



System Operator for Northern Ireland

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Ronan McKeown  
The Northern Ireland Authority for Utility Regulation  
Queen's House  
14 Queen Street  
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31 October 2014

Dear Ronan

**Response to Call for Evidence - Contestability in Connections**

Thank you for the opportunity to contribute towards your call for evidence relating to the contestability in connections to the electricity network in Northern Ireland. SONI, as Transmission System Operator, has considerable experience in facilitating connections to the transmission network in Northern Ireland and in ensuring grid code compliance for connections to both the transmission and distribution systems.

It is in the interest of both current and future users of the transmission network that the system is developed in a coordinated, economic and efficient manner; in fact this is an obligation on the Transmission System Operator that is enshrined in statute. SONI's ability to discharge this duty should not be undermined by the opening up of the right to deliver connection assets to parties other than the network owner. Any framework 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. The mechanisms which facilitate contestable connections must be carefully considered to ensure that they safeguard this public benefit. To that end, the planning and development of the network should be clearly confirmed as being non-contestable.

The main features of a framework that supports contestable connections while retaining the value provided to the wider customer base by the current arrangements include:

- SONI, as Transmission System Operator should facilitate connections to the transmission system, and should have responsibility for defining the connection arrangement and identifying the shallow and, if necessary, deep assets required to facilitate the connection

- Applicants should be provided with increased control and visibility of the progress of their connection project, in particular project cost and timescale;
- Any future rules should adequately provide for equal treatment between generators connecting directly to the transmission system and those that are connecting via a cluster. The technical specifications and levels of compliance monitoring should remain equal across all connections.

Through the wider EirGrid organisation, our staff have experience of delivering contestable connections in Ireland. We have drawn on this experience when compiling our response. In particular, in question 18, we have provided a summary of the lessons that have been learnt by going through this transition in Ireland, which is particularly relevant as the transmission connection policy is harmonised between the jurisdictions.

While your current review is specifically related to the delivery of connection assets which are funded by connecting customers, which is rightly the current priority, it is important not to lose sight of the rights that SONI currently has under the current framework<sup>1</sup>, to seek other parties to construct transmission assets.

We welcome the move towards contestable connections in Northern Ireland, and will be happy to provide support and expertise to your workstream to ensure a smooth transition to these new ways of working. To this end, we would be happy to meet with you to discuss both our submission and the ways in which we can work together to reach a successful and sustainable outcome from this process.

Yours sincerely



**Sarah Friedel**

**SONI Ltd**

cc. Eimear Watson  
Dick Lewis

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<sup>1</sup> We refer in particular to the TIA and the recent determination by the Competition Commission.

## Respondent Details

<b>Company Name:</b>	SONI Ltd
<b>Respondent Name:</b>	Eimear Watson
<b>Designation:</b>	Grid Operations Planning Engineer
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No.	Question	Your response	Consent to Publish Response (Y/N)
Q1	How would you define 'contestability'?	<p>SONI as Transmission System Operator (TSO) 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. NIE would deliver and continue to own all transmission assets and SONI would operate the transmission assets. SONI considers it is appropriate for transmission applicants to deliver the shallow assets defined by SONI to make a connection to the transmission system. A contestable connection refers to any shallow connection to the transmission system which may be delivered by a party of the applicants choosing (including the applicant themselves) and which may or may not be the Transmission Owner (TO) i.e. where all of the required shallow connection assets can be built by an applicant in order to connect the applicant's facility to the existing transmission system and then handed over to the TO (for on-going ownership) and the TSO for on-going operation.</p> <p>It is in the interest of both current and future users of the transmission network that it is developed in a coordinated, economic and efficient manner; in fact this is an obligation on the TSO that is enshrined in statute. SONI's ability to discharge this duty should not be undermined by the opening up of right to deliver connection assets to parties other than the network owner. Any framework 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.</p>	Y
Q2	<p>What do you see as the main benefits of introducing contestability in new connections:</p> <p>A) To the consumer?</p> <p>B) To your company?</p>	<p>SONI considers that contestability in transmission connections provides the following benefits:</p> <ul style="list-style-type: none"> <li>• It gives applicants increased control and visibility of the progress of their connection project, in particular project timescale and delivery of infrastructure.</li> <li>• It has the potential to bring about cost efficiencies to applicants.</li> <li>• The applicant can be fully responsible for planning permission for the project and assets required for shallow connection.</li> <li>• It means that the connection arrangements in Northern Ireland are closer to that of</li> </ul>	Y

		<p>neighbouring jurisdictions i.e. Ireland and Great Britain where contestability in connections is already in place. In particular, it means connection arrangements are more aligned with those in Ireland with applicants applying to connect to the All Island transmission system are treated equitably and offered similar privileges. This would seem sensible as generators in both jurisdictions compete in the Single Electricity Market (SEM), and the transmission connection policy was harmonised as part of the SEM implementation process.</p> <ul style="list-style-type: none"> <li>• Potential for cross-jurisdictional contestability between Northern Ireland and Ireland.</li> <li>• SONI would be able to provide a greater choice to customers for connections and be in a better position to assist customers to deliver more rapid connection arrangements.</li> </ul>	Y
Q3	What is the nature of your company's business?	SONI is the licenced Transmission System Operator for Northern Ireland.	Y
Q4	<p>What is your role in making new connections to the electricity network...</p> <p>A) At present?</p> <p>B) In the future?</p>	<p>As SONI holds the Transmission System Operator Licence in Northern Ireland, it is a licence requirement, under Condition 25, that SONI offers 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.</p> <p>SONI is responsible for testing new generation connections to ensure that the site is capable of complying with the Grid Code.</p> <p>As previously stated, it is in the interest of both current and future users of the transmission network that it is developed in a coordinated, economic and efficient manner; in fact this is an obligation on the TSO that is enshrined in statute. SONI's ability to discharge this duty should not be undermined by the opening up of right to deliver connection assets to parties other than the network owner. Any framework 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.</p>	Y

Q5	<p>What past experience do you have in making new connections to the electricity network...</p> <p>A) in Northern Ireland? B) or elsewhere? (Please state location)</p>	<p>As previously mentioned, SONI holds the Transmission System Operator Licence in Northern Ireland, it is a Licence requirement, under Condition 25, that SONI offers Terms to Users and Connectees of the transmission system in Northern Ireland. Therefore SONI has experience of delivering non-contestable connection arrangements in Northern Ireland.</p> <p>Since 2009, SONI is a member of the EirGrid Group along with EirGrid as TSO in Ireland and the Single Electricity Market Operator (SEMO). Through this arrangement SONI staffs have experience of delivering contestable and non-contestable transmission connection arrangements in Ireland.</p> <p>With experience in both jurisdictions SONI believe that contestable transmission connection arrangements would be an appropriate and progressive change to existing transmission connection arrangements in Northern Ireland providing benefits for the connecting parties and harmonising the commercial options for generators across both jurisdictions in the SEM.</p>	Y
Q6	<p>What type of connections are you interested in?</p>	<p>SONI has responsibility for connections to the transmission system in Northern Ireland. SONI also has responsibility for ensuring that both transmission and distribution connected connections are compliant with the Grid Code.</p>	Y
Q7	<p>Should contestability be applied to:</p> <p>A) Transmission and distribution connections? B) Onshore and offshore connections?</p>	<p>SONI can see benefits for consumers from the introduction of contestability to the delivery of shallow connection assets for both generation and demand transmission connections for both onshore and offshore connections.</p>	Y
Q8	<p>To what extent should different rules apply to Transmission Network Operators and Distribution System Operators?</p>	<p>SONI is of the view that a consistent approach to contestability for connections to the transmission and distribution systems is required. In particular, any future rules should adequately provide for equal treatment between generators connecting directly to the transmission system and those that are connecting via a cluster. The technical specifications and levels of compliance monitoring should remain equal across all connections.</p>	Y

<p><b>Q9</b></p>	<p>To what extent should different rules apply to offshore connections and onshore connections?</p>	<p>In December 2013, the Utility Regulator issued a Next Steps Paper on "Connection Arrangements for Offshore Generation." 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."</p> <p>Hence, SONI does not consider it appropriate that there should be any differentiation between onshore and offshore connections when it comes to applying contestability.</p> <p>The current framework for transmission connections in Northern Ireland dictates that ownership and operation of the assets up to a customer's connection point is the responsibility of NIE and SONI respectively.</p> <p>As a member of European Network of Transmission System Operators – Electricity (ENTSO-E), SONI recognise that the long term vision for offshore transmission infrastructure is to create a meshed offshore network rather than having single radial export circuits for individual generation projects.</p>	<p>Y</p>
<p><b>Q10</b></p>	<p>What industry codes would require updating to facilitate contestable connections?</p>	<p>The following industry codes would require updating to facilitate contestable transmission connections:</p> <ul style="list-style-type: none"> <li>• Grid Code</li> <li>• Northern Ireland Planning Standards (currently out for public consultation)</li> <li>• SONI Transmission Connection Charging Statement</li> <li>• Connection Agreements</li> <li>• Transmission Use of System (TUoS) Agreements</li> <li>• TSO licence</li> <li>• Transmission Asset Owner (TAO) and Distribution Licences</li> </ul> <p>Contestable assets must be delivered to industry standards and ratings to facilitate handover to NIE. These industry standards and ratings should be defined by NIE and SONI.</p>	<p>Y</p>

Q11	What works should be deemed as non-contestable?	<p>SONI is of the view that the following transmission works should be deemed as non-contestable:</p> <ul style="list-style-type: none"> <li>• Deep works associated with a connection</li> <li>• Any works to the existing live transmission network</li> <li>• Certain elements of protection equipment may need to be manufacturer specific to ensure interoperability with the transmission system such as protection relays.</li> <li>• Determination of connection point.</li> <li>• Handover and acceptance of contested assets.</li> </ul>	Y
Q12	How should operations and maintenance be managed during the lifetime of a contestable asset?	<p>Once the contestable assets have been constructed, providing that they have been delivered to industry standards and ratings and approved/accepted by the TSO and TO, NIE as TO should own and maintain the contestable assets and SONI as TSO would operate the contestable assets.</p> <p>On handover of the contestable assets, the applicant will be required to pay an appropriate Operation and Maintenance fee.</p>	Y
Q13	Should different degrees of contestability be introduced for each connection type?	<p>See questions 7, 8 and 9.</p>	Y
Q14	What are the barriers to introducing contestable connections?	<p>SONI would see the following documentation as barriers to introducing contestability for transmission connections:</p> <ul style="list-style-type: none"> <li>• The Electricity (Northern Ireland) Order 1992</li> <li>• SONI's Transmission System Operator Licence</li> <li>• NIE's Transmission Licence</li> <li>• NIE's Distribution Licence</li> <li>• Generic Distribution Licence</li> </ul> <p>As a minimum, these would need to be updated to allow the TSO, TAO and DNO to fulfil their roles under contestability, however changes would also be required to the documents listed in question 10 above.</p>	Y



Q15	What is the current impact of not having contestability in the connections market?	The current impact of not having contestability in connections in Northern Ireland is that the benefits outlined in question 2 are not achieved.	Y
Q16	What is your view of best practice in regard to contestable connections?	<p>SONI strongly believes that any contestability policy that is introduced to Northern Ireland must also include implementation guidelines so that the policy can be efficiently adopted and put into practise. This means that all parties involved would have a full understanding of how contestability should work when entering into the connection process. When contestability was first introduced in Ireland there were no guidelines resulting in difficulties when implementing the policy.</p> <p>As previously explained, best practice with regards to contestable connections would be that the contestable assets must be constructed and delivered to industry ratings and standards so that the contestable assets are acceptable to NIE as TO and SONI as TSO and that the transfer can occur as seamlessly as possible.</p> <p>Further information in this regard is provided under question 18 below.</p>	Y
Q17	What type of arrangements would achieve the right balance between contestable and non-contestable works?	<p>SONI views contestability as a concept which is primarily focused on providing the opportunity for increased efficiencies to customers seeking to connect to the transmission system. Therefore contestability should be limited to the works required to enable the export of generation or the import of demand to the transmission system, i.e. "Connection Assets" or "Shallow Assets".</p> <p>However, the contestable works should only cover new assets and not the reinforcement or replacement of existing assets.</p>	Y
Q18	What problems could arise from the introduction of contestability?	As part of the EirGrid Group, SONI has experience of contestable connection arrangements. This also means that we are aware of several issues that exist with the contestability policy in Ireland from a TSO perspective and that simply adopting the current contestability rules for Ireland in Northern Ireland would not be appropriate. There is an opportunity for Northern Ireland to learn from issues that exist with contestability in GB and Ireland and try to introduce contestability right first time. SONI presents below some of the issues which have arisen with contestability in Ireland and recommend that due consideration of these issues is applied when defining a contestability policy and implementation guidelines for transmission connections in Northern Ireland.	Y

The issues have been divided into Policy Level Considerations and Practical Level Considerations.

#### Policy Level Considerations

**"Contestable" versus "Contested"**  
EirGrid has found that the terms "contestable" and "contested" are often used interchangeably but there is a difference. A customer would contract to contest elements of the build that are contestable but there may be other elements of the build that are contestable that the customer chooses not to contest. Therefore the contestable elements and the contested elements may not necessarily be the same. The contested elements may be a subset of the complete set of contestable elements. These terms should be clearly defined as part of any contestability policy.

#### ***Extent of Contestability***

As part of any contestability policy it is important to have a clearly defined rule set on the elements of a connection that are contestable to avoid any ambiguity during the connection offer process. In Ireland, contestability is limited to shallow connection assets only. It does not allow for deep system assets to be built contestably. It applies to new build elements only and does not allow for modifications to the existing network. It is important to specify exactly what types of works are contestable to avoid ambiguity.

It is the responsibility of the TSO to decide which elements of a connection are contestable. The customer then decides which of these they wish to contest. Any elements that the customer decides to contest should be contested in full, e.g. if a contestable element involves the build of 3km of overhead line, the customer must contest all 3km.

Note that if the use of the terms "shallow" and "deep" are to be used in any contestability policy in Northern Ireland, these terms need to be clearly defined and their relationship with the terms "Connection Assets" and "System Assets" need to be clearly explained as part of the policy.

#### ***Cross-border Contestability between Northern Ireland and Ireland***

If contestability is introduced to Northern Ireland there is the potential for cross jurisdictional contestability. Any contestability policy for Northern Ireland should provide for cross-border connection arrangements and contestability to mitigate the

need to revisit the issue when it eventually arises.

#### ***Subgroups or Clusters***

In Ireland, contestability is permitted by groups of customers with shared connection assets. It is necessary that for any shared assets to be built contestably there must be agreement between all parties involved.

In Ireland, a lead developer is appointed by a subgroup and becomes the point of contact for the build however they cannot make any unilateral decisions that impact on other members of the subgroup (to the extent to which they would drive a modification to the other subgroup members' contracts). For contestability in subgroups to work well, unanimous agreement is required within the subgroup with regards to, for example, the appointment of the lead developer, decision on contestability, modifications to the connection, etc.

The lead developer may contest any or all contestable elements of the build including both shared and individual dedicated assets but the roles, responsibilities and contractual arrangements need to be very clear between the lead developer and the System Operator(s) to manage risk. This is particularly challenging where there are both transmission and distribution projects within the subgroup and/or both shared and dedicated elements being contested and therefore both SOs as well as the subgroup members are involved.

It is also important to consider that the progression rate of each subgroup member may vary. Managing this has proved to be a big challenge in Ireland. Some issues that EirGrid has faced with subgroups building contestably include individual applicants phasing their connection, dropping out of the subgroup, putting their project on hold and requesting modifications to their connection offers.

It is vital therefore that for contestability to work for clusters or subgroups in Northern Ireland, the policy needs to provide clarity around what shared assets can be deemed contestable and also how contestability is managed for clusters or subgroups. Guidance should be provided on how to manage the specific issues outlined above.

#### ***Step In Rights***

If contested assets that are shared among more than one connecting party are not being progressed as agreed by all parties at the outset and this is negatively affecting another party in the agreement or system security, the TSO should reserve the right

to step in and revoke the right for contestability on the shared assets and proceed to deliver the shared assets in a non-contestable manner.

#### ***Contractual Arrangements***

Any contestability policy would need to provide for contracts that provide clarity around items such as:

- What is being contested
- Roles and responsibilities of interacting parties (lead developer, subgroup members, TSO, TO and DSO)
- Liability
- Insurance
- Warranties
- Transfer of ownership of contestably built assets

#### ***Implementation Guidelines***

SONI would like to reiterate that any contestability policy that is introduced to Northern Ireland must also include implementation guidelines so that the policy can be efficiently adopted and put into practise. When contestability was first introduced in Ireland there were no implementations guidelines issued with the policy which made implementation very difficult.

In addition, it is important that the Utility Regulator provide a plan or road map for the introduction of contestability and its implementation.

#### **Practical Level Considerations**

##### ***Functional Specifications***

In Ireland the TO provides functional specifications for elements of the connection that are deemed to be contestable. If functional specifications of the contestable elements do not contain a sufficient level of detail this can give rise to ambiguities and therefore delay the build of the contested portion of the connection.

It may take some time for functional specifications to be developed into a format suitable for assets to be contested therefore a plan for the review and development of functional specifications should be established.

##### ***Design Review Process***

If the TO will be the eventual owner and TSO the eventual operator of the contested

build, the level of design review and witnessing of the build and test of these contestable elements that is appropriate and required needs to be considered. In addition, consideration should be given to the level of supervision, specifications and applicable standards and ratings that would apply to contestably built assets that would remain in the customer's ownership and not become part of the transmission system.

In Ireland there is a Project Supervisor Construction Stage (PSCS) and Project Supervisor Design Phase (PSDP). If such a concept were to be utilised as part of a contestability policy in Northern Ireland the connection agreements should clearly define these roles and responsibilities. SONI would also like to note that the safety aspects of the design, build and handover of contestable assets are not insignificant.

SONI would recommend that the review and approval process happens at various stages throughout the design and build of the contested assets, so that any problems can be addressed during the process rather than when it is time for the contested assets to be handed over to the TO and TSO.

#### *Construction Interface and Boundary*

There should be a clear distinction between the customer and SO interface and the customer and SO boundary. The contestable design policy proposed should ideally include new build works only and, unless it can be proven that it is unavoidable, the contestable design should not include works to existing infrastructure.

#### *Hybrid Option*

Contestability in Ireland includes both the planning and construction of contestable assets. There is also a hybrid model which relates to the splitting of planning and construction. The TSO and TO in Ireland have used this type of arrangement with each other but not with the customer. If the customer were to get planning, the TSO would need to decide, based on the planning, whether or not the TSO would consider contesting the build. The SOs and asset owners will protect the TUoS customer but the customer is not bound by such an obligation. This hybrid model hasn't been used to date and hasn't been fully explored.

#### *Inclusion of Telecommunications / Commissioning in Contestability*

Contestability in Ireland does not include telecommunications or commissioning works. SONI recommend that these elements of connection arrangements are considered to be included in any contestability policy.

		<p><b>Modification Requests</b>  On implementation of a contestability policy in Northern Ireland there may be a number of customers already with non-contestable connection offers at various stages of development that would like to modify their offer to be a contestable one. It is worth considering whether there is a stage in the connection development process where a modification request like this should not be permitted.</p>	
Q19	How much of a factor is the cost/timing of a new connection in regards to setting up a business/generator?	No comment.	Y