

Expanding the Scope of Contestability in Northern Ireland – Next Steps

2 July 2021



About the Utility Regulator

The Utility Regulator is the independent non-ministerial government department responsible for regulating Northern Ireland's electricity, gas, water and sewerage industries, to promote the short and long-term interests of consumers.

We are not a policy-making department of government, but we make sure that the energy and water utility industries in Northern Ireland are regulated and developed within ministerial policy as set out in our statutory duties.

We are governed by a Board of Directors and are accountable to the Northern Ireland Assembly through financial and annual reporting obligations.

We are based at Queens House in the centre of Belfast. The Chief Executive leads a management team of directors representing each of the key functional areas in the organisation: Corporate Affairs; Electricity; Gas; Retail and Social; and Water. The staff team includes economists, engineers, accountants, utility specialists, legal advisors and administration professionals.

Our Mission

Value and sustainability in energy and water.

Our Vision

We will make a difference for consumers by listening, innovating and leading.

Our Values

Be a best practice regulator: transparent, consistent, proportional, accountable, and targeted.

Be a united team.

Be collaborative and co-operative.

Be professional.

Listen and explain.

Make a difference.

Act with integrity.

Abstract

This paper is part of the Authority's commitment to keep under review areas of Contestability in connections in Northern Ireland. In February 2021, UR published a consultation reviewing Contestability in Northern Ireland (NI) and exploring the possibility of further establishing Contestability in electricity connections.

This paper ensues the UR's consultation, with the aim of establishing the next steps in how we facilitate the delivery of further establishing Contestability in connections in NI.

Audience

This document will be of interest to Transmission System Operators (TSOs) within the all-island market, Independent Connection Providers (ICPs), market participants and other industry and statutory bodies.

Consumer impact

Any future changes will have an impact on the scope of contestability and therefore on the extent to which a customer can choose who (NIE Networks or an ICP) carries out the work associated with their connection.

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1 Introduction

- 1.1 Contestability was introduced in Northern Ireland (NI) in July 2015¹. The Utility Regulator (UR) has an ongoing responsibility to review the impact of Contestability in NI and make changes to the proposed arrangements if necessary to promote competition.
- 1.2 In 2020, UR reconvened the Contestability Working Group (CWG), meeting various times² to discuss the current state of the Contestability market in NI. UR and the CWG felt there was merit in reviewing the current Contestability market in NI and in February 2021, UR published a Consultation³ reviewing Contestability in NI and exploring the possibility of further establishing Contestability in electricity connections. UR received five responses (NIE-Networks, SONI, Energia, Electricity Worx (ICP), RenewableNI) in relation to the consultation.

2 The Purpose of the Paper

- 2.1 This paper ensues the UR's consultation as highlighted above, the purpose of this paper is to establish the next steps which will endeavour to take the Contestability process forward in NI.
- 2.2 It is important that we establish the further Contestability as soon as possible, however, it is also essential that we identify any risks involved in the process and ensure we have appropriate mitigations put in place before any further areas of Contestability are opened up in NI.
- 2.3 It is also imperative that introducing further elements of Contestable works in electricity will be beneficial to the NI consumer.

3 The Timeline for introducing further Contestability in NI

- 3.1 UR will be aiming to establish Contestability for low voltage (LV) final connections to the distribution network, no later than January 2022, however, this timeframe may change depending on the scope of works involved in LV final connections that our deemed contestable, as decided by the CWG. The UR will continue to

¹ https://www.uregni.gov.uk/sites/uregni.gov.uk/files/media-files/Contestability_in_Connections_-_final_decision_paper_-_July_2015.pdf

² <https://www.uregni.gov.uk/contestability-working-group>

³ <https://www.uregni.gov.uk/consultations/review-contestability-electricity-connections>

engage with NIE Networks and other stakeholders throughout the duration of the work plan.

- 3.2 In order to establish contestable works for LV final connections at distribution level, it is imperative that we identify and define exactly what the scope of LV final connections is at distribution level, in terms of the full scope of activities involved in LV final connections and this will be taken forward in the next few months. Our working assumption is that from a geographical perspective, LV final connections will be contestable in all of NI.

4 Review of Consultation Responses

- 4.1 All respondents are open to the further introduction of Contestable works in LV final connections at distribution level, providing it is established in a safe manner and it benefits NI consumers.
- 4.2 Some respondents feel that thus far, the introduction of Contestable works could have been more successful, as out of 38 ICPs in the NER's register only 3 have carried out work to date, this suggests there is a significant barrier of entry to the NI connections market for Independent Connection Providers (ICPs).
- 4.3 Within the responses there have been various advantages identified that could result from making LV final connections contestable in NI, these include;
- Increased competition in the connections market
 - More choice for consumers in who carries out the final connection at LV distribution level
 - Reduced prices, increased quality of service for customers through the increased competition
 - This area of contestability has been successfully established already in Great Britain (GB). The CWG has had discussions with Lloyds Group, who have identified that there were no major issues in establishing Contestability for LV final connections at distribution level in GB. When progressing Contestability in NI, we can continue to take learnings from GB's experience

- 4.4 Although benefits have been identified, various risks have been raised which will need to be addressed before this area of Contestability can be introduced.
- 4.5 In order to establish an effective work plan to establish Contestability in LV final connections in NI, it is essential to identify the scope of contestability and the potential risks that may arise and have mitigations in place.

5 The Scope of Contestability

- 5.1 The scope for establishing further contestability in NI for Low Voltage final connections will be introduced in NI in separate 3 phases. This scope, which is set out in Appendix 1 has been discussed and reviewed by the Contestability Working Group.
- Phase 1 (Overhead connection works)
 - Phase 2 (Cable connection works)
 - Phase 3 (Plant connection works)
- 5.2 We will engage with stakeholders and aim to introduce Phase 1 for no later than January 2022. Phase 1 will expand contestability to include various overhead line connections works. Timelines for Phase 2 will be decided with the Contestability Working Group before Phase 1 goes live. Appendix 1 provides more details on the scope of activities that will become contestable in each of the phases.
- 5.3 Further contestability in electricity connections will be kept under review and the further opening up of competition will require a positive benefit to consumers, which outweighs any costs.

6 Establishing a Forward Work Plan for introducing Contestability in NI

- 6.1 Ensuring mitigations are in place for the potential risks in opening up contestability is an important aspect in the development of a work plan.
- 6.2 We request that NIE Networks take the lead on the development of the work plan, engaging with UR, ICPs, DFI, Lloyd's Register and any other necessary stakeholders. Below the risks that have been raised in the consultation responses have been identified. Beside each risk, we have highlighted a proposed action,

owner as well as the phase of LV contestability that each risk is relevant to. The proposed actions are suggestions for discussion by the CWG, we suggest that NIE Networks could use the proposed actions below as a starting point to develop a work plan for introducing Contestability for LV final connections at distribution in NI.

6.3 The risks identified below are not necessarily an exhaustive list of risks or issues that will be identified during the process of establishing further contestability for LV final connections. As mentioned, these are only the risks that were highlighted in the consultation responses. Therefore, we understand, as the process in establishing further contestability continues, there is the possibility for additional risks or issues which will need to be addressed.

6.4 Risk 1 – Ensuring effective competition in relation to scope

Effective Competition/Scope	Proposed Action	Owner	Phase of LV scope that risk is relevant to
<p>Current arrangements require an ICP to carry out all of the contestable activities and there is no cherry picking of these activities.</p> <p>If this approach is retained, then expanding the scope of contestable activities will ensure that only ICPs who have the proper training and authorisations can carry out the full scope of contestable works.</p> <p>However, this could have the unintended effect of stymying the market and limit the further introduction of ICPs competing in the Northern Ireland market.</p>	<p>Further discussions needed about this current approach and whether it should be retained.</p> <p>NIE Networks' position is that it should be maintained. Cherry picking of contestable activities would lead to multiples of different cost options being provided to customers and more complex processes. The current approach allows customers to receive a dual offer with 2 options. The First option is for NIE Networks to complete both the non-contestable and contestable activities. The second option is for customers to choose an ICP to complete all contestable activities and for NIE Networks to complete the non-contestable activities.</p>	<p>NIE Networks (liaise with UR and ICPs)</p>	<p><u>Phase 1,</u> <u>Phase 2,</u> <u>Phase 3</u></p>

	<p>This approach provides clarity to customers, NIE Networks and ICPs on what NIE Networks is responsible for and what ICPs are responsible for.</p>		
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6.5 Risk 2 - Additional Costs

Additional Costs	Proposed Action	Owner	Phase of scope that LV risk is relevant to
<p>NIE Networks have identified various additional costs that will occur in establishing Contestability for LV final connections, including;</p> <ul style="list-style-type: none"> - Increased communications process - A rework of NIE Networks' processes and procedures - IT system changes - Additional staff training - Increased work in inspections of ICP work. - Making LV records available to ICPs. 	<p>NIE Networks to develop a communication process for ICPs (an extension on what already exists for current contestable works) to ensure everything is in place for ICPs to carryout LV final connections.</p> <p>NIE Networks to identify and justify what IT system changes will need to be made to facilitate the roll out of making LV final connections contestable.</p> <p>NIE Networks to provide a breakdown of costs in establishing Contestability for LV final connections.</p>	<p>NIE Networks</p>	<p><u>Phase 1,</u> <u>Phase 2,</u> <u>Phase 3</u></p>

6.6 Risk 3 – NIE Networks Safety Rules

Safety Rules	Proposed Action	Owner	Phase of scope that LV risk is relevant to
<p>ICPs will be required to have the appropriate safety authorisations to complete final LV Connections.</p>	<p>NIE Networks would need to provide Safety Authorisation to ICPs in relation to LV Final Connections, which would be chargeable to ICPs.</p> <p>Clear guidance should be published for ICPs on NIE Network's ICP portal in relation to safety authorisations required by ICPs. This should demonstrate which authorisations need to be obtained and the process involved in achieving them.</p>	<p>NIE Networks</p>	<p><u>Phase 1,</u> <u>Phase 2,</u> <u>Phase 3</u></p>

6.7 Risk 4 – Access and liability

Access to NIEN's substations	Proposed Action	Owner	Phase of scope that LV risk is relevant to
<p>Access to NIE Networks' LV substations requires suitable authorisation and access to specific keys.</p> <p>GB's experience was that live jointing onto existing cables was made contestable first. If NI follow the GB experience then in the first step access to substations would not be required.</p> <p>If LV final connections into substations are to be considered, methods of granting ICPs access to substations will need to be considered, along with liability issues.</p> <p>ICP Planning staff would require to be suitably trained and authorised to access and analyse the network to plan and design network connections.</p>	<p>Discussion required on scope of LV final connections to be made contestable and whether access to substations is required. If GB phasing is followed this would not be required in the first step.</p> <p>If access to substations is required then NIE Networks to identify and agree a process for ICPs to access substations when carrying out LV final connections.</p> <p>NIE Networks to assess the legal framework for ICPs to complete LV final connections.</p>	<p>CWG</p>	<p><u>Phase 3</u></p>

<p>Training and safety authorisation need to be carefully considered with respect to this.</p> <p>Furthermore, consideration should also be given as to whether this would be feasible for a significant number of ICPs or whether the ability to achieve this could give a limited number of ICPs an unfair competitive advantage over the others.</p>			
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6.8 Risk 5 – On Site Dangers

On Site dangers	Proposed Action	Owner	Phase of scope that LV risk is relevant to
<p>There are instances where issues are found with the plant involved in the LV network, for example where pieces of the plant do not age well or have the potential to fail mechanically, leading to a potential health and safety hazard.</p> <p>NIE Networks staff are protected from these potential hazards through the use of Asset Operation Restrictions (AORs) and internal training. Methods to train and continually update ICP staff to ensure that they are protected would need to be devised.</p>	<p>NIE Networks to outline existing process for 3rd parties whereby they come across hazard on the network/ the processes for making 3rd parties aware of known risks – Apparatus Operational Restrictions (AORs)s.</p> <p>Establish whether ICPs need a specific incident protocol for working on live connections (ICP/third party Health and Safety policy).</p>	<p>NIE Networks (Liaise with ICPs)</p>	<p><u>Phase 1,</u> <u>Phase 2,</u> <u>Phase 3</u></p>

6.9 Risk 6 – Delegated Working

Delegated form of LV working	Proposed Action	Owner	Phase of scope that LV risk is relevant to
<p>NIE Networks operates a delegated/dispersed form of LV control which is based with the operatives on site. This creates challenges when introducing third parties into these operations. With respect to the key roles set out in NIE Networks consultation response document “LV final point of connection”, a lot of consideration will need to be given as to how third parties could be safely integrated into the delegated control scheme operated in Northern Ireland i.e. where control is delegated, the resources are managed and coordinated under one company within local team structures. Giving third party operatives authorisation to work on the same network without being part of the team and management structure will create a need for extremely robust and safe methods of coordinating between NIE Networks and ICPs.</p>	<p>NIE Networks to devise a process for ICPs/to be smoothly integrated into the ‘delegated form’ of LV control. This will require system changes and depending on the outcome of Risk 4.</p>	<p>NIE Networks (Liaise with ICPs/third parties)</p>	<p><u>Phase 1,</u> <u>Phase 2,</u> <u>Phase 3</u></p>

6.10 Risk 7 – LV Records

LV records	Proposed Action	Owner	Phase of scope that LV risk is relevant to
<p>LV records are largely held in paper format and kept within NIE Networks’ depots. How NIE Networks might enable ICPs to access these records will need to be given due consideration.</p>	<p>NIE Networks to consider methods to allow ICPs to access records when needed.</p>	<p>NIE Networks (Liaise with ICPs and DFI)</p>	<p><u>Phase 1,</u> <u>Phase 2,</u> <u>Phase 3</u></p>

6.11 Risk 8 – Existing Contestable processes

Existing contestable processes should not be affected	Proposed Action	Owner	Phase of scope that LV risk is relevant to
The opening of LV final connections to contestability should not alter any of the current key contestable processes, such as design reviews and inspections. Indeed, the increased safety implications of final connections will if anything, only place even greater emphasis on these existing processes.	NIE Networks to identify any specific issues that may arise here.	NIE Networks	<u>Phase 1,</u> <u>Phase 2,</u> <u>Phase 3</u>

6.12 Risk 9 – Street works

Street Works Licence	Proposed Action	Owner	Phase of scope that risk is relevant to
<p>This risk is in relation to Street Works licences. The placing of any apparatus in a street is subject to the provisions of a Street Works licence; this is granted by the Department for Infrastructure (DfI).</p> <p>In order to establish further contestability works, is important that current Street Works legislation facilitates these works to take place.</p>	<p>NIEN and DFI to engage and ensure the current Street Works regime can facilitate ICPs to engage in the scope of future contestable activity.⁴</p> <p>ICPs cannot access NISRANS (Street Works Register), a clear process of communication will need to be put in place to ensure ICPs have the necessary information needed to engage in contestable activity.</p>	DFI, NIEN and ICPs	<u>Phase 1</u> <u>(to be reviewed as necessary for Phase 2 and Phase 3)</u>

⁴ The January 2022 timetable for Phase 1 is dependent on the current legislation facilitating what is proposed.

6.13 Other Regulatory/Policy Considerations

Updates of ICP certification	Proposed Action	Owner	Phase of scope that LV risk is relevant to
Update of Lloyd's Register Group National Electricity Registration Scheme (NERS) for Northern Ireland for ICP accreditation to include any potential establishment of contestability of LV final connection in NI.	<p>If contestability is extended to include low voltage final connections at distribution level, then Lloyd's Register Group will need to update NERS NI accreditation to include low voltage final connections for NI ICPs.</p> <p>Auditing is undertaken to assess and validate the ability of ICPs to undertake specified NERS activities. ICPs Accredited under NERS will be subject to the audit provisions of NERS.</p>	Lloyd's Register Group	<u>Phase 1,</u> <u>Phase 2,</u> <u>Phase 3</u>

Contestability Licence Modification	Proposed Action	Owner	Phase of scope that LV risk is relevant to
Review the need for a general licence condition on Contestability.	Review the need for establishing and publishing a general Licence Condition in NIE Networks' licence in relation to Contestability.	UR (engage with NIE Networks)	<u>Phase 1,</u> <u>Phase 2,</u> <u>Phase 3</u>

NIE Networks Statement of Charges	Proposed Action	Owner	Phase of scope that LV risk is relevant to
Modifications to NIE Networks Statement of Charges	If contestability is extended to include LV final connections at distribution level, there may be modifications needed to NIE Networks' Statement of Charges to include the additional	NIE Networks/UR	<u>Phase 1,</u> <u>Phase 2,</u> <u>Phase 3</u>

	elements of Contestability.		
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