

NIRIG response to NIEN T&D Price Control Draft Determination (RP6)

19 May 2017

The Northern Ireland Renewables Industry Group (NIRIG) represents the views of the renewable electricity industry in Northern Ireland, providing a conduit for knowledge exchange, policy development, support and consensus on best practice between all stakeholders. Committed to making a positive difference, we promote responsible development, support good community engagement and deliver low-cost electricity generation from sources such as onshore wind, tidal, solar and storage using our greatest natural resources.

We welcome the opportunity to respond to the NIE Networks Draft Determination. We note that in general the determination is unlikely to either adequately protect future consumers or facilitate a competitive and regionally robust economy.

Wind energy reduces consumer electricity costs¹, yet NIAUR has indicated a reduction in transmission investment of £9m per annum against RP5, failing to provide a clear path to enable continued connection of the cheapest electricity source and thereby ensuring long-term protection of consumers.

Grid infrastructure is an essential tool for economic development, which is a clear priority of the draft Programme for Government² and draft Industrial Strategy³ for Northern Ireland. To ensure future economic growth, security of supply, regional development and decarbonisation it is imperative that generators and businesses can obtain connections, and this is particularly acute in the west of Northern Ireland.

This draft determination does not address the NIAUR requirement to provide firm access as outlined in SEM Generator Connection Policy Decision Paper AIP/SEM/114/06:

“The Regulatory Authorities consider that firm access should be provided only from the actual completion date of deep reinforcements, but that the system operators and network owners should be obliged to complete such reinforcements in a timely manner.”

¹ https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2926875

² <https://www.northernireland.gov.uk/programme-government>

³ <https://www.economy-ni.gov.uk/consultations/industrial-strategy>

We are alarmed that there is in excess of 1600MW of installed and committed projects with SONI/NIE, yet the current Medium Term Plan only delivers 1000MW of capacity: many connected projects are operating at levels without FAQ.

NIRIG are also very concerned that the investment in 33kV congestion has also been reduced from NIEN's proposal. NIEN have been working with industry to alleviate difficulties of connecting generation in areas of 33kV congestion and this has been relieved to some extent by work on the reverse flow relays and transformer settings. We are keen that this work should continue at 33:11kV substation.

This determination should not be viewed in isolation from other key existing and future policies. We therefore urge that this consultation, the NIAUR Consultation on connections, the future SONI Transmission Development Plan and the expected Department for the Economy Energy Strategy align to meet three key needs for the NI economy and the energy sector:

- **Further strengthening of current network to provide firm access for committed generation**
- **Growth of the electricity network to provide the framework for a modern economy and competitive electricity market**
- **An appropriate connection policy in the short-term as well as an enduring policy that facilitates connection of customers and sends the correct market signals**

Specific responses to the Draft Determination are as follows:

9 Direct Network Investment Appraisal

9.8 Spend Run-rate RP5 vs RP6

We are concerned that NIAUR have indicated a reduction in transmission investment of £9m per annum against RP5. Given the lack of investment in transmission planning, network growth and firm network capacity, NIRIG does not agree that a reduction in investment against RP5 is warranted.

NIRIG is concerned that reference is made to future D5 projects but there is no indication of what these projects are, level of investment commitment or when the investment might be forthcoming.

NIRIG would like to see the second North South Interconnector separately identified.

We are also concerned that there is a reduction in refurbishment and replacement of general transmission assets in RP6. These assets are central to availability and normal running of the network and failure will impact significantly on curtailment and constraints for existing generation.

Regarding investment to anticipate and encourage an increase in LCT and the release of capacity on the 33kV network, NIRIG is concerned that there was no allowance for this in RP5 and there is a very small investment (£3.7mpa) in this area in RP6. We urge a higher level of investment. Renewable electricity from wind lowers consumer costs. Investment to facilitate additional generation from wind and other renewables will therefore help to protect consumers.

9.32 Optional investment Plans

NIRIG is very concerned with the non-firm treatment of the optional investment plans. We see these plans as **essential** to any developments on the 11kV distribution system and feel that they must be included as firm in the consideration of RP6.

The phased replacement of 25mm conductors on the spine of the 11kV OHL network with 50mm conductors will address capacity and potential failures. This work is important going forward. The 11kV network is the central element for connection of renewable generation as well as an essential part of the network in the connection of data centres, new factories and distributed load: essential for economic and commercial growth.

9.34 We feel that the renewables sector was not included in the NIEN/NIAUR customer and stakeholder engagement process and the conclusions of this process certainly do not reflect the concerns of the renewables and wider industry. We also question the validity of this approach in providing a robust and future-proofed network which is capable of supporting growth and sustainable connections.

9.36-9.38 NIRIG recognises and fully supports the innovative nature of the projects proposed by NIEN in this section. We fully agree that proven 'innovative' technologies should be taken up by the company, particularly given the capacity-limited condition of the existing network. We feel that £7.26m (9.38) is insufficient and that NIEN should be given the necessary funding to develop and integrate these proven innovative technologies as soon as practicable.

9.39 NIRIG is firmly of the view that binding 'innovation' to a cost-benefit analysis and demonstration of success in advance is unlikely to lead to achieve real innovation. Innovation implies the ability to try new approaches, products or systems and we believe that NIEN should move to the 'NI network proving phase' for these projects as soon as possible. We believe that NIEN should be given sufficient funding to bring this work to a conclusion at the earliest possible time, without onerous restrictions.

Annex 'O' Assessment of Network investment Direct Allowances

4.0 Distribution Network Reinforcement

Secondary Network Expenditure associated with Low Carbon Technologies

4.12 NIRIG recognises the importance of the uptake of LCT in a low carbon economy for NI in order to reduce consumer costs. We regard the NIEN proposals for investment in LCT based on the TRANSFORM model as being conservative (i.e. the low uptake scenario with a 10% reduction for electric vehicle (EV) roll-out). We completely support investment in LCT and welcome the NIEN investment as proposed, although we believe it is conservative. We are therefore surprised to see that the Total Direct Allowance has been drastically reduced from £13.2m to £2.63m.

We do not support the reasons given in the Draft Determination (4.17-4.22) for reducing the allowance, but feel that if there is no investment then there will simply be no growth in this sector, which will significantly disadvantage the NI economy and consumers. We believe that the investment in LCT and the growth in EVs are directly linked and lack of investment at this stage will stunt the potential growth with commensurate loss to the NI economy in terms of jobs in this sector, technology adaptation opportunities, vehicle uptake and greenhouse gas emission reductions.

Local companies are now investing in this innovative technology⁴ and a strong industrial strategy will rely on such synchronicities in local investment. We recommend that the allowance for secondary network LCT should be approved in line with the NIEN proposals.

4.24 NIRIG believes that as the pressure to provide connections is sustained, areas of the network which may potentially hold connection capacity will increasingly be constrained due to fault level limitations. We urge that the NIEN proposal in respect of fault level reinforcement should be supported at its proposed level of £1.83m.

4.31-4.37 33kV Congestion

NIRIG are very concerned that the investment in 33kV congestion has also been reduced from NIEN's proposal. NIEN have been working with industry to alleviate difficulties of connecting generation in areas of 33kV congestion and this has been relieved to some extent by work on the reverse flow relays and transformer settings. We are keen that this work should continue at 33:11kV substations and are very disappointed to see the allowance reduced from £10.421m to £8.9m. We urge that the original request of £10.421m be maintained.

⁴ <https://www.investni.com/news/wrightbus-investment-in-innovation.html>

4.39 Investing in the Future

NIEN has invested significant effort in SMART technologies and Managed Connections solutions to help provide connection solutions in the network. We also note the increasing importance of facilitating energy storage services and again, our members have been working with NIE to develop these services. There is also a growing importance of effective communications in managing the network.

Noting the above developments and commensurate with NIAUR's recognition of the importance of SMART technologies and relieving a stressed network, it is with significant surprise that we note that NIEN's proposed allowance has been reduced from £10.48m to £7.26m. We believe that at this time with the increasing pressure to provide connection solutions and to relieve network stress that these opportunities should be made available at the earliest opportunity to NIEN.

Given that there was a similar reduction in the RP5 allowance which resulted in the stalled roll-out of these technology solutions, we believe that it is entirely inappropriate to reduce the RP6 allowance at this time. We urge instead that NIEN be allowed the necessary resources to research and deploy these technologies as most appropriate to the NI network.

NIRIG strongly urges that the NIEN proposed allowance of £10.4m be maintained.

6.0 Transmission Projects

We note that transmission expenditure will come forward under the D5 procedure defined by the Competition Commission. However we are disappointed with the number and speed of decision taking in regard to this process. We currently have a MTP which has delivered 1000MW of capacity on the system and there are at the moment in excess of 1600MW of installed and committed projects with SONI/NIE. This is a wholly unacceptable situation and many of the already connected projects are operating at levels without FAQ.

NIAUR has a requirement to provide firm access as outlined in SEM Generator Connection Policy Decision Paper AIP/SEM/114/06:

"The Regulatory Authorities consider that firm access should be provided only from the actual completion date of deep reinforcements, but that the system operators and network owners should be obliged to complete such reinforcements in a timely manner."

We are also very aware that at the moment there are no plans for a future transmission system extension, either a MTP Phase 2 or an enhanced RIDP which would set down transmission developments to 2030 and beyond. These plans are essential for investment in the very necessary projects to maintain system security and generation standards going forward.

A Medium Term Plan Phase 2 should assess the potential for further transmission capacity by:

- Focusing on 110kV works
- Maximising the capacity of clusters
- Identifying existing space on the network
- Approving funding to facilitate Firm Access for all connected and committed generation

In conclusion, NIRIG notes that the draft determination is:

- Unlikely to deliver on SEM Generator Connection Policy Decision Paper AIP/SEM/114/06 to deliver firm access
- Unlikely to provide the conditions for a modern economy and competitive electricity market
- Unlikely to adequately facilitate the cheapest form of electricity generation for future consumers

We therefore reiterate our points above on allowances for NIEN.

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NIRIG