



Call for Evidence on **Review of Electricity Distribution and Transmission Connections Policy**

Introduction

The arc21 Joint Committee ('arc21') is a Local Government sector statutory entity encompassing six Constituent Councils located along the Eastern Region of Northern Ireland. These Councils cover approximately 33% of the land mass of Northern Ireland and includes approximately 59% of its population and accounts for approximately 60% of the national Local Government controlled municipal waste arisings.

The establishment of arc21 and its functions is embodied in NI legislation and associated agreements. Consistent with EU, UK and Northern Ireland policy and legislative frameworks arc21 it is primarily responsible for activities associated with the production, ongoing development and implementation of a common statutory Waste Management Plan for the six Constituent Councils of arc21. These are Antrim and Newtownabbey Borough Council, Ards and North Down Borough Council, Belfast City Council, Lisburn & Castlereagh City Council, Mid and East Antrim Borough Council and Newry Mourne and Down District Council.

The statutory waste management plan incorporates the internationally accepted waste hierarchy. As well as waste prevention, minimisation, re-use, recycling the hierarchy also includes energy recovery from waste. arc21 is currently in the process of a public procurement for regional scale waste treatment infrastructure that includes a facility to recover energy from fuel derived from council collected waste. The requirements for the public procurement are aligned with UK and NI energy policy in relation to reduction of the most damaging greenhouse gas emissions, energy security and resource management.

Background

The Utility Regulator ('the Regulator') recently published a Call for Evidence (CfE) relating to its review of electricity distribution and transmission connections policy. The responses to this call for evidence will be used to determine the areas that their proposed consultation will cover. Grid connections and related policy are matters that could be relevant to the delivery of critical regional waste treatment infrastructure.

The Regulator is planning to carry out a wide ranging consultation on grid connections policy in mid-2017. In advance of this it has published a CfE and held a workshop. The Regulator is inviting interested parties to express views on how grid connections policy should adapt to facilitate efficient connections in a way that ensures consumers only pay what is necessary.

The electricity system in NI transports electricity from generators to users such as homes and businesses. The System Operator (SONI) and NIE Networks (NIE) manage the electricity network at its various voltages. The Regulator seeks to protect consumers by ensuring SONI and NIE adhere to defined regulatory frameworks. At a practical level the Regulator licenses networks and monitors compliance with legal and regulatory frameworks.

The Regulator works within the policy framework set by the NI Executive. The Department for the Economy is the lead department for energy policy.

Grid connections policy has changed significantly in the past 18 months following NIE withdrawing the requirement for the generation site seeking a grid connection to have planning permission. This combined with the provisions related to the closure of the Renewable Obligation scheme has resulted in NIE receiving large volumes of applications.

In essence it seems to arc21 that the current challenge for the next 5 to 10 years is related to the allocation of essentially fixed and limited capacity by monopoly providers of networks to generators or an increase on that fixed capacity paid for by all or certain consumers or generators. The language adopted by the Regulator should reflect this - it is difficult to envisage it being a functioning market as it is constrained by extant legislation and various prior commitments and lack of transparency.

Call for Evidence

This response sets out the issues arc21 suggests stakeholders should be consulted upon.

Connections

arc21 believes it is correct to discuss what constitutes a “connection”. For example, an increase in ‘zero export’ connections, ‘over-installation’ and the use of onsite generation has, by definition, reduced the number of customers paying Use of Systems charges (UoS) and presumably will increase the costs to be borne by those customers who continue to pay UoS charges. This will eventually threaten an increase in customers’ bills to meet the overall agreed UoS charges that allow NIE to recover its investment in the Regulated Asset Base.

Prioritisation of Provision of Connections

arc21 understands NIE and SONI cannot discriminate between different types of generators in the NI regulated energy market. It may be appropriate to explore whether a multi-criteria basis for prioritising connections would have utility. The criteria (and any associated weightings) could be reviewable periodically (e.g. every 3-years) to keep them relevant to needs of consumers and system security and government policy.

Creation of a ‘secondary market’

Even for the purpose of elimination, arc21 suggests that a discussion of whether allowing the creation of a ‘secondary market’ could ever be appropriate (e.g. develop policy and legislation to allow the owner of grid connection capacity to trade this asset to another party for a price).

Connections Charging

Connection charging is discussed in the CfE. Currently NIE and SONI can charge applicants at their connection voltage and one above. It is possible in certain circumstances that an applicant would be willing to pay more “deep” connection costs if this had a material impact on prioritisation given to their connection application. Accordingly arc21 believes reviewing the connection charging framework with a view to allowing deeper charging should be a matter for consultation.

Connection Costs

The CfE discusses ‘estimated costs’ and ‘final costs’ and how the risks are mitigated regarding variations between both. The CfE highlights a disparity in rebates policy between transmission connections and distribution connections. arc21 considers improved certainty on costs and consistency of treatment should be something explored in the consultation.

Requirement for Planning Permission and other consents

In August 2015 NIE removed its’ requirement for a connecting customer to have planning permission before submitting a grid connection application. This change has resulted in a significant number of grid applications. arc21 believes it is appropriate to discuss with industry whether this should be brought back as a requirement in terms of prioritisation of grid applications. Further, in terms of alignment with government policy arc21 believes that other relevant statutory consents should be given some weight in prioritisation (e.g. whether consent of Article 39 of the Electricity Order has been obtained) and future consultation should include such other consents.

Generator Controllability

The CfE outlines the recent growth in Small Scale Generators (SSGs) and the problems this is causing NIE and SONI in operating the system where they have no control over what is now a large and growing block of generation. The CfE outlines that as more generation is connected (including more SSGs) then controllable generators are likely to face more output reductions. It is appropriate therefore to discuss this.

Cluster Policy

The policy of clustering connections has been in place for a number of years. The CfE says that the rationale for this is mainly to lessen environmental and visual impacts. arc21 believes there is merit in consulting on the appropriateness of persisting with a cluster policy in the light of significant policy and commercial changes that have taken place since the introduction of the cluster policy.

Managing the Connections Queue

The allocation of scarce grid capacity resource needs to have a basis in what is in the public good and consistent with and - as is noted in the CfE - any changes to connections policy must work within the strategic priorities identified by the NI Executive and the Programme for Government. A number of options are outlined in the CfE. Options include the requirement for planning permission, first-ready first-served (with development milestones), connect and manage, locational signals, discrimination in generation type etc.

These would be a radical change from the current system (but may be appropriate) and should be matters for consultation. arc21 considers alignment with government priorities expressed in environmental policy and compliance with central and local government statutory targets should also be an option taken into account in the consultation. If considered as a group such options do take you down the road of a multi-criteria prioritisation for decisions on the allocation of grid capacity.

Future Developments

The CfE discusses a number of further developments which, if progressed, are likely to have a significant impact on the electricity market on the island of Ireland including the North/South interconnector, DS3, flexible generation and storage. These developments in isolation and combined would be significant and their delivery (or abandonment or postponement or reduced scale) would impact on policy development. arc21 suggests that the Regulator should set out its current thinking in relation to the delivery of these future developments. This would allow industry to factor in the Regulator's assumptions as a reference scenario and possibly offer alternative scenarios based on their analysis as part of the consultation.

Transparency

The CfE discusses the options regarding pricing transparency. As discussed above arc21 feels this is an issue that needs consultation. This matter is related to a number of other aspects of grid policy such as contestability and “depth” of charging framework etc.

Notwithstanding extant NIE and SONI licence conditions it would be appropriate to consult on the experience of whether those in industry can find the relevant details of other grid applications. Currently the identity of other grid applicants is not published unlike in RoI. If the relevant information regarding other applications was available it would allow commercial and technical assessment of those in the vicinity of their projects.

arc21
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