Review of Electricity Distribution and Transmission Connections Policy

Consultation on next steps

3 April 2017



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, proportionate, accountable, and targeted.

Be a united team.

Be collaborative and co-operative.

Be professional.

Listen and explain.

Make a difference.

Act with integrity.

Abstract

A connections market which works well for Northern Ireland (NI) consumers is essential. Getting connected easily and at a fair price is important for domestic consumers, businesses and generators. This should happen in way which means other network consumers only pay what is necessary for their energy.

This paper is a consultation on next steps

Audience

This consultation paper will be of interest to electricity distribution and transmission companies, persons seeking connection to the electricity network and organisations representing connecting and wider consumer interests.

Consumer impact

Our objective is for efficient, timely, high quality connections which are transparent to consumers.

Executive Summary

A connections market which works well for Northern Ireland consumers is essential. Getting connected easily and at a fair price is important for domestic consumers, businesses and generators. It is also important that other network consumers only pay what is necessary for their energy.

The way electricity is supplied and demanded in Northern Ireland is changing. In particular, a lack of capacity on the network is presenting challenges for new generation connecting to the distribution electricity network. In light of these challenges, stakeholders have raised concerns about how well connections policy is working.

In November 2016,[1] we asked what should be done to improve connection processes, without building network which is not economically justifiable. We now set out our consultation on next steps on various issues.

We set out our next steps on connections process and network management; customer service and transparency (Section 1). We set out a list of actions on issues which stakeholders feel are important. We expect NIE Networks and SONI to consider what steps they need to take, and begin delivering these actions. We will further engage with both organisations on how to take forward.

We are also consulting on how extensions should be treated (Section 2). It is our view that requesting and granting extensions should be the exception rather than the norm. Where extensions are necessary, the process should be made more transparent and bring further accountability.

Finally, we consider consulting on proposals to modify both NIE Network's and SONI's Licence[2]. The aim is to provide clarity and remove any disparity between their connections regulatory and legal obligations (Section 2). This will clarify both companies ability to refuse to provide connection offers, whilst ensuring customers are connected where it is efficient to do so.

We welcome responses to this consultation by 15 May 2017.

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1 https://www.uregni.gov.uk/publication/electricity-connections-call-evidence-november-2016
2 Distribution Licence Condition 30 for NIE Network and Transmission Licence Condition 25 for SONI.
3https://www.ofgem.gov.uk/system/files/docs/2017/02/unlocking-the-capacity-of-the-electricity-networks-associated-document.pdf. Pages 24 and 25.

Contents

1. Issues and next steps

Background

1.1. In the November 2016 call for evidence we asked stakeholders for their views on the most important issues to resolve, so as to make electricity connections more effective in Northern Ireland.

1.2. We were particularly interested in views on whether and how connections policy should adapt to facilitate efficient connections, in a way in which ensures other consumers only pay what is necessary for their energy. We framed this question around three areas: managing the network for connections, managing the connections queue, and customer service and transparency.

1.3. To clarify our objectives we set out a list of strategic priorities reflecting our view of a well functioning connections market. We noted the importance of working within the policy framework set by Government.

1.4. To inform debate we also clarified key aspects of the regulatory framework and legislation, and how the electricity market and connections are changing.

1.5. We flagged that we are reviewing electricity connections in parallel with our RP6 review, to ensure issues are dealt with in a coordinated way.

Overview of responses and engagement

1.6. We received 22 responses and published 21 of these. We also held a stakeholder workshop in December 2016 to get initial views. We thank stakeholders for their helpful input to date.

1.7. A detailed summary of responses to the questions we asked is set out in the Appendix. We also summarise key issues within the main body of this document. But before doing so, we set out a summary of the main response themes below.

1.8. Overall, we received a favorable response to our decision to commence

this review.

1.9. Stakeholders supported improvements in connections. However, the expectation was, largely, that such improvements should be achieved through a strengthened connections regulatory framework. It was suggested that such a framework should be more adaptable to market change. Most believed that many of the suggested improvements would require further powers to be given to us from Government. For example, use of planning permission and rebates.

1.10. We understand concerns here but note that we must work within the policy framework set by Government. We will continue to work with NIE Networks and SONI to further clarify the key issues that require government policy input, and have sought further engagement from the Department on this. In parallel with this engagement, we will continue to develop policy within the current framework to address specific stakeholder concerns.

1.11. Respondents wanted more certainty on how the connections queue is managed and how capacity should be released when extensions run out. Many said that demand for renewable connections will continue and that continuity is required to allow further connections. Some requested that certain connections are given preferential treatment over others.

1.12. We agree that certainty is required. Within Section 1 below, we set out actions, and also give our view of how the current regulatory framework may be interpreted, in relation to the queue and allocation of capacity. We also consult on our expectation for the requirements for extensions and refusing provision of connection offers in Section 2.

1.13. Many respondents believed that more innovative network management and new types of connection (e.g. storage and DSR) could allow more efficient use of capacity. Many respondents also said that further reinforcement of the transmission network is required to enable further generation connections. We refer to our recent RP6 Draft Determination (DD) proposals below, within the remainder of Section 1, in respect of these points.

Connections network management

Utilising network capacity

1.14. In our November 2016 consultation we set out evidence on how network capacity for connecting generation at distribution level is becoming more constrained, against a backdrop of limited demand growth.

1.15. We explained that building more reinforcement to increase capacity may be inefficient and could lead to investment in capacity which may not be required

1.16. We discussed how reinforcement can potentially be reduced or removed altogether if current network capacity is used more efficiently. For example, Demand side management, such as shifting demand, could ensure more efficient investment.

1.17. To illustrate, we highlighted the growth of new types of connection such as Demand Side Units and Storage. We also set out how customers have been submitting co-location and over-install connections applications.

1.18. We asked for views on how existing capacity could be better used or made available for use. We also asked a higher level question about what role, if any, connections policy should play. The main points received were:

- More innovation needs to be delivered via RP6. This is to develop manage the network in a more active and flexible way.

- Planning and connections standards could be relaxed further to allow potentially cheaper connections, whilst preserving network stability.

<u>Our view</u>

1.19. We agree that innovation has an important part to play. Within its RP6 Business plan, NIE Networks has requested an allowance for the purpose of trialing the use of communications technology and automated control systems to manage load, voltage levels and network configuration in real-time.

1.20. As part of our NIE Networks RP6 DD, we have proposed an allowance of £7.26m to invest for the future. We will set out our final view in the RP6 FD and welcome views in response to the RP6 DD.

1.21. With respect to the points on planning and connection standards, we note that this is something which is an integral part of the work carried out by NIE Networks and SONI. They should continue to consider opportunities whilst ensuring network safety and stability.

Recovering network capacity

1.22. Generation consumers are allocated a designated amount of capacity when they connect. If this capacity is persistently not being used then there may benefits in reducing this capacity to allow other parties to connect.

1.23. Some GB DNOs have recently introduced measures aimed at releasing capacity, and are also considering further potential solutions. These measures may differ in application, in the sense that some may apply to those who are already connected, while others could be incorporated for new connections.[3]

1.24. There may be existing incentives for certain types of connected NI generation customers to release capacity. For example, releasing capacity may mean generators paying less in network charges.[4]

Next steps

1.25. We request that NIE Networks considers the incidence of under-utilisation. We also ask that it considers appropriate and proportionate measures and options to release capacity if it is being persistently under-used, for both customers who are already connected and new connectees. We request that **NIE Network** reports to us with proposals on how it might do this.

3https://www.ofgem.gov.uk/system/files/docs/2017/02/unlocking-the-capacity-of-the-electricity-networks-associated-document.pdf. Pages 24 and 25.
4 From the 1st October 2012, the TUoS charging threshold has been reduced to 5MW for all generators. A new incremental rule has also been implemented for distribution connector generators (i.e. a 7MW generator will be charged for 2MW, a 12MW generator will be charged for 7MW etc).

Building more network capacity

1.26. A large number of respondents requested further transmission network investment to allow further projects to connect. Many commented that further transmission development plans have not been published (in past 10 years) and that this should be prioritised.

Our view

1.27. As part of its RP6 business plan NIE Networks has requested a D5 mechanism to allow for additional investment to increase the capacity and capabilities of the transmission system.

1.28. Under this mechanism no determination for an allowance is made up-front. Instead a determination is made at a later date when the need for the project has been confirmed and the scope, cost and programme developed. We have approved use of a D5 mechanism in our RP DD.

1.29. We will further engage with SONI on releasing further transparency in relation to proposed network investment.

Connections charging framework

1.30. We asked stakeholders whether the distribution charging should be made deeper. We noted that this could be a lever in managing the network by offering stronger locational signals, but recognised there were risks.

1.31. Responses were mixed, and many recognised that this is a complicated issue. Some of the main points raised were:

- Recognition that different customers should be subject to (mandated basis) or may be willing to pay (voluntary basis) deeper charges.
- Many cautioned that a deeper policy could raise barriers to entry and investment, especially given the existing network capacity constraints.
- Many respondents were in favour of rebates for distribution generation customers, but recognised this required legislative change.
- One respondent considered that the current policy is not fit for purpose

and urged that apportionment charging be introduced.

Our view

1.32. After considering respondents points, we do not plan to take any further review of the connections charging structure to make it deeper. We understand stakeholder views that a deeper policy risks raising barriers to investment on a network which is heavily constrained.

1.33. A connecting party may make a commercial decision to pay more. It is worth noting that connecting customers can pay for deeper network investment on a voluntarily basis, under the current legal framework.

1.34. For example, a customer may place a premium on getting connected to the network quicker than it would otherwise. Indeed, we understand some parties noted this in their response and are taking advantage of this route.

1.35. With respect to rebates, we agree with the principle that those who connect and make partial use of others assets should have to contribute some payment towards their use. We have engaged with the Department before in this area and will seek to do so again in parallel to this consultation.

Cluster connections policy

1.36. A few respondents were in favour of changing cluster policy on the basis of changing circumstances.[5] However, the vast majority were supportive of it as they believe the policy has been beneficial.

1.37. Many of those who were supportive asked for a workgroup to set up to further clarify aspects of the policy. Little detail was submitted, but a couple of respondents asked for clarification on second transformer cost allocation.

Our view

1.38. We understand that most stakeholders believe the current cluster methodology has been beneficial and want it retained. We do not plan to

5 For example, closure of the NIRO.

review the connections cluster methodology at this time.

1.39. As part of our RP6 DD, we have also provisionally agreed with NIE Network's proposal that it will not incur any expenditure in relation to new cluster developments without our approval on a project by project basis. This mechanism allows for uncertainty during the price control period and so will enable NIE Networks and SONI to take account of changing circumstances, and then act accordingly.

1.40. In terms of clarity on the second transformer policy, Section 7 of NIE Networks Statement of Charges[6] states *"the installation of a second transformer or a third transformer (where the capacity of a second transformer is exceeded by the connection application) or triggers the need for further transmission reinforcement then that Authorised Generator shall be required to pay for the full cost of the second transformer or the third transformer or further transmission reinforcement (as the case may be) and associated works notwithstanding that the transformer and / or further reinforcement may subsequently become a shared asset."*

Connections process and queue

1.41. In our November 2016 consultation we asked respondents whether the queuing and offer process needed to change and if so how.

1.42. We asked about the risk of speculative hoarding of capacity. We discussed broad approaches, such as '*first ready first served' (*using '*milestones*')*.* We noted that this method could potentially be used without changing legislation.

1.43. The main points we received are:

- Some noted that the hoarding of capacity is not currently a material issue.

6 http://www.nienetworks.co.uk/documents/Connections/Statement-of-Charges-October-2016.aspx

- Certain types of connection may bring greater benefits than others and so should be prioritised. Doing so would support participation in wider market processes (such as Capacity Market Remuneration auctions).

- Respondents were overwhelmingly in favour of NIE Network's and SONI's current use of planning permission (as used in 'Phase 1') continuing in the short to medium term until legislation is introduced

- Use of milestones received a mixed response. Some were in favour of its more immediate introduction, whereas others considered it as a longer term measure that should be subject to consultation.

- Respondents were overwhelmingly opposed to introduction of type batch process, as it may encourage speculative applications, create timing issues and an inefficient use of resources.

- SONI flagged concerns for them to make connection offers within the time required by its Transmission Licence.

Our view

Planning permission

1.44. We are open to engaging with the Department should there be a rationale for introducing legislation to require the use of planning for deciding on the order in which applications for connections are processed, or whether those applications are granted. But it is worth noting that even if there were to be a strong rationale, such as the risk of speculative hoarding, any legal solution would inevitably take time.

1.45. We note that some respondents believe that a risk of hoarding may be immaterial. We would expect NIE Networks or SONI to determine whether further measures are justified in light of the materiality of this risk.

1.46. If NIE Networks or SONI consider measures are necessary, there may be steps they could take which fall within the regulatory framework. For example, whether or not an applicant has planning permission could be a factor which NIE Networks or SONI takes into account for the purposes of

determining terms and conditions of the connection offer to be made.[7] Furthermore, planning permission could also, in principle, be used as a 'milestone' where there is a legal basis for doing so.

Prioritisation of connections

1.47. We recognise points made by respondents that certain types of connection (for example, DSR and Storage) may bring particular benefits to consumers.

1.48. Certain technologies, such as storage, may be connected before others, such as generation.

1.49. This may be the case if NIE Networks or SONI can demonstrate that doing so would not be to the detriment of other non-comparable applicants. In practice, we would expect NIE Networks or SONI to demonstrate that promotion in this way would avoid the need for reinforcement, leading to more efficient and faster connections for others.[8]

1.50. Such an approach may be permissible because there is a material difference between applications such as storage and generation, such that a difference in treatment is allowed.

Next steps

1.51. We request that **NIE Networks and SONI** ensure that a robust process is in place for considering new applications beyond Phase 1.

SONI offer timelines

1.52. SONI noted that the NIE Networks construction offer timelines in NIE Network's Transmission Licence does not align with Transmission Interface Agreement (TIA).

7 For example, where an applicant does not have planning permission at the time of the application and/or making of the connection offer, it would not necessarily be unreasonable for NIE Network's connection offer to include terms and conditions which require the applicant to pay certain monies upfront (including for example by way of security) such that NIE Networks can be assured that it should reserve the capacity on the system that will be required for the connection in question. Similarly, whether or not an applicant has planning permission and/or the expected date of the planning permission decision may also (indeed is likely to) be a factor in respect of the date by which the connection is to be made.

8 Even if applicants were considered to be considered comparable cases, a difference in treatment could be objectively justified on the basis that the promotion of storage applicants assisted, and was not to the detriment of, generator applicants as promotion may ultimately enable quicker and less costly connections for generators through avoiding the need for reinforcement.

1.53. It also noted that the SONI connection offer and TIA process for distributions requiring connection works are incompatible with NIE Networks connection offer timelines set out in NIE Network's Distribution Licence.

1.54. SONI said that these factors can leave it at risk of not meeting its Licence Condition requirements.

Our view

1.55. Transmission connections can often be complex and, on occasion, more time may be needed for SONI to make an offer.

1.56. We have considered other jurisdictions for guidance. In ROI, SOs have no fixed legal deadline to offer connection. There is a period of 90 business days but it is just indicative, and it is at system operator's discretion to allow for a longer timeline in more complicated cases (e.g. those requiring engagement between the two operators). There are also levers in the Gas sector regulatory framework in Northern Ireland to deal with complex offers.

Next steps

1.57. We will consider whether licence modification is appropriately required to allow SONI to declare complex offers. We are interested in views on whether this should be done.

Customer service, engagement and transparency

Pricing transparency

1.58. In the November 2016 consultation, we asked stakeholders whether we should strengthen the level of connections charging pricing transparency.

Our view

1.59. NIE Networks has a Distribution Licence Condition 30. This requires that charges set out in a connection offer are presented so as to be referable to its connections charging statement. There should be sufficient comparability between connection offer quotes and its connection policy charging statement.

1.60. This, in turn, should give connection customers confidence that connections charges are accurate at the point of offer. Or put another way, it should allow connecting customer to more reasonably estimate the total cost of getting connected to the network. All consumers should be afforded this protection.

1.61. We are also aware that NI gas networks and GB DNOs already offer NI Gas and GB electricity connections customers a Quotation Accuracy Scheme (QAS).

1.62. A QAS is a formal process, run by the network operator, which allows connecting customers to challenge a quote and receive a payment if that quote is inaccurate. We would need to make Guaranteed Standards of Service (GSS) for connections regulations to implement this fully. This may take time.

1.63. We are conscious that introducing something like this may benefit electricity connection customers. Doing so would also support the idea of having better comparability between quotes and the charging statement. This is because it would allow a direct route for a connecting customer to challenge a quote, having compared it with the connection charging statement.

Next steps

1.64. We request that **NIE Networks** provides more like-for-like information in its connection offer quotes to support better comparability with its charging statement.

1.65. We welcome views on whether NIE Networks should introduce a voluntary QAS, as described above, as well as other types of GSS connection. In the meantime, we will require NIE Networks to provide information on it performance, and based on this, may make regulations to implement formally in time for RP7.

Network and generator information

1.66. Some respondents requested the publication of more up to date information on connections, contracted generation and applications.

1.67. Some also felt that more network information could be usefully provided in a readable format. It was noted that the current Distribution Licence[9] allows provision of network information for location of new sites, rather than for performing studies for sites which have a connection offer.

Our view

1.68. Better information provision could provide clearer signals to those who may wish to connect, and also support those who are contracted and committed.

1.69. In particular, further network information should help those who are contracted to meet network performance standards. Generator information may be particularly useful for those interested in clusters as there is an interaction with other applicants.

1.70. While not specifically raised in responses, we are interested in whether information provision needs to adapt to meet the needs of new types of connection (such as storage and DSR). For example, whether information

9 See Licence Condition 32- https://www.uregni.gov.uk/sites/uregni.gov.uk/files/media-files/NIE_Distribution_Licence_-_Condition_21_Modifications_-_effective_21_September_2016.pdf

on demand (with respect to a heat map) is necessary to support such connections.

Next steps

1.71. We ask that **NIE Networks** considers what measures are appropriate to ensure further provision of generator and network information.

1.72. We ask that, in doing so, it considers how such information should be provided in way that is readily available to those who require it. In considering the value of what information is required and how it is disclosed, NIE Networks should consider the needs of different types of connection and the stage in the process they are at (pre-application, contracted etc). We recommend it engages with industry to understand their needs.

1.73. We are prepared to make a licence modification to support this work, if necessary.

2. Extension and connection offer requirements

Requirements for connection offer extensions

2.1. NIE Networks (under Condition 30 of its Distribution Licence[10]) and SONI (under Condition 25 of its Transmission Licence[11]) must provide a new or modified electricity connection where requested.

2.2. They must provide an offer to connect to the network as soon as is reasonably practicable and not more than 3 months after receipt by the Licensee of an application containing all such information as the Licensee may reasonably require for the purpose of formulating the terms of the offer, unless the Authority consents to a longer period. We refer to this 'longer period' as an extension.

Requirements to refuse to provide a connection offer

2.3. NIE Networks has a range of powers to refuse a connection under Directive 2009/72/EC (the Directive), the Electricity (Northern Ireland) Order 1992 (the Order), and Condition 30 of the Distribution Licence.

2.4. Under Article 32(2) of the Directive, NIE Networks may refuse to provide a connection offer where it lacks the necessary capacity. Where it does so, it must provide reasons for the refusal, based on objective and technically and economically justified criteria.

2.5. Article 21 of the Order provides several grounds on which NIE Networks can refuse a connection. One such ground is where it is deemed that there is a lack of capacity.

2.6. Finally, Condition 30(5) of the Licence provides several grounds on which NIE Networks may refuse to make a connection offer. However, unlike

10 https://www.uregni.gov.uk/sites/uregni.gov.uk/files/media-files/NIE_Distribution_Licence_-_Condition_21_Modifications_-_effective_21_September_2016.pdf
11 https://www.uregni.gov.uk/sites/uregni.gov.uk/files/media-files/SONI_Transmission_Licence_-_Clean_with_LMA_DBC_Incent_Tariff_restriction_EED_FSA_January_2016.pdf

Article 21 of the Order, the Licence does not state that NIE Networks can refuse a connection offer where there is a lack of capacity.

2.7. In summary, there is some duplication in, and also inconsistencies between, the Order and Condition 30 of the Licence.

What we are reviewing and why

2.8. Following an Authority dispute determination[12], NIE Networks changed its connections policy in August 2015. This removed the NIE Networks requirement to have planning permission before submitting a connection application. This also contributed to a surge in connections applications.

2.9. NIE Networks and SONI had to consider and decide how to process more than 1,200 MW of generation connection applications. This is in the context of a congested grid, which has a peak demand of circa 1,800 MW.

2.10. NIE Networks are issuing connection offers for a c.200MW ('Phase 1') of spare network capacity. Remaining applications are currently being considered as part of a 'Phase 2'. No connection offers have been made for Phase 2 at this point in time[13]

2.11. Since the dispute determination, we have given NIE Networks extensions to allow it to allocate remaining network capacity. The latest extension means that NIE Networks has until the end of August 2017 to provide offers for both Phase 1 and Phase 2 connection applications.

2.12. It is our view that granting requests for extensions should be the exception rather than the norm. Indeed, our expectation is that extension requests should only be submitted for our consideration as a last resort.

2.13. To date there has also been limited transparency or accountability in how extensions are requested and granted. We are of the view that the extension request process can be further strengthened. Consultation with relevant parties (e.g. connection applicants), along with more clearly

12 Determination (DET-572): https://www.uregni.gov.uk/search/node/DET-572
13 http://www.nienetworks.co.uk/Connections/Generation-connections/Latest-updates/Alternative-Connection-Application-and-Offer-Proce; Decision Paper; 31 May 2016

defined milestones, could enable better informed decision making, and potentially pre-empt the need for requests to the Authority. Connections applicants could also be allowed to more effectively input into the process by, for example, requesting extensions directly. Put simply, the way extensions are treated could be clearer, and affected customers could be better empowered to input as and when appropriate.

2.14. Affected parties would benefit from our expectations of how the process should work and how we will consider extension requests. We are, therefore, consulting on a framework for requesting and granting extensions.

2.15. We also set out our initial considerations below with respect to the duplication and inconsistencies between NIE Networks Licence and the Order. For example, this is the case with respect to the grounds for refusing provision of a connections offer where there is a lack of capacity. We would also consider whether similar measures are required to support SONI.

2.16. Resolving duplication and inconsistencies will support NIE Networks and SONI by ensuring it has sufficient regulatory certainty to proceed appropriately, when extensions run out at the end of August 2017, and thereafter. We are also considering whether supporting protections should be put in place so that NIE Networks or SONI connects a customer where it is economically efficient to do so.

Proposed requirements and process for requesting and granting an extension

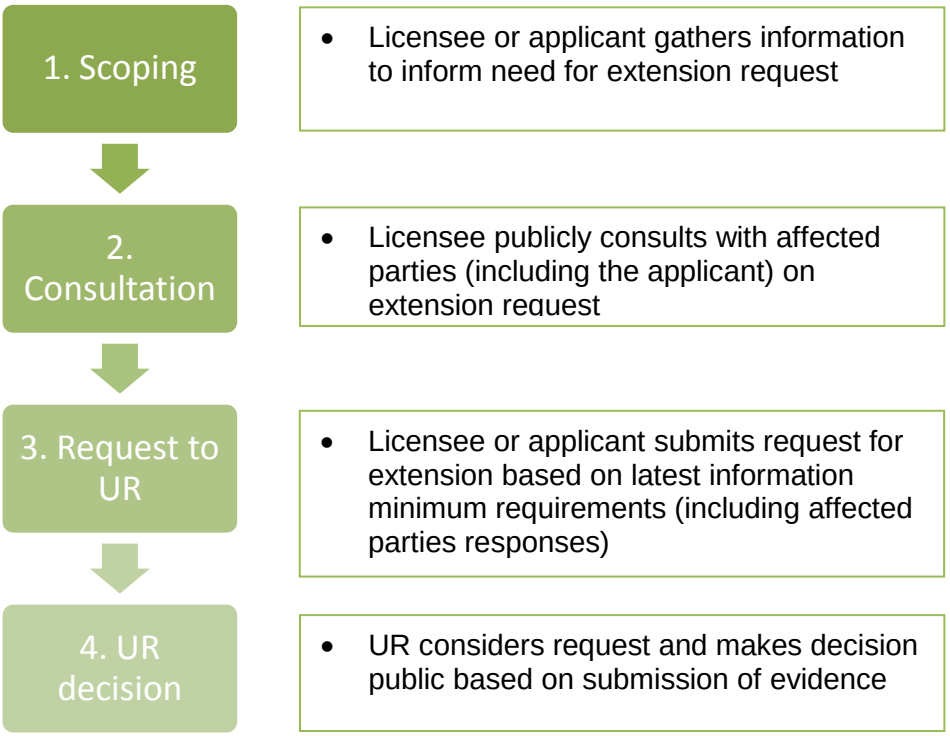
2.17. We set out our proposed approach below. We welcome views.

Criteria and requirements for considering and requesting extensions

2.18. We illustrate the criteria and requirements considering and requesting extensions for providing connection offers, in the diagram below. We then go through each in more detail.

2.19. We recognise that some of the actions within these criteria are already undertaken by Licensees. It our intention to formalise and make other parties aware of them.

2.20. There is also a balance between providing certainty and allowing flexibility. For example, we have set out minimum requirements in terms of what information we and others may expect to see. We welcome views on whether we have struck the correct balance.



Stage 1 – Scoping

2.21. Where the Licensee receives an application from an applicant, we expect it to consider at the earliest point possible, whether there is a need for an extension request. We expect this to be considered in light of the fact that requesting an extension should be based on exceptional circumstances.

2.22. We expect the Licensee to consider the following minimum requirements (including any other relevant useful information) for the application in question:

a) The provision of the relevant license to which the extension relates.

b) The rationale for the extension and proposed duration;
c) A comprehensive assessment of the impact of the extension where it to be granted;
d) A comprehensive assessment of the impact where an extension is not granted;
e) A description of any alternative actions that have been considered, if appropriate;

Stage 2 – Consultation

2.23. We expect the Licensee to consult adequately and in a timely manner with affected parties. By affected parties we mean the connection applicant(s) in questions, and where relevant the TSO or DSO licensee.

2.24. As part of its consultation, we expect the Licensee to share the information collated in "Stage 1 – Scoping" (as described above) with the affected party and seek its views on the proposed extension request. We would, for example, expect the connection applicant(s) to consider how it would be affected by the Licensee's proposed decision.

2.25. We also expect the licensee to communicate the timelines for seeking a response and subsequently submitting a request to the Authority.

2.26. In taking account of affected party views, we expect the Licensee to re-consider whether need for the request for extension remains appropriate. If the Licensee considers that an extension request remains the appropriate course of action, then it should consider whether any changes to the proposal are appropriate.

2.27. We then expect the Licensee to communicate the outcome of its consideration (i.e. whether or not it now intends to submit a request for extension to the Authority, including any revision(s) where appropriate).

Stage 3 – Request to the Authority

2.28. We would expect to receive a request from the licensee or the applicant at least two weeks before end of the three month connection application period (or in the case of the existing extension, two weeks before the end of August 2017).

2.29. This request should take the form of a report which includes:

f) Minimum information requirements (see a) to d) above);
g) An identification of the particular connection to which the extension relates (size, technology, type etc);
h) Affected parties consultation response(s):
    - Opinion of the connectee for the extension request (including the impact of the proposed request on the applicant);
    - Opinion of other parties affected by the extension, DSO/TSO.

Stage 4 – UR Decision

2.30. We expect to make a decision on whether to grant an extension request at least one week before the end of the three month connection application period (or in the case of the existing extension period, two weeks before the end of August 2017)

2.31. Our decision concerning the individual request will be taken based on the evidence provided with reference to the relevant Licence Condition(s), and in accordance with our principal objective and general duties.

2.32. We will publish our decision and relevant information from responders on our website. We will also keep a record of the information and decision on the Public Electricity Register as required by the Electricity (Northern Ireland) Order 1992.[14]

Initial considerations on refusal to provide a connection offer

2.33. We will consider whether the requirements in Distribution Licence Condition 30 which overlap with matters dealt with under Articles 19 – 21 of the Order remain necessary, and, if so, why that might be the case.

2.34. To the extent that it is deemed necessary to continue to deal with those matters in Condition 30, we believe the Condition should be modified so as to bring it into line with the Order to ensure no inconsistency going forward and to clarify NIE Network's legal obligations.

14 http://www.legislation.gov.uk/nisi/1992/231/article/52

2.35. This will mean the removal of an express power for NIE Networks to refuse a connection where to make that connection would place it in breach of the Distribution Code. However, under Condition 27(1) NIE Networks must at all times comply with the Distribution Code, and this obligation would provide an implicit obligation to refuse to make a connection if to do so would breach the Distribution Code.

2.36. Additional thought may need to be given to whether the power to refuse a connection where to grant it would place SONI in breach of the Grid Code is likewise replicated elsewhere. Under Condition 26(1), NIE Networks is required to comply with the Grid Code.

2.37. It is not our intention to strengthen NIE Networks ability to refuse provision of connection offers and it is important that NIE Networks and continues to do so where it is economically efficient to in fact connect any customer. We will consider supporting measures here, including whether an economic test is required via licence. We welcome views on this.

2.38. We will also consider whether measures need to be taken for SONI to support SONI to allow it to refuse a connection offer.

2.39. We welcome views on our approach and initial considerations.

3. Timelines and next steps

Timetable

3.1. Key milestones for the Electricity connections review are set out in the table below.

Key milestones	Proposed Date
Responses to this consultation	15 May 2017
Publication of Decision	30 May 2017
Licence modification notice	30 May 2017
28 day period for Licence Modification Notice period ends	28 June 2017
56 day period from publication of date of decision to proceed ends	30 August 2017
Licence modification implementation date	30 August 2017

How to provide feedback

3.2. The deadline for responses to the issues raised in this paper is **5pm on 15 May 2017**. Responses should be sent to:

Ciaran MacCann
Compliance and Network Operations
Tel:02890316661
Utility Regulator
Queens House
14 Queens Street
Belfast BT1 6ED
ciaran.maccann@uregni.gov.uk

Or in the absence of the above contact:

Jody OBoyle
Compliance and Network Operations
Tel: 028 9031 6334 Utility Regulator
Queens House
14 Queens Street
Belfast BT1 6ED

Jody.OBoyle@uregni.gov.uk

3.3. The Utility Regulator's preference would be for responses to be submitted by e-mail.

3.4. We have not posed some specific questions throughout this paper. We welcome feedback on any aspect of this paper, but in particular the issues in Section 2.

3.5. Individual respondents may ask for their responses (in whole or in part) not to be published, or that their identity should be withheld from public disclosure. Where either of these is the case, the Utility Regulator will also ask respondents to supply the redacted version of the response that can be published. It is also our intention to share responses with DfE as this may aid the Department in future policy development.

3.6. As a public body and non-ministerial government department, the Utility Regulator is required to comply with the Freedom of Information Act (FOIA). The effect of FOIA may be that certain recorded information contained in consultation responses is required to be put into the public domain. Hence it is now possible that all responses made to consultations will be discoverable under FOIA, even if respondents ask us to treat responses as confidential. It is therefore important that respondents take account of this and in particular, if asking the Utility Regulator to treat responses as confidential, respondents should specify why they consider the information in question should be treated as such.

3.7. This paper is available in alternative formats such as audio, Braille etc. If an alternative format is required, please contact us and we will be happy to assist.

4. Appendix – Call for evidence response summary

4.1. We received 22 responses. These are summarised below.

Q1: Do you agree with these strategic priorities?

4.2. The vast majority of respondents agreed with our strategic priorities, but had various interpretations of how these should be delivered.

4.3. Many also encouraged us to add further priorities. Many believed that a further priority should be a stable and robust regulatory framework and that we should be given further powers to make connections policy.

4.4. Some believed that connections policy should encourage innovation, and two respondents believed a priority should be to promote competition in connections.

4.5. One respondent said that it is customary for connection policy to include the principle of non-discrimination.

4.6. One respondent noted that alignment with future government policy needs to be considered, in terms of what the approach to connections should be beyond the 40% renewable target.

4.7. Many respondents requested that clarity is provided with respect to how capacity is released after Phase 1 is complete.

4.8. One respondent stated that more equitable treatment between distribution and transmission connections policy is required.

Q2: Do you agree that these are the main developments we should be mindful of? Are there any other developments which are important?

4.9. Many respondents noted renewable energy will continue to connect to meet targets, and that smarter, more flexible sources of generation such as storage are DSR will be connected which are capable of increasing or deferring network capacity. Some respondents also noted that other types of connection such as zero export and co-location.

4.10. Many respondents said we must support NIE Networks to invest in innovation to allow a smarter network model and facilitate greater network capacity. NIE Networks noted that that it has highlighted potential flexible, smart solutions in its RP6 business plan. It also noted that it has contributed towards GB BEIS and OFGEM review on flexibility and propose developing this strategy in NI.

4.11. Some respondents were concerned that connections policy may frustrate market participants' ability and incentives to participate in the CRM auction process. For example, if there is hoarding or the connections process is made more inflexible. This could lead to certain participants being excluded from auctions and reduce competition.

4.12. Some respondents asked that we review the policy of non-discrimination between technologies to prioritise certain types of connection (e.g. storage). One respondent said that the charging regime should be changed for storage connections to recognise the potential benefits storage may bring in terms of capacity and system security.

4.13. Many respondents noted that capacity is still available on the system, particularly at times of higher demand and lower renewable generation. Many also said that the development of transmission system has not kept up with the level of renewable connections and that further transmission capacity is required to meet the renewable target of 40% by 2020.

4.14. Some respondents noted European network codes may require controllability of sub-100kw generation by 2018.

4.15. Two respondents noted that innovative solutions such as containerised and GRP substations, as used by GB DNOs, should be considered to drive down connections costs.

4.16. Some respondents welcomed contestability.

Q3. Is there a role for connections policy to promote effective network management? If so, what are the issues which need addressed and potential solutions as part of this review?

4.17. Respondents were largely in support of connections policy having a role in promoting effective network management.

4.18. Two respondents considered promoting network management needs to be balanced against other competing objectives (ISEM benefits, long term government policy and network needs, security of supply).

4.19. One respondent said that we should clarify grounds for discrimination requirements in the context of promoting effective network management.

4.20. Many respondents said that new types of connection may make efficient use of network capacity, but noted that these are unlikely to connect without more reinforcement is allowed. Two respondents, in particular, highlighted over-installations as making better use of connection assets. Many respondents also asked that our regulatory powers are strengthened to facilitate new types of connections (e.g. zero export, co-location, managed connections).

4.21. Many respondents considered that cluster policy should be maintained. In doing so one respondent noted that the take-up has been relatively high minimising the contribution from NI consumers.

4.22. Some respondents requested that further clarification of cluster policy is required and that these should be discussed in a working group.

4.23. Some respondents suggested that NIE Networks take a more innovative approach to maximising the use of existing available network capacity, for

example using dynamic ratings. In doing so many believed RP6 is the vehicle for providing incentives.

4.24. Some respondents asked that Project 40 workgroup should be reconvened.

Q4. Should we review the distribution charging framework, with a view to making connection charges deeper? If so, how should this be designed? What are the benefits, costs and risks of doing so?

4.25. We received a varied and mixed response to this question.

4.26. Six stakeholders did not respond. Where they did, many respondents said the issue is complex and/or more analysis on costs, benefits and risk would be required. Three respondents were not in favour of a deeper framework or reviewing the charging framework further.

4.27. Many respondents raised arguments against a deeper charging policy. Arguments included that current framework already sends locational signals and that a deeper one may distort and raise barriers to competition and investment (especially where the network at full capacity), lead to poorer transparency, cause excessive prices and hamper security of supply.

4.28. In terms of options, two respondents noted the benefits of moving to an apportionment based charging model. Four respondents noted that some connecting customers are willing to pay deeper charges. One respondent noted that consideration should be given to increasing flexibility within the charging statement to enable customers, at their request, to pay for deeper reinforcement.

4.29. Some respondents argued that different charges should apply to different customers. Two respondents were open to moving to a deeper charging policy for connections at voltages less than 33kv. One respondent favoured a different charging mechanism for storage, as the current regime does not reflect its benefits in terms of capacity release and system optimisation.

4.30. Some respondents noted that the current policy is flawed. One respondent considered that the current charging policy blocks efficient investment in that

it does not distinguish between efficient and inefficient connections projects. Many respondents asked that rebates are introduced for generation customers. One respondent asked that security bonds are introduced at the distribution level to level the playing field between distribution and transmission connections (who already pay bonds).

4.31. One respondent noted there may be merit in exploring whether an all-island charging methodology is required, whilst another noted we should consider how policies in NI and RoI differ to ensure competitive disadvantages are minimised for those who compete in the SEM.

Q5. Should we review how the connections process and queue is managed? If so, what are the issues which need addressed and potential solutions?

4.32. The vast majority of respondents strongly supported NIE Networks and SONIs existing policy of issuing offers to connection applicants who have planning permission. Some argued that this would reduce hoarding risk from Phase 2 applications, allow connections whilst having a limited network impact, and may be unlikely to raise disputes. However, some noted there is hoarding is currently not an issue in Northern Ireland.

4.33. Many respondents argued that NIE Networks we of planning permission should remain until legislation is brought to allow only connection applicants with planning permission to apply for a connection. One respondent argued against bringing in such legislation as this would increase connection project uncertainty and lengthen project timelines.

4.34. The option to introduce milestones received a mixed response. Some argued that it should be considered as a short to medium term option while others believe it to be an option to be considered in the longer term (as use of planning permission in the existing policy is sufficient. It was noted that it may reduce hoarding whilst providing flexibility for projects to advance projects (for example, those with a long lead time). Others noted that milestones may be practically complex to introduce, less relevant in NI as we do not have a hoarding problem, may not adequately reduce any hoarding problems which do occur if milestones are not set sufficiently, and may be incompatible with regulatory and legal framework if not applied properly.

4.35. Most respondents were strongly against a batch type process on the grounds that it is more relevant where there is a subsidy in place, it encourages hoarding, undermines uncertainty, it may disadvantage some applicants over others, is a bad use of time and resource and could be subject to dispute.

4.36. SONI noted that the NIE construction offer timelines in NIE licence does not align with TIA. It also noted that the SONI connection offer and TIA process for distributions requiring connection works are incompatible with NIE connection offer timelines set out in NIE Networks distribution license. This can leave SONI at risk of not meeting its Licence requirements.

Q6. Should we consider connections customer service, engagement and pricing transparency as part of this review? What are the issues which need addressed and potential solutions?

4.37. Several respondents believed that provision of network and generator information could be expanded and publicised better (e.g. especially for clusters) noting that other jurisdictions have overcome data privacy issues to provide more effective information. Examples given were up to date information on connections and contracted generator information, including applicant details, as in ROI and GB. One respondent noted that it was unable to seek the necessary information, in a readable format, to carry out required ER G5/4 harmonic studies for a contracted connection customer

4.38. Two respondents commented on GSS for distribution connections. One was in favour of introducing the standards for distribution connections. NIE Networks was open to introducing after the market has been fully opened to competition and not before contestability is established. It noted that work being undertaken to develop NIE Networks IT systems would not allow NIE Networks to develop and monitor GSS.

4.39. With respect to transmission connection, one respondent said these projects are more complex and bespoke and so performance targets and indicators are less easily measurable and should focus on areas within company's control.

4.40. Some respondents noted that communications and engagement could be improved. One respondent noted improvements such as dedicated account manager, interaction with multiple projects, feedback on other jurisdiction best practice, and better accountability to improve statutory deadlines, and better provisions of online services. One respondent said better communications for those who may not get a connection are required. Another respondent said that there should be an automatic penalty on NIE Networks if it does not provide an offer within one month of receipt of application.

4.41. One respondent made a general point that customer service should be based on the principle that there should be flexibility to deliver whatever meets individual customer needs.