Response to:

SONI / NIE Alternative Connection Application and Offer Process Proposal Consultation Paper.

ESB Generation and Wholesale Markets (GWM) welcome the opportunity to respond to NIE and SONI's Consultation on Alternative Connection Application and Offer Process Proposal.

While we recognise the current issues in NI with regard to Connection Policy, it is our view that in the first instance, a wider view needs to be taken of the Connection Policy as a whole before setting out proposals to address the specific issues being faced.

It is generally acknowledged that planning permission was a beneficial pre-requisite for a connection offer as it provided certainty to developers. Clearly, connection policy is being reviewed only as result of the removal of this requirement arising from the legal challenge. It is our view therefore that the first step should be to explore avenues to reintroduce this requirement as soon as possible and that any measures proposed by SONI / NIE would only be a transitional measure until planning permission as a pre-requisite is reinstated.

Furthermore, it is our view, based on experience of the Gate Processing Approach in the Republic of Ireland, that there will be a significant delay in offers being made to developers under the Batch process if implemented. By the time the Batch process issues its first offers there is a high likelihood that planning permission could have been be re-instated through the required legislative changes. The Batch process outlined in this paper raises a number of issues (equity, complexity, potential barrier to entry etc) while reinstating planning permission would be a return to the status quo which has been effective to date.

Notwithstanding the issues we have highlighted in this response, ESB GWM does support the implementation of certain interim measures until planning is reinstated. Specifically, the proposals to give connection offers for the spare capacity at cluster substations and to process applications in date order in areas where spare capacity is available (Section 8.5 & 8.8 of the consultation) is welcome. We would also urge SONI/NIE to consider facilitating colocation where possible, preferably through a separate process given that the MEC at a particular node is not impacted.

ESB GWM would welcome the opportunity to discuss any aspects of this response and should you have any queries please do not hesitate to contact me.

Yours sincerely,

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Warren Deacon
Grid Code and Market Specialist

Fundamentally, it is ESB GWMs view that a Batch process is only needed where there is a significant surge in the number of applications being received by the SO that is unavoidable. A Batch process allows for significant economies to be made by planning network structures and also allows for consideration of the impact on market operation. An obvious example of this occurring is the introduction of a subsidy. However, at other times connection policy can rely on market signals with minimum requirements for applicants as rationing of connections (i.e. a Batch process) is not an effective means by which to incentivise dynamic investment behaviour.

Until the removal of planning permission as a pre-requisite for applying for a connection to the Distribution System under UR Determination (DET-572), the connection policy in Northern Ireland has been effective and fit for purpose. Notwithstanding that it extends the overall time period to develop a project, it brought certainty to the process. It is our view that this consultation is being driven by the removal of planning permission as a requirement and no other reason. Therefore, in the first instance planning permission needs to be reintroduced as a requirement for applicants as soon as is practicable rather than proposing to change the mechanism by which applicants receive offers.

We have endeavoured to respond to the questions in the consultation at the end of this response but in the absence of clarity on the planning permission issue, ESB GWM is not in a position to comment on the specific questions around the implementation of a Batch process. We therefore make the following general comments and suggestions.

Planning Permission as a pre-requisite serves a number of distinct advantages.

Firstly, planning permission ensures that all developers are on a level planning field with regard to the risk of their project succeeding. Obtaining planning permission is becoming increasing difficult in light of more and more stringent planning requirements for embedded generation and in light of growing public awareness of their impact (e.g. visual impact of wind and solar farms). In a Batch process, if one developer fails to secure planning permission, this can have a knock on impact for the other developers that are within the same node. In other words, other developers may be ready to proceed to the next phase of their project but are delayed by a developer still striving to achieve full planning status. The risk is even more acute where developers timelines are limited/bound by the requirements of government renewables support scheme coming to an end.

Secondly and related to the previous point, planning permission ensures efficient use of resources and optimises grid capacity effectively. There is an increased risk of developers falling out of the process due to difficulties obtaining planning permission. This will create an increased demand on the system operators resources to carry out more re-runs of nodal

assignment so that the spare capacity can be reallocated to the next applicant in the queue (that otherwise might have been faced with a significant connection cost to upgrade the line due to lack of spare capacity). Alternatively, if a re-run is not permissible due to time constraints, a significant number of applicants will fall away due to not receiving planning permission meaning the allocation of grid capacity will not have been optimised efficiently. Here the developer has lost out on getting a connection offer which then will be reflected in the risk and costs of other projects thereby increasing the costs to the consumer even further.

Thirdly, without planning permission and given that network capacity is a scarce resource, a large number of these applications are likely to be speculative and may or may not progress for various reasons. However, there are also projects that are in a position to progress but do not currently have the mechanism to do so even if there is an efficient entry signal from the market. In other words, efficient new entry of generation is being prohibited by speculative applications that in all likelihood are less viable (e.g. less optimal grid location resulting in higher connection costs or the need for a support scheme to be commercially viable). Having to provide planning permission, amongst other criteria, serves as a mechanism to filter out applicants that are the most economic and provide the least cost to the consumer.

We recognise that the reintroduction of planning permission is outside the remit of NIE and SONI as it likely requires legislative change. Nonetheless this needs to be explored fully ahead of developing enduring proposals for connection policy. Otherwise efforts and resources spent reviewing connection policy may be futile and unnecessary if planning permission can be reinstated within a similar timeline that it would take to issue first offers from a Batch process. We do however recognise that there may be a need to introduce interim arrangements until planning permission can be reinstated.

Timeline for the Connection Process

There is a significant lack of detail around the timeline within the consultation in terms of the processing of applications and the expected dates for outputs from the various steps in the process. For example there is no reference to the derogation granted to the system operator until the end of May 2016 from their obligation to process connection applications within 90 days. Presumably this derogation will need to be extended until these issues can be resolved.

Also there is no indication in this paper of when first offers can be expected to be made to applicants from the Batch process. By way of comparison, the CER's Gate Processing Approach took ~ 2 years from the Decision on Connection Policy in ROI to issuing connection offers to applicants. It is our view that planning permission could be reinstated through legislative change within a similar timeframe that it would take to issue offers from the Batch process.

Interim Proposals

It is not clear from this consultation whether these proposals are intended as being an enduring approach for Connection Policy in Northern Ireland or whether these proposals are only intended to be invoked when there is a significant number of applicants seeking to connect as is currently the case.

Also there is a real possibility that a significant number of applications could withdraw once the capacity bond is required to be paid by the applicant at offer acceptance stage or when initial node assignment stage is complete. There is no detail provided in the consultation as to the impact on the process should this occur. In other words, if a significant number of applicants dropped out of the process, does the batch process still apply or does the process revert to the sequential process that is the current status quo.

If the processing of applications is going to take significant time under a Batch process it will only further frustrate the process, particularly if market signals are present for new entry arising from, for example, security of supply or renewable obligations. It is our view that first offers from the Batch process would take as long to issue as it would to reinstate planning permission, through the legislative process to make it a requirement, and therefore there may be merit in introducing interim arrangement whilst planning permission can be re-introduced.

Specifically, given the NI renewable targets and ROC deadlines, ESB GWM supports the issuance of connection offers for the spare capacity at cluster substations on an interim basis (implementation of Section 8.5 of the consultation). We also support the interim proposal to process applications in date order in areas where spare capacity is available (Section 8.8 of the consultation).

Furthermore, over-installation of capacity (in particular colocation) behind a connection point needs to be addressed and facilitated to greatest extent possible as it maximises the use of the current network and gives the greatest value to the consumer. It is our view that a mechanism to allow for the over-installation of capacity should be addressed under a separate process as such a change does not increase the MEC at that location.

ESB GWM recognises the SONI / NIE concerns around the impact this can have on the fault level contribution from the site for example. We recognise the need for fault level studies but the impact should be low and, from a resource perspective, should not be as significant an impact compared to the implementation of a Batch process. In other words, over-installation behind a connection point could be implemented, along with the interim measures outlined above while the legislative changes to reinstate planning are undertaken.

Treatment of Small Scale Generation

As noted a return to the planning requirement is by far the most sensible solution to this issue. A batch process creates large delays and is not suitable for project developers. In particular this would be a barrier to entry for SSG projects which may be developed by small businesses and have very short development and construction timelines. Further this paper provides very little detail on timelines, which exacerbates the uncertainty for these developers. SSG projects will not have the capability to be involved in a long grid application process with multiple iterations and huge time and cost uncertainties. The process will therefore act as a massive disincentive to small, private project developers which is against the principle of equitable treatment of applicants.

If the Batch Process is proceeded with, it is our view that SSG should be processed in a separate process. An appropriate threshold for this process would be for all technologies with an MEC <1MW and for specific R&D projects. In other jurisdictions there is precedent of a separate process for applicants under a specific size and technology type as it is recognised that forcing SSG to enter the Batch process would be a barrier to entry due to timescales, complexity and cost.

Further Legal Challenge

The removal of planning permission as a pre-requisite has set a precedent for parties to challenge other aspects of the Connection Policy and therefore care needs to be taken to ensure that any proposals are legally robust especially if these proposals are intended to be enduring. It is our view that UR has an integral role in this consultation process to ensure that any risk of these proposals being challenged is minimised. It is our contention that re-introducing planning permission as a requirement, implemented through primary legislative change, is the most robust approach rather than re-designing the whole of connection policy in NI.

Need to ensure an Equitable Process

As stated above, the current sequential process is effective and fit for purpose when the planning permission requirement is in place. If it is not possible to reintroduce this requirement then significant consideration needs to be taken to ensure that any proposals that are consulted upon are fair and equitable to all participants seeking to connect.

Specifically and fundamentally the Batch process serves to optimise network capacity for the large number of government supported projects when there is a large influx of applicants. We would support this where the influx is unavoidable as it reduces the costs to the final consumer given that they are essentially funding these projects through the support scheme.

However an entirely commercial project that is seeking to connect based on market signals (e.g. the Capacity Market arising from security of supply issues) is being held up in this Batch process and we would view this as being inequitable as those projects are willing to pay to connect based on the economics of their project and market signals rather than government funding.

In relation to the specific proposals in this consultation, using the FAQ list as an incentive to get planning permission is in our view not equitable as it will only incentivise larger connections to obtain planning permission given they will not reach financial close without a FAQ date. Smaller projects on the other hand are more likely to proceed without knowing a FAQ date as they are less likely to be constrained (autonomous unit type in SEM) and therefore might be in a position to build any risk not having a FAQ date will bring, into their project.

Another example is the reference in the consultation to making use of available grid capacity first. This could create an inequitable process where a developer might be willing to pay for an upgrade at a particular node but has lost their position in the queue to those connections where spare capacity is available. Rather, the process should inform the developers of costs of upgrading their shallow connection and let the applicants decide based on cost whether they will progress or not. However, we do recognise that there is merit in allocating this spare capacity on an interim basis given the time it will take to reinstate planning permission or the first offers are made under the enduring connection policy.

Lastly, we do not support the removal of planning permission as a pre-requisite for transmission applications. The argument put forward in the consultation is that it would not be equitable to have planning permission as a pre-requisite for a portion of applicants only (transmission projects and not distribution projects). We would agree it is not equitable but we would suggest that planning permission needs to be re-introduced as soon as possible rather than exacerbating the issue by removing the requirement from transmission applications.

Consultation Paper Questions

Question 1: Do you have any additional suggestions for consideration in relation to continuing to apply the existing connection application and offer process given the recent influx of connection applications received?

See our response above.

Question 2: Do you consider that the underpinning principles of the proposed connection application and offer process at a high level address the approach necessary to deal with the influx of connection applications? Can you suggest any further principles that should be considered?

Predictability and certainty needs to be included as a principle. It is our view that we are now facing 2 years + before first offers from a Batch process are issued.

Question 3: Do you agree that the Batch Process is the most pragmatic alternative connection application and offer process to deal with the recent influx of applications? Do you have any other suggestions or specific comments on the proposed approach?

See our response above.

Question 4: Do you agree with the proposal to remove all consenting requirements for transmission connection applications?

No - see our response above.

Question 5: Do you agree with the types of connection applications that are proposed to be included in the Batch? Please provide reasons for any views expressed.

SSG (<1MW), specified R&D, or applicants seeking to increasing capacity behind a connection point where the MEC is not impacted, should be not be included in a Batch process, if implemented.

Question 6: What do you believe would be an adequate length of time between a decision paper from this consultation process being issued and the proposed Closure Date? Do you agree that a 4-week period would be adequate? Please provide reasons for any preference.

Four weeks is adequate. In fact it could probably been shortened given that the Industry has been made aware of these issues over the last 9 months and the proposed approach has been public since December.

Question 7: Is there any information you can provide to describe how it is proposed that the over-installed plant, particularly in the case where there is a mix of generation technologies, is capped to MEC safely and securely?

There is already precedent in ROI where over installation is permitted and has been operating in a safe and secure manner for a number of years. In essence, it is the generator controller that ensures that the MEC is not exceeded and this requirement is enforced through the Grid Code. For hybrid technologies, the same principle would apply.

Question 8: Is there any information you can provide to describe how it is proposed to limit the availability declarations from the generation site to the SEM and the SONI control centre via SCADA?

As per the above, there is already precedent here in ROI.

Question 9: Please provide any information you feel could explain how, if there is more than one technology type on site, the generation behind the connection point will be reduced in the event of a system constraint or curtailment?

Generators have the technical capabilities to implement control systems to meet the requirements of SEM tie-break rules on curtailment. For hybrid sites this may require signals for the resource availability of individual technologies to be passed on to SONI via SCADA. As per question 7, the generator controller can provide the necessary functionality.

Question 10: Are there any further considerations for the TSO and DNO before this type of connection can be facilitated?

It is acknowledged that there may be additional technical and/or market issues to be addressed for hybrid connections. We believe that these issues are really outside the scope of this consultation. Resolving all these issues should not delay NIE/SONI permitting generators to over-stall capacity as part of the connection offer process.

Question 11: Do you agree with the proposal for allocating any remaining Cluster capacity as a priority and issue these offers outside of the Batch Process? Can you suggest any alternatives for consideration?

See our response above.

Question 12: Do you agree that a change may be required to the weighting of projects connecting into Clusters that have not submitted for planning permission and subsequent connection offers have expired or been rejected? Would you consider a weighting of zero for such projects to be acceptable?

No comment

Question 13: Do you agree that the proposal to order the transmission assessments of the Groups based on the Groups with the earliest individual Valid Connection Application is a practical approach? If not, can you suggest any alternatives?

No comment

Question 14: Do you believe it would be a prudent approach in the first instance for the TSO to determine whether there is existing grid capacity and issue offers where there is capacity as a priority, accepting that other applicants not included in this phase 1 would need to wait longer for connection offers?

See our response above.

Question 15: In relation to connection offer validity periods, what length of time do you suggest would strike a balance between giving customers enough time to consider the connection offer and not unduly delay starting to process the remainder of the Batch?

No comment

Question 16: In order to reduce time, it is proposed to allow a period of 10 days from information on initial nodal assignment being provided for a decision to be made on whether to withdraw from an application from the process. Do you consider that the suggested 10-day period will provide an adequate balance between reducing delays and allowing high level decisions to be made by developers?

No comment

Question 17: Do you believe that high level information on estimated nodal assignment, connection method, potential charges and estimated timeframes for delivery would be of value and enable a decision to withdraw early to be made?

No comment

Question 18: Can you suggest any alternatives to ensure that customers are committed to their connection application?

See our response above.

Question 19: Do you agree with the proposal to share the costs of common connection assets between applicants on a per MW basis as described?

For the SSG applicant, this would not be a suitable proposal as these projects have much shorter development and construction periods than LSG.

Question 20: Do you think Proposal A or Proposal B is preferable for entry into the FAQ list? Do you have any other suggestions for entry into the FAQ list?
Question 21: Would a connection offer for generators of 5MW and above without firm access assessment provide sufficient information for that offer to be accepted or for high level decisions on project viability to be made?

No comment

Question 22: Would a connection offer which does not contain GOR information provide sufficient information for that offer to be accepted or high level decisions on project viability to be made?

See our response above

Question 23: Is it essential for GOR information to be issued along with FAQ and ATR information or is GOR information alone sufficient information for an offer to be accepted?

See our response above

Question 24: Do you agree that the offer acceptance criteria outlined above strikes the right balance between ensuring that applicants are committed to their projects, without being too onerous that applicants will not be in a position to accept their offer?

No comment

Question 25: Do you agree that project milestones relating specifically to securing planning permission are required now that the planning permission pre-requisite has been removed for applications to the Distribution System? What do you believe to be an adequate length of time to secure planning permission after a connection offer has been accepted?

See our response above related to planning permission. It is unclear why the proposals here would not also require licence changes.

Question 26: Do you believe that the outcome of the OFGEM milestone consultation in GB should be applied in Northern Ireland without further consultation?

No, that would not be appropriate as the factors that affect projects in Northern Ireland, including system operator policies and the regulatory regime, are different.