SONI TRANSMISSION CONNECTION CHARGING METHODOLOGY STATEMENT

CONSULTATION REPORT

17 August 2016

1 Introduction

Under Condition 30 of the SONI Transmission Licence, SONI, in co-operation with the Republic of Ireland Transmission System Operator, must prepare a statement setting out the basis upon which charges will be made for connection to the All-Island Transmission Networks at entry or exit points on the Transmission System.

In line with the Utility Regulator's Update Note on Contestability in Connections[1] dated 3rd June 2016, SONI held a 4 week consultation, from 30th June 2016 to 29th July 2016 on the SONI Transmission Connection Charging Methodology Statement ("TCCMS") to take account of required changes for the implementation of Contestability at a Transmission level in Northern Ireland[2].

This Consultation Report outlines the responses received, and how SONI have taken these responses into consideration in preparing the final version of the SONI TCCMS for the Utility Regular's approval under Condition 30 of the SONI Transmission Licence.

2 Consultation Responses Submitted

Responses to the SONI TCCMS consultation were received from four parties, namely:

- Northern Ireland Renewables Industry Group;
- SSE;
- Renewable Energy Systems Limited; and
- Energia.

Appendix 1 contains the 4 responses received.

3 SONI Response on the Consultation Responses

A number of common themes, issues and concerns were highlighted by all respondents, with a number of responses also seeking clarification on issues that are not directly related to contestability.

Appendix 2 of this report summarises the consultation responses raised by the respondents and groups these together where there are common themes, issues and concerns raised, along with SONI's corresponding comments and responses to the specific issues raised.

[1] http://www.uregni.gov.uk/uploads/publications/Update_note_on_Contestability_in_Connections.docx

[2] http://www.soni.ltd.uk/media/documents/Consultations/Consultation%20on%20SONI%20TCCMS%20-%20Updated%20for%20Contestability.pdf

However, in general, it is important to note that contestability in Northern Ireland will be an evolving process and as such future updates to the TCCMS will also evolve to the extent that as more experience with contestability is gained, the costs associated with design reviews, site inspections and other relevant charges as well as appropriate levels of inspections will also become better defined.

In addition, as this phase develops, SONI and NIE Networks (where relevant) will continue to evaluate their processes, procedures, systems and documentation in preparation for phase 2.

4 Conclusions

SONI have updated the TCCMS where they have deemed it necessary to do so having considered all the consultation responses received.

This updated version has been submitted to the Utility Regulator for approval under Condition 30 of the SONI Transmission Licence. Once approved, the final version will be available on the SONI website (www.soni.ltd.uk).

Appendix 1 – Consultation Responses Submitted

NIRIG
NORTHERN IRELAND
RENEWABLES INDUSTRY GROUP
The voice of IWEA & RenewableUK in Northern Ireland

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NIRIG response to Consultation - Contestability Update to SONI Transmission Connection Charging Methodology Statement

27th July 2016

The Northern Ireland Renewables Industry Group (NIRIG) is a joint collaboration between the Irish Wind Energy Association and RenewableUK. NIRIG represents the views of the large and small scale renewable electricity industry in Northern Ireland, providing a conduit for knowledge exchange, policy development support and consensus on best practice between all stakeholders in renewable electricity. Our membership has built, developed or owns the vast majority of renewables development in Northern Ireland.

Should you have any queries on the above please do not hesitate to get in touch

- NIRIG Welcome the opportunity to respond to the consultation above. The introduction of contestability for transmission assets is an important policy change that will in the future assist with the connection of renewables and decarbonising the Northern Irish Electricity sector.

- There is a material changes to the statement of charges that is not linked to the introduction of contestability. It is disappointing that this change is not highlighted in the SONI cover document and this is a major change. The change is to clause 5.1.2 and highlighted in yellow below. It introduces the potential requirement for generators to pay for reinforcements being driven by harmonic issues. Harmonics are extremely complex and the party driving reinforcements can be more difficult to identify compared with harmonics generated as a result of MW power flow. NIRIG is extremely surprised that this change is being made without any formal consultation on this specific issue. It is noted that the CER and EirGrid have also been consulting on charging for harmonics and it considered multiple options as part of its detailed consultation paper. Considering this is really a transmission charging issue it appears appropriate that maybe it should be an all-island approach. NIRIG request that this change is removed and SONI consider an appropriate process for consulting on charging generators for harmonics, including the option of no charge being applied directly on generators.

5.1 **Connection Assets** are:
5.1.2 those assets which are installed as a result of the **User**'s effect on fault current levels and harmonic distortion levels on the **Transmission System**, but which do not include any assets installed at any location other than the transmission node to which the **User** connects.

- The statement of charges is supposed to include as detailed in 1.5.1 a list of costs for connection assets required for the connection of generation assets. The list included in Appendix 2 is far from fully comprehensive and excludes many assets commonly used for the connection of generators. For example there is no cost for a new 110kV substation (similar to Gort, Tremoge or Rasharkin), 110kV tail substation similar to Slieve Kirk and Broughaghboy, 110kV underground cable (not transformer cables), 110kV overhead line with portal construction & metering and SCADA. To understand the commercial benefit of contesting the connection it is important there is some transparency of estimated connection asset costs for the non-contestable option.

- In section 4.10 is states that the O&M charge will only be calculated for contestable projects after contestable assets are completed. An estimate of the non-contestable cost to be used for the calculation for O&M should be provided to the generator before construction and this is a material cost required to be known for the financing of the project.

- Similarly for section 6.4, the non-contestable cost for the system operator preferred connection method would need to be estimated at the connection offer stage.

- There is a major concern on the potential level and transparency on pass through costs for design approval and supervision of contestable works. This is demonstrated with the lack of any costs included in Table 4. We also note the proposal to make charges for inspection and monitoring of contestable works on a site visit basis but it is not clear how many site visits would typically be applicable for the various categories of contestable works. We are concerned by the low threshold for a site visit in some cases i.e. minimum one site visit per 100m of cable or overhead line potentially giving rise to an excessive number of visits. The low threshold would suggest that there could be, for instance, 100 visits for 10km line (i.e. 10000m divided by 100m). Furthermore since the resources committed to inspecting and monitoring a category of works per visit are known, it is feasible to derive indicative charge rates for such cost elements. Experience of generators in contestable connections in other jurisdictions has resulted in major frustration with the system operator on this issue. A transparent process for the calculation of these costs and an ongoing process for updating the actual and estimation of these costs would remove the major area of this friction between the parties.

- In Table 2, 4. there appears to be a typo relating the indicative cost for a 275kV double busbar bay, which is reflected as a lower figure than that of a 110kV single busbar one. Could you please review the value(s) and confirm.

We would of course be happy to discuss any of these comments.

Peter Gregg
Policy Co-Ordinator
NIRIG

NIRIG
NORTHERN IRELAND
RENEWABLES INDUSTRY GROUP

SONI Consultation

Transmission Connection Charging Methodology Statement

Please contact any questions in relation to our response, please don't hesitate to contact me at lisa.fahy@sse.com

Introduction

SSE welcomes the opportunity to comment on the consultation document and the inclusion of contestability in the document. The introduction of contestable construction of assets in NI is a much anticipated and welcome change in the industry. The option for developers to construct elements of connection will undoubtedly have a positive impact with accelerated delivery of renewable generation.

Response

Sections 2.8 to 2.10 refer to charges for inspection, monitoring, design review and technical queries. Although SSE accepts that it is normal practice to review elements of the connection method throughout the process, given the liability on the Independent Connection Provider (ICP) it is important that the SO communicates with the developer and takes into account its view on whether or not a review is warranted.

The O&M charge set out in section 4.9 is 1.4% of the value of the connection asset. Further information on the basis for this % of O&M costs would be welcome.

In cases where SONI is seeking a solution other than the Less Cost Technically Acceptable (LCTA) connection design the financial impact sits with the (ICP). While the charging methodology (section 6.3) provides for a refund of the incremental costs incurred which are in excess of the LCTA cost, the refund is not processed until the transfer of completed asset to NIE Networks. In addition, the timeline for refund to the ICP is not clear. SSE suggests that further clarity around the incremental additional costs is provided and that the outlay of these costs is best placed with the TSO to minimise the ICP's exposure.

Section 7 deals with cost allocation rules for shared assets and seeks to allocate costs on the basis of asset construction in the preceding 10 years. SSE would welcome further information on the basis for this timeframe.

Section 12 outlines the approach to charges for contestable works which are to be determined on a per connection basis. Other than a formal dispute, is there a process for challenging or seeking a reassessment of the contestable charges issued from SONI where the ICP is of the view that they are unreasonable?

Reference is made throughout the document to the adoption agreement. This is not publically available on the NIE Networks website and is only accessible through the ICP portal. Given that the conditions for asset transfers are contained in this agreement, an opportunity to review it would be welcome.

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29 July 2016

Response by email to: connections@soni.ltd.uk

Dear Sir/Madam

Written response by RES to: Consultation on the SONI Transmission Connection Charging Methodology Statement

RES is one of the world's leading independent renewable energy companies working across the globe to develop, construct and operate projects that contribute to our goal of a secure, low carbon and affordable energy future. RES has been an established presence at the forefront of the renewable energy industry for over three decades. Our core activities are the development, design, construction, financing and operation of wind and solar PV projects and we are also active in electricity storage, DSM and transmission. Globally, we have built approximately 10GW of renewable energy generation, including almost 10% of the UK's current wind energy capacity. Since developing our first onshore wind farm in Northern Ireland in the early 1990s, RES has subsequently developed and / or constructed 16 onshore wind farms totalling 229MW. This equates over 37% of Northern Ireland's onshore wind capacity. RES currently operates over 83MW of wind capacity across Northern Ireland, has secured planning permission for a further 112MW awaiting construction and has 56MW in the planning system. In addition RES has a very strong onshore wind pipeline of 177MW in Northern Ireland.

We consider ourselves well-placed, therefore, to comment on the important issues addressed in this consultation and are grateful for the opportunity to respond. We hope you find our comments below of interest and we will be more than happy to assist with any further information as required. The key points we would like to make are:

1. We are primarily concerned by the proposal under clause 5.1.2 to extend the definition of Connection Assets to include those driven by individual User harmonic distortion. Given the fact that the stated topic of the current consultation is to update the Transmission Connection Charging Methodology Statement "to take account of required changes for the implementation of Contestability", the proposal to extend the definition of Connection Assets in this manner is too material to be inserted under this consultation. We therefore request that this change be removed and be considered under a separate consultation, wherein a number of proposals can be considered.

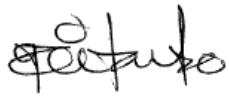
2. The whole area of design review and supervision of contestable works need more clarity to enable Users to better undertake cost benefit analysis relating to contestability. For instance, you have proposed to make charges for inspection and monitoring of contestable works on a site visit basis but it is not clear how many site visits would typically be applicable for the various categories of contestable works. We are concerned by the low threshold for a site visit in some cases i.e. minimum one site visit per 100m of cable or overhead line potentially giving rise to an excessive number of visits. The low threshold would suggest that there could be, for instance, 100 visits for 10km line (i.e. 10000m divided by 100m). Furthermore, since the resources committed to inspecting and monitoring a category of works per visit is known, it is feasible to derive an indicative charge rates for such cost elements. We therefore suggest that this area be reviewed so as to improve clarity and provide cost rates information.

In addition to the key points above, we have a number of minor observations as follows:

a. Clause 3.2 is potentially confusing in that it could be understood to mean 3.1 objectives are only applicable to Contestable offers whereas they apply to both Contestable and Non-Contestable offers.
b. In Table 2 the indicative cost for a 275kV double busbar bay is reflected as a lower figure than that of a 110kV single busbar one. Could you kindly review the values reflected in Table 2 and confirm.
c. Clause 7.6 makes reference to "this Section 6" instead. Please correct to refer to Section 7.

We thank you, once more, for giving us the opportunity to provide our views. We wish to express our support for the timely implementation of contestability in Northern Ireland. Please do not hesitate to contact me should you have any questions.

Yours faithfully



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Response by Energia to SONI Consultation

SONI TRANSMISSION CONNECTION CHARGING METHODOLOGY STATEMENT

29th July 2016

1. Introduction

Energia welcomes the opportunity to respond to this SONI consultation on Transmission Connection Charging Methodology Statement. Energia is one of the largest contributors to the achievement of renewable targets in Northern Ireland through its investment, development, contracting and trading activities in the renewable sector.

The delivery of contestability is important for Northern Ireland as we not only continue to strive towards our 2020 renewable energy targets, but also in order that we can continue to build upon the jobs and investment already delivered by the industry. However, in light of recent decision re the future support for renewables in particular wind, it is essential that resources are focused on ensuring planned and existing projects are delivered. However, it is also essential to get the design of Contestability right from the outset. Contestability should provide a viable alternative for developers that are not prohibitively expensive, cumbersome or slow. Failure to deliver these will result in contestability connections not being a viable alternative for developers.

This response makes some general comments before seeking clarification on some of the individual points contained within the charging methodology.

2. General Comments

We have a concern that there is a lack of transparency in the document in relation to the standards that may be applied by SONI and the charges associated with these standards. The development of contestability charging document at a principle level should be transparent, proportionate and in line with the standards that SONI would apply if they were to undertake the connection. If contestability is used as an opportunity to impose gold plated standards that would not be used in a standard connection, or as an opportunity to prescribe unreasonable standards or fees, the contestable connection will not be a viable option and as such will be rendered useless. When implementing contestability SONI also needs to be cognisant of issues that are unique to clusters such as what happens should one of the developers leave the cluster during the application for contestability.

Frequency and monitoring of the contestable works by SONI should to be in line with practices employed by SONI for non-contestable developments. For example the proposed frequency of site visits of 1 per 100 meters would seem to be excessive. As such we would suggest that this should be revised. The delivery of a contestable connection needs to be completed in a timely manner, assuming that the contestable offer and design has been agreed upon and site visits have been carried out, there should be no delay in signing off on the completed works.

There are a number of changes proposed in the document that are not linked to the implementation of contestability that should be removed or amended. For example the changes to clause 5.1.2 are not linked to the delivery of contestability and should not be addressed in this paper. We suggest that given the complex nature of harmonics that this is consulted on separately. There also may be merit in taking an all island approach in any review of harmonics. Finally, the guidelines for contestability in Electricity Connections in Northern Ireland should be consulted on and approved by the regulatory authority.

3. Comments

In the circumstance where the developer is not responsible for the delay or it is beyond their control, they should similarly not be penalised.

> **1. Introduction**
>
> **1.8** In the event that connection is delayed and does not occur until after the statement which was in force at the date of acceptance of the **Connection Offer** has been superseded by an approved updated statement, and such delay was not due to reasons within the control of SONI then the **Connection Offer** may be revised to reflect the statement in force on the date of connection.

Please define what 'indirectly' means in the context of the below clause.

> ***3. Charging methodology Objectives.***
>
> *3.1 The connection charging designed methodology is designed to ensure:*
>
> *3.1.1 The recovery of the appropriate proportion of the costs directly or **indirectly** incurred (or to be incurred) in carrying out the connection works,*

The annual charge should not change and should be fixed for the duration of the project.

> ***4.9** The connection charge will include an element to provide for the operation and maintenance (Maintenance ("O&M")) costs over the lifetime of the connection. The O&M charge shall be paid prior to commissioning the connection. It is set at 1.4% of the value of the Connection Asset value Assets, increasing in real terms over the lifetime of the Connection Agreement,*

What is the scope of, or what do 'Connection assets' cover in the below point 4.10?

> ***4 Connection Charging Methodology***
>
> *4.10 Where elements of the **Connection Assets** are being delivered via **Contestable Works** to be carried out by a **User** or **ICP**, then for the purpose of determining the O&M costs, the value of the **Connection Assets** will be estimated based on an assumption that all connection works to deliver the **Connection Assets** were subject to a **Non-Contestable Offer**, irrespective of whether or not this was the case.*

What shape will the LTCA design as referenced below take, will this be a template? Who is responsible for estimating the LTCA?

> **6. Least Cost Technically Acceptable Connection Design**
>
> *6.3 Where an **Applicant** has requested a **Contestable Offer** for their connection but SONI requires that the connection and design arrangement that is to be delivered is not the **LCTA** connection arrangement, the **Contestable Offer** will be based on the required SONI preferred connection arrangement and the **Contestable Works** shall be designed and constructed to this SONI preferred connection arrangement.*

The below clause should not be applicable beyond the timeframe of 6 months.

> ***10. Disconnection, De-energisation and Decommissioning Charges***
>
> *10.1 Where a **User** withdraws from an accepted **Connection Offer** after construction works have commenced to deliver the **Connection Assets**, then the **User** shall be liable for the reasonable outturn cost of, removing any **Non-Contestable Works** already constructed at that point in time from the connection site and making good the condition of the connection site. In the event that the assets are not decommissioned or the site is not reinstated no decommissioning or reinstatement charges, as appropriate, will be payable by the **User**.*

The below definitions of relevant charges are too broad, particularly in relation to any legal checks that may arise. This exposes the developer to the whim of the TSO where standards and checks could be applied that would be far beyond what would be in place for a non-contestable connection. This similarly applies to section 6.4 and the frequency of site visits.

> ***12 Charges relating to Contestable Works***
>
> ***12.3** Other relevant charges in relation to **Contestable Works** may be applicable, including, but not limited to, programme management, project management, technical queries, legal checks or time spent by SONI to deal with any other additional issues relating to any **Contestable Works** that may arise up until the point of the Adoption Agreement being executed. An estimate of these costs will be provided in the **Connection Offer** and will be based on the charges as set out in Table 3C.*
>
> ***12.4** If, for any reason, additional inspections, site visits, design reviews technical queries or any other issues as per sub-paragraph 12.3 are required (or requested by the **User** or **ICP**), then this will incur additional charges which must be paid by the **User** in advance of adoption of the assets.*

Appendix 2 – SONI Response on the Consultation Responses