

# NIE Medium Term Plan

## Final Decision

22 February 2012

### APPENDIX A CONSULTATION RESPONSES

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1.1 Our consultation on our proposed decision on Northern Ireland Electricity's Medium Term Plan closed on 22 January 2013. We received non confidential responses from the following organisations:

|                     |   |
|---------------------|---|
| Wind Watch NI ..... | 2 |
| NIRIG .....         | 3 |
| Energia .....       | 3 |
| RES.....            | 3 |
| NIE .....           | 3 |
| Ken McLeod.....     | 6 |

1.2 In the pages overleaf we have summarised the principal points made in each of these responses, and our response in turn to each of these.

## Comments from respondents to the proposed decision

| Ref | Organisation  | Comment  | Our response  |
|-----|---------------|--|---|
| 1   | Wind Watch NI | This respondent has raised a number of concerns related to government policy and the design of the wholesale market. | <p>We would refer Wind Watch NI to a number of other work streams that focus specifically on the respondents concerns. Details of these can be found on the Single Electricity Market Website (<a href="http://allislandproject.org">allislandproject.org</a>)</p> <p>These include:</p> <ul style="list-style-type: none"> <li>• Scheduling and Dispatch in the SEM</li> <li>• Harmonised Ancillary Services</li> <li>• Locational Signals in the SEM</li> <li>• Market Integration</li> </ul> <p>The issues raised concerns about have been consulted upon previously on an all island basis, through the SEM committee. In particular, we would refer the respondent to the recent consultation on European Market Integration<sup>1</sup>. This ongoing work would provide an opportunity for the respondent to raise its concerns about payments to wind generators under any changes to the wholesale market.</p> |
|     |               | This respondent raises concerns about the legal and policy framework that we are required to follow.                 | <p>As a regulator, we are obliged to implement government policy and comply with legislation. We suggest the respondent raises these concerns at a policy level with DETI.</p> <p>DETI is also responsible for the 40% target, which is specified in its strategic energy framework. DETI undertook full public consultation on this in 2009. It also completed a cost benefit analysis and other impact assessments when developing these policies.</p> <p>In addition, as a member of the EU we are obliged to comply with relevant legislation, for example the Renewable Energy Directive.<sup>2</sup></p>  |
|     |               | The respondent raises concerns about how the grid is being used for the bulk transfer of electricity. He also        | We would refer the respondent to SONI, and in particular the TSO's DS3 <sup>3</sup> work stream. This focuses specifically on the long-   |

<sup>1</sup> [http://www.allislandproject.org/en/TS\\_Current\\_Consultations.aspx?article=5dc5e905-db0a-4cde-b3bb-5cf9b1873559&mode=author](http://www.allislandproject.org/en/TS_Current_Consultations.aspx?article=5dc5e905-db0a-4cde-b3bb-5cf9b1873559&mode=author)

<sup>2</sup> 2009/28/EC

<sup>3</sup> <http://www.eirgrid.com/operations/ds3/>

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|          |                | raises concerns about the technical characteristics of wind generation.  | term needs of the power system.   |
|          |                | The respondent raises concerns about the cost and carbon emissions associated with the dispatch of renewable generation. | We refer the respondent to the modeling undertaken for the Scheduling and Dispatch in the SEM work stream <sup>4</sup> .  |
| <b>2</b> | <b>NIRIG</b>   | Support the proposal to approve funding for Kells to Coleraine and Tamnamore   | No response required  |
|          |                | Would prefer to have full approval for Omagh to Tamnamore also   | Under NIE's licence, Dt items must be requested by NIE. As NIE have not requested funding for the construction phase of this project we cannot approve it. However, we have signaled our approval in principle and have approved the pre-construction costs that NIE have requested. The assessments have been undertaken for all three projects, which should speed up the approval process once we receive NIE's request for construction approval. |
|          |                | NIRIG have requested that NIE are incentivised to deliver the projects to a specific timescale.                          | We do not believe that there is merit in incentivising these two projects before statutory consents for the third project have been obtained. However, we will consider this form of incentivisation when preparing the construction approval for the Omagh – Tamnamore project.  |
| <b>3</b> | <b>Energia</b> | Endorse NIRIG response   | No response required  |
|          |                | Support the proposal to approve funding for Kells to Coleraine and Tamnamore   | No response required  |
|          |                | Energia notes that we didn't specify the financial benefit to consumers as a result of the reduced constraints.          | This analysis is included in SONI's paper which was attached to the consultation.<br>Please note that these values are based on the current market design, which is currently being assessed as part of the European Market Integration work stream.  |
| <b>4</b> | <b>RES</b>     | Endorse NIRIG response   | No response required  |
| <b>5</b> | <b>NIE</b>     | Support the proposal to approve funding for Kells to Coleraine and Tamnamore   | No response required  |
|          |                | Detailed comments on the text of the paper.  | Where appropriate, we have updated the text of the final decision paper to reflect these comments.  |

<sup>4</sup> <http://www.allislandproject.org/GetAttachment.aspx?id=20cff228-2b30-48af-af07-539a3c65523c> ( paper number SEM-09-002)

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|  | <p><b>Section 1.4 Bullet point 3</b></p> <p>Whilst the Renewable Integration Development Programme (RIDP) will propose 275kV development it will also include associated 275/110kV and 110kV elements.</p>   | Noted   |
|  | <p><b>Section 1.5 Medium Term Plan</b></p> <p>Whilst the 3 projects are the most significant part of the NIE Medium Term Plan (MTP), there will be future MTP projects to further increase capacity on the transmission network. This submission does not complete the MTP.</p>  | Noted   |
|  | <p><b>Section 1.6 Request</b></p> <p>NIE have obtained Planning Approval for the Omagh – Tamnamore 3rd circuit as stated, but have not started work on obtaining wayleaves or easements. This will commence when the UR has granted approval for the pre-construction work (£1.25m).</p>   | Noted   |
|  | <p><b>Section 1.7 Approval</b></p> <p>Whilst NIE welcomes the conclusion that UR is minded to approve the construction work for Tamnamore Phase 2 (£25.2m) and Kells to Coleraine (£2.6m), we would also request approval for the pre-construction work for Omagh to Tamnamore 3rd circuit, estimated at £1.25m. NIE also welcomes UR’s proposal to approve in principle the construction work for Omagh to Tamnamore 3rd circuit.</p> | The proposed decision included approval of the pre-construction costs. This will be stated explicitly in our approval letter to NIE.  |
|  | <p><b>Section 2.3 Point 1 (project 1)</b></p> <p>The Kells to Coleraine project will involve up-rating the complete circuit, not critical spans. Part of the circuit has already been up-rated</p>   | Noted   |
|  | <p><b>Section 2.4 Omagh – Tamnamore 3rd circuit cost</b></p> <p>The UR quotes an estimated cost of the project at £16.0m including pre-construction (£1.25m). However on 12 December 2012 NIE updated the Utility Regulator of an estimated cost for this project of £20.0m. This did not include the £1.25m pre-construction costs.</p>   | <p>The proposed decision reflects the information available to our Board when it reached this conclusion. The increased value was provided too late to include in the board papers and was not supported by any further design information, while the £16 million figure had been justified by NIE staff.</p> <p>The construction approval will be based on much more robust cost data.</p> |
|  | <p><b>Section 2.5 Procurement</b></p> <p>Procurement activity has not started on the Kells to</p>  | Noted   |

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|  |  | Coleraine project. Some of the conductor (Invar) is available on a fixed term contract, the remaining conductor (GAP) will require a full procurement exercise.  |   |
|  |  | <b>Section 2.6 Commencing work on Omagh – Tamnamore 3rd circuit</b><br>NIE will commence work on the detailed design and wayleaves when the UR has granted approval for the pre-construction work (£1.25m).  | A formal approval letter will be sent to NIE with this paper.                 |
|  |  | <b>Section 3.5 FAQ (Firm Access Quantities)</b><br>The document states that no party is fully accountable for the provision of FAQ. It would be clearer to explain that NIE are responsible for delivering the infrastructure to increase the available FAQ. System Operator Northern Ireland (SONI) are responsible for the calculation and commercial application of the relevant FAQ.   | Noted   |
|  |  | <b>Section 5.1 &amp; 5.3 Impact on Customers</b><br>We note in paragraph 5.1 that NIE is allowed to recover depreciation associated with the Regulated Asset Base (RAB) and a Return on the RAB (including an amount to cover tax), we also note in par 5.3 that the statement is made that figure 1 shows charges to Generators and Suppliers if the entire £44m investment was added to the RAB in one year.<br>The information presented in figure 1 (para 5.3) is not however reflective of these two statements, because the impact of tax has not been factored into the calculations and the investment has been brought in over a number of periods, rather than the entire investment being added to the RAB in one year. | Noted   |
|  |  | <b>Section 6.8 Reference to actual efficiently incurred costs</b><br>The document states that “The actual efficiently incurred costs of the project will be added to the transmission renewables RAB.” It will be important that UR and NIE agree a process at the outset of the project whereby costs, as they occur, are considered against this requirement.  | As stated in the final decision paper, we will work with NIE to resolve this. |

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|   |            | <p><b>Section 6.9 Contingency</b></p> <p>The document states that the amount assessed includes 10% contingency and that NIE consider this sufficient to cover all foreseeable risks.</p> <p>NIE would comment that whilst 10% contingency has been included to provide the UR with the best estimate of the potential total cost of this project, the actual outturn costs of the work will differ from this; for example no provision has been included for unforeseen costs outside the control of NIE. In the same way that NIE will recover only the outturn cost if this is less than the estimate detailed in this submission, NIE in its submission has sought approval from the UR to recover the total outturn cost of the project, even if it is in excess of the submitted cost including contingency, subject to the Fund 3 provisions to be finalised as part of the RP5 price control.</p> | <p>We expect NIE to seek approval of any costs above these approval amounts before they are incurred.</p>  |
| 6 | Ken McLeod | <p>The respondent raised concerns about the technical characteristics of electricity generated by wind turbines.</p>   | <p>We refer the respondent to the System Operator (SONI) and in particular to the DS3 work stream.<sup>5</sup></p>   |
|   |            | <p>The respondent raised concerns about government energy policy and the impacts of wind power on the environment, including the carbon emissions.</p>   | <p>We refer the respondent to DETI for the concerns raised about its policy issues.</p> <p>We refer the respondent to the modeling undertaken for the SEM committee for information related to carbon emissions.<sup>6</sup></p> |
|   |            | <p>The respondent raised general concerns about the impact of wind power on the economy.</p>   | <p>We refer the respondent to DETI.</p>  |

<sup>5</sup> <http://www.eirgrid.com/operations/ds3/>

<sup>6</sup> <http://www.allislandproject.org/GetAttachment.aspx?id=20cff228-2b30-48af-af07-539a3c65523c> ( paper number SEM-09-002)