

Update note on Contestability in Connections

03 June 2016



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

The Utility Regulator (UR) has been working with both NIE Networks (NIEN) and SONI on the introduction of contestability in connections to the electricity network in Northern Ireland.

The market for contestable connections of 5MW and above has opened as of the 31st May 2016 and NIE Networks has also updated their website and developed a new Independent Connection Provider (ICP) portal.

This note provides an update on the current position and proposals for further introduction.

Audience

All parties owning, connecting to, or providing connections to the electricity network in Northern Ireland.

Consumer impact

The benefits of contestability may include but are not limited to:

- increased innovation;
- improved connection times;
- more efficient construction;
- better customer service to parties interested in connecting;
- achieving renewables target; and
- reduced financing/operating costs.

1 Contestability Update Note

1.1 Background

- 1.1.1 The delivery of electricity connections currently operates as a monopoly with Northern Ireland Electricity (NIE Networks) responsible for construction of connections to their electricity network in Northern Ireland. All parties wishing to connect must receive an offer from either NIE Networks for connection to the distribution network or SONI for connection to the transmission network.
- 1.1.2 As part of the UR's forward work programme (FWP) 2014-2015¹ it is proposed to introduce contestability for new connections. The UR seeks to promote a competition based regime where possible, in line with their duties.
- 1.1.3 Following a call for evidence and a consultation paper and a proposed next steps paper, the UR issued a decision² paper on 31st July 2015.
- 1.1.4 NIE Networks and SONI then provided a draft set of implementation guidelines for both Transmission and Distribution connections. They used the information provided in the UR's decision paper to produce the implementation guidelines. These guidelines were not contractual, however they informed the connectee of what is required from them when developing a contestable connection.
- 1.1.5 Following consultation and consideration of the responses, the implementation guidelines for contestability was published in March 2016³.
- 1.1.6 The guidelines paper defined in more detail how contestability will work for Phase 1 of NIE Networks and SONI's implementation plan.
- 1.1.7 It was decided with the implementation plan that contestability would be implemented in two phases; the first phase of contestability is only open to load and generation connections 5MW and greater.
- 1.1.8 As this phase develops NIE networks and SONI will continue to evaluate their processes, procedures, systems and documentation in preparation for phase 2, which will involve licence conditions on the DNO and TSO to provide contestable connections for all applications.

¹ http://www.uregni.gov.uk/uploads/publications/FWP_201415_final.pdf

² http://www.uregni.gov.uk/uploads/publications/Contestability_in_Connections_-_final_decision_paper_-_July_2015.pdf

³ http://www.uregni.gov.uk/uploads/publications/Contestability_Guidelines_-_2016-03-14.pdf

1.2 NIE Networks Update

- 1.2.1 Since the publication of the guidelines paper NIE Networks has developed a contestability section within their website (<http://www.nienetworks.co.uk/Connections/Competition-in-Connections>).
- 1.2.2 This website which contains information on what is and is not contestable as well as further details on the guidelines, the Independent Connection Provider (ICP) portal and the NERS accreditation.
- 1.2.3 The ICP portal (<http://www.nienetworks.co.uk/ICP>) provides detailed technical specifications and information for customers and Independent Connection Providers who wish to design and build new electricity connections in Northern Ireland.
- 1.2.4 A new statement of charges⁴ is also active on NIE Network's website taking into consideration contestability for applications over 5MW's.
- 1.2.5 The market is now open for distribution contestable connections to applicants of 5MW or above.
- 1.2.6 NIE Networks have indicated that contestability will be available to all other parties in 2017.

1.3 SONI Update

- 1.3.1 We have discussed with SONI their implementation of contestability for transmission connections. There are several activities that must be completed before the market is open for transmission contestable connections to applicants of 5MW or above.
- 1.3.2 These include:
 - (1) a review of the relevant sections of the Transmission interface agreement (TIA) between NIE Networks and SONI,
 - (2) a review of the SONI's Transmission Connection Charging Methodology Statement (TCCMS),
 - (3) a Grid code review and review of planning standards –if required.
- 1.3.3 It is expected for drafts of these documents to be submitted for review to the UR at the start of the summer with consultation mid-summer and final documents approved in August.
- 1.3.4 Following approval these documents will be published and SONI's web site updated. SONI has told us it expects to provide transmission contestable connections to applicants of 5MW or above by the end of August 2016.

⁴ <http://www.nienetworks.co.uk/documents/Connections/NIE-Distribution-Connection-Charging-Statement-30.aspx>

1.4 UR Update

- 1.4.1 Over the next few months we will be engaging with NIE Networks and SONI with regard to the updating of the TIA and their respective documents.
- 1.4.2 As Phase 1 develops and contestable applications materializes, the DNO and TSO will be evaluating their manual workaround's and the changes that will be required to their IT systems to facilitate contestable connections for all.
- 1.4.3 If IT system changes are required, the procurement, design, build and implementation of system changes will have to be factored into the timeline of the initiation of the contestable licence conditions.
- 1.4.4 The UR will be responsible for consulting and developing licence modifications for both NIE Networks and SONI to ensure they have a licence obligation to provide for contestable connections. However the priority is to have contestability available and operational within Northern Ireland.
- 1.4.5 Over the summer the UR will be developing these licence modifications for consultation as well as monitoring NIE Networks and SONI's performance.
- 1.4.6 The UR will have an ongoing responsibility to review the impact of contestability in Northern Ireland and make changes to the proposed arrangements if necessary to promote competition. There may be value in considering the operation of contestability prior to finalisation of the licence modifications.
- 1.4.7 We will continue to monitor the uptake of contestability connection offers by both NIE Networks and SONI and provide a further update note later on in the year detailing what stage the elements of the project is at.