cases.

Many parties wishing to connect to the Northern Ireland transmission system operate in both Ireland and Northern Ireland. Therefore many industry participants who are keen to see the implementation of contestability in Northern Ireland would in fact be ready, willing and able to take advantage quickly of contestability in connections in Northern Ireland under a similar model to that in Ireland.

Accreditation

The contestability model in Ireland does not include the use of an accreditation scheme whereas the contestability model in GB includes the use of the Lloyd's Register accreditation scheme.

On one hand, from a TSO perspective, it would appear that accreditation provides a certain level of confidence that the contestable elements of a connection will be delivered to the required quality and standards.

On the other hand if there is a contract in place with either the applicant (as in Ireland) that the contestable works must meet the requirements of the functional design pack and the TSO/TAO assesses and approves the contestably delivered assets the need for and value added by an accreditation scheme seems questionable. It should be considered that with only one TSO and one TAO/DNO in Northern Ireland whether an accreditation scheme is really necessary, or would it become an unnecessary overhead?

As already mentioned, SONI understands that introducing contestability as promptly as possible is important for the industry and that the implementation of an accreditation scheme could introduce delay.

SONI recommends that an evaluation is carried out on whether or not the Lloyd's accreditation scheme used in GB is suitable, in its current format, for use in Northern Ireland for transmission connections. The evaluation should also consider the costs involved in Lloyd's accreditation scheme, willingness among local service providers to sign up for it, as well as the timelines for its implementation. Based on this, an informed decision can be made on the impact of making accreditation mandatory as a first step in the introduction of contestability in Northern Ireland.

At this point in time, SONI question whether accreditation is necessary for the successful implementation of contestability in connections in Northern Ireland. SONI believe that an accreditation scheme could be considered as an enhancement to any contestability model in the future.

If accreditation was deemed necessary for contestable works in Northern Ireland, this would seem to be the only barrier to parties already operating on an All Island basis being able to effectively "hit the ground running" when contestability is introduced in Northern Ireland.

IDNOs

As TSO for Northern Ireland, SONI believe that once the contestable transmission assets have been constructed, providing that they have been delivered to the required transmission standards and functional specifications provided by the TSO/TO and subsequently approved and accepted by the TSO and TAO, SONI as TSO should operate the contestable transmission assets.

SONI would expect transmission asset ownership and maintenance to be keeping with present industry structures. The ownership of contestably delivered transmission assets

should not interfere with SONI's Licence obligations or SONI's ability to ensure compliance with Grid Code.

In any scenario where contestable transmission assets are not to be adopted by the TAO, SONI would need to fully understand the implications of such an arrangement and would be willing to enter into more detailed discussions on this.

Commissioning

The GB model permits commissioning to be contestable with the DNO witnessing the commissioning. The Ireland model does not currently deem commissioning a contestable activity. This can only be carried out by the TAO. SONI believe it would be simpler in the first instance to make commissioning a non-contestable activity and would not see this being a barrier to successful implementation of contestability in connections in Northern Ireland. It could be considered at a later stage once contestability has been established in Northern Ireland and the industry is more familiar with the concept.

Live Works

The GB model permits some live works on the LV network to be contestable. In Ireland works to the live system are not contestable including certain limited works and assets that cannot be safely separated from existing live system. It should also be noted that NIE do not recognise the Lloyd's accreditation in relation to safety, therefore if live works were to become contestable in Northern Ireland, NIE would need to be in a position to provide training to third parties on NIE's Safety Rules. SONI operate the transmission system in accordance with NIE's Safety Rules and our Licence obligations and will continue to do so as contestability is introduced in Northern Ireland.

Question 3: From the issues highlighted in Ofgem's review (Section 6), are there any that cause a significant threat to contestability being successful in NI?

SONI have reviewed the issues highlighted in the consultation paper, considered the relevance from a transmission perspective and have the following comments.

In relation to paragraph 6.2.1, differing accreditation schemes for DNOs should not be an issue in Northern Ireland if an accreditation model is introduced. There is only one DNO/TAO and one TSO in Northern Ireland therefore there should be no conflicting standards or requirements.

Regarding in paragraphs 6.2.2 and 6.4.1, NIE (and SONI on behalf of NIE for transmission assets) have statutory right to seek necessary wayleaves for third party land from the Department of Energy Trade and Investment (DETI) which could give the DNO/TSO an advantage over independent parties delivering that aspect of a contestable connection. In saying that, SONI does not see this as a threat to the successful implementation of contestability in Northern Ireland providing suitable arrangements are put in place to allow

any party other than SONI/NIE to be able to complete all works necessary to deliver the contestable elements of a transmission connection.

Paragraph 6.2.3 relates to an overly onerous review process for contestably delivered activities. SONI/NIE, as licenced parties with ongoing obligations and responsibilities must ensure that the assets installed by third parties are fit for purpose, compliant with all specifications and standards and meet all design and safety requirements. The level of involvement of the TSO/TAO in the design and build of the contestable assets will have a direct impact on the ability to accept the assets at the end of the process. If the roles of all parties are properly defined at the outset, accepted by all parties and followed then they should not be a threat to contestability.

Paragraph 6.3.2 alludes to applicant's nervousness around exercising their contestability rights and requesting a third party to deliver the contestable activities rather that the DNO. This would appear to be expected, and prudent if they do not already have experience of these activities. With the introduction of contestability in connections it is up to the applicant to evaluate whether they would prefer to contest the delivery of the connection or not. It is also mentioned that applicants can be concerned that DNOs may hinder the progress of a contested connection. If appropriate obligations and consequences are placed on the DNO/TAO, then this should not become an issue in Northern Ireland.

Paragraph 6.3.3 refers to the re-issuing of connection offers and quotes. SONI believe that the offers made in Northern Ireland would be consistent with the present model providing clear costs for the delivery of all relevant connection works by the TSO/TAO. This quotation could contain information regarding contestable works, non-contestable works and the associated costs. It would then be up to the applicant to advise the TSO how they wish to proceed with the offer and, in so doing, SONI believe the issues raised in paragraph 6.5.1 should not arise. SONI would note that the arrangements and timescales for offer/acceptance of transmission connection offers may need to be amended if the method adopted was markedly different from existing industry arrangements.

In conclusion, SONI do not believe that any of the issues highlighted in Ofgem's review into Competition in Connections in GB case a significant threat to contestability being successful in Northern Ireland.

Question 4: Is there any documentation that has been missed from the list detailed in 7.11.1?

SONI have identified the following items that may require to be updated but that have been not been included on the list of documentation as detailed in 7.11.1 of the consultation paper that may require updating to facilitate contestable connections in Northern Ireland:

- The Electricity (Northern Ireland) Order 1992
- Electricity (Connection Charges) Regulations (Northern Ireland) 1992

Obviously the mechanism chosen will dictate which provisions will need to be updated. However, given that the framework, obligations and exemptions from connecting parties are specified in the Order, it will need to be considered as part of this review.

Question 5: Are there any other non-contestable works that are not outlined in 7.12 that should be considered?

In general, anything that affects SONI's right to comply with its statutory duties should not be contestable. In addition to those outlined in the consultation paper, SONI would consider the following aspects of a connection to be non-contestable.[7]

- *Contestable Elements of a Connection*
  The TSO should determine which elements of a connection method can be contested by the applicant and those which cannot. This should be set out in the connection offer. The elements of a connection that are contestable must be clearly defined at the outset and supported by the regulatory framework.

- *Determination of the Ownership Boundary*
  The ownership boundary should be determined by the TSO at connection offer stage. The connection point differentiates between assets owned and operated by the applicant and assets owned by the TAO (delivered contestably or not) and operated by the TSO. The definition of the connection point must also comply with NIE Safety Rules.

- *Outline Connection Design and Functional Specification*
  The TSO should be responsible for specifying the outline design and functional specification of the connection. The TSO/TO will also have complete responsibility for providing functional specifications for contestably built assets, with adequate controls in place to ensure contestable assets will be suitable for handover to the TO. The TSO/TAO should publish all relevant information to support the process.

- *Commissioning*

[7] SONI have based this answer around EirGrid's "Contestability of Connection Assets" document published in October 2007

The commissioning of contestable assets should not be a contestable activity. The TSO/TAO should specify and program all required testing and commissioning prior to energisation following proof from the applicant that the contestable assets are ready to be connected and energised.

Question 6: Do you agree with the approach described in 7.13.1?

As TSO for Northern Ireland, SONI agree with the approach described in 7.13.1. This agreement is premised on the understanding that:

- SONI will operate any transmission connection assets that have been delivered contestably.
- The contestable transmission assets have been constructed and delivered to the required transmission standards in keeping with functional specifications provided by the TSO/TAO and subsequently approved and accepted by the TSO and TAO.
- Transmission asset ownership and Operation and Maintenance fees are in keeping with present industry structures.
- The ownership of contestably delivered transmission assets does not interfere with SONI's Licence obligations or SONI's ability to ensure compliance with Grid Code.

Question 7: Should the connecting party be allowed to choose what contestable elements they wish to undertake?

There should be a clearly defined window following the issue of a connection offer where an applicant has the opportunity to choose to deliver the contestable works contestably. Once the decision has been made there should not be another opportunity to change the decision in relation to dedicated connection assets which have been contested.

Applicants should be aware that when they decide to contest an element of the connection, they take over the responsibility of the risk in delivering that aspect of the connection.

The simplest way of implementing contestability would be an "all or nothing" approach and this would be SONI's preference. In other words, once the TSO defines which elements of a transmission connection offer are contestable and those which are not, the applicant either decides to contest all of the contestable elements or decides not to contest any of the elements. This way, each connection that is contested is managed in a consistent manner for all applicants.

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However SONI note that for transmission connections there is a split between pre-construction activities and construction activities. Currently, in accordance with the TIA, SONI carry out the pre-construction element of the transmission connection and handover a fully consented project to NIE TO for the construction stage.

Therefore, if it was deemed that there was an appetite in Northern Ireland for a split in the contestable elements chosen to be delivered by a transmission applicant, SONI suggest that an appropriate option, could be that the applicant can choose to do only the construction stage of the contestable transmission works, with SONI carrying out the pre-construction stage of the contestable works.

It may be worth noting however that if the contestable works of a connection are split, it removes the onus on a single party to deliver the full connection which could have a negative impact on timelines for energisation. With timelines a major factor in the success of a connection project would it may not be sensible to have a split in responsibilities of delivering contestable assets.

SONI would not be supportive of splitting the contestable works into smaller elements than those suggested above as it would give rise to more problems with more interfaces and liabilities to manage.

Potentially, this is where the role of the Utility Regulator could be very important. If a disagreement were to arise between the TSO and the party responsible for the delivery of the contestable assets that could not be resolved by following established rules and procedures on contestability, the Utility Regulator would need to have the necessary expertise and resources to deal with such a dispute.

In Ireland there is a hybrid model which relates to the splitting of the planning and construction elements of a connection. The TSO and TAO in Ireland have used this type of arrangement with each other but not with the applicant. If the applicant were to contestably bring the project to planning consent stage, the TSO would need to decide, based on the planning work completed, whether or not the TSO would consider contesting the build. The System Operators (SOs) and asset owners will protect the Transmission Use of System (TUoS) customer but the applicant is not bound by such an obligation. This hybrid model hasn't been used to date in Ireland and hasn't been fully explored.

Consideration should also be given to the delivery of the 110kV aspect of a cluster. Arrangements should be put in place for the contestable delivery of transmission aspects associated with a cluster but whichever party within the cluster delivers the 110kV works must have agreement between all cluster connected parties.

Question 8: Are there any further policy considerations that have not been considered in 8.1?

SONI have no further policy considerations to those provided in SONI's response to the Utility Regulator's Call for Evidence on 31st October 2014.

Question 9: Are there any further practical considerations that have not been considered in 8.2?

In addition to the practical considerations outlined in SONI's response to the Utility Regulator's Call for Evidence on 31st October 2014, the following should be given due consideration.

- *Role of the TSO and TO in Northern Ireland*
  As the role of the TSO and TO in Northern Ireland as compared to the role of the TSO and TO in Ireland and GB is slightly different it is important that the contestability model adopted is appropriate.

- *Suggested improvements to the Ireland model*
  From a TSO perspective, the suggested improvements to the contestability model in Ireland at a practical level are in relation to the processes used and the commissioning phase.

  It is very important that the processes used in managing and tracking comments on the design throughout the life of the project are robust and it would help if the comments were centrally stored so that the EirGrid Client Engineer, and TO Project Leader can all access the comments. A lot is dependent upon the experience of the Client Engineer which can vary from project to project.

  The "Snagging Phase" can be a lengthy process as the Commissioner is not assigned to the project until the very end of the design and build phase (which might have taken 2 years). In this time, standards and specifications may have been updated and the Commissioner will be working to these updated standards. However what has been built will have been to the older standards and specifications. This can lead to significant delays in energising the project as the Commissioner was not involved in any of the design discussions or decisions. The TAO Project Leader and Commissioner could become more involved earlier in the project. This should assist in a smoother handover.

- *Functional Specifications*
  It should be noted that the functional specifications in Ireland give the applicant flexibility in their design by not being equipment specific. They can choose any piece of equipment provided that it meets the required specification. If it transpires that a piece of equipment does not meet all specifications, e.g. one clause is not met by the applicant's choice of equipment, there is the possibility for the applicant to get a derogation from complying with that particular clause. The functional specifications include requested warranties on the contestable equipment provided by the applicant.

  For this to work however, it is essential that adequate controls are in place in relation to engineering design standards, the quality of materials used, standard lifetime of assets, the methods for construction and the procedures for commissioning of plant connecting to the transmission system. In addition, the practical implications of non-standard equipment being used should be considered.

- *Shared Connection Assets and Clusters*
  The rules for any single party involved in a cluster to deliver the 110kV assets of the cluster connection contestably must be clearly understood and rules established at the outset. As per the NIE Statement of Charges[8], it is within NIE's remit to justify a cluster for distribution generation using generation sites either with planning permission granted or those in the planning process. The NIE cluster arrangements will need to be modified to reflect any decisions made regarding contestable asset delivery. It is essential therefore that any criteria that must be in place before a shared connection asset or cluster can proceed contestably is established on implementation of contestability. A party involved in a cluster or shared connection should not be able to seek an alternate offer from the TSO.

  Similarly the rebating of connection charges to parties involved in transmission connections must be fully understood and implementable. A party making use of connection assets that were funded by an earlier party must make an appropriate contribution to the party who originally delivered the assets. In addition, a basis for re-charging is required in the event that circumstances change in relation to assets in the process of being designed or delivered by one applicant that could be used by a new applicant.

[8] Statement of Charges for Connection to the Northern Ireland Electricity Distribution System (October 2013)