

SONI TCCMS - Consultation Report - Appendix 2 – SONI Response on the Consultation Responses

		Consultation Comment Submitted	SONI Response
1	NIRIG	<p>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.</p> <p>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.</p>	<p>SONI have further considered the changes made to Section 5.1.2, with respect to the inclusion of "and harmonic distortion levels". As this is not directly a contestability related change and given that there is a wider discussion/consultation required on this issue, SONI agree that at this stage the "and harmonic distortion levels" will be removed from this clause with this issue being dealt with at a more appropriate point in the future.</p>
	RES	<p>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.</p>	
	ENERGIA	<p>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.</p>	
2	NIRIG	<p>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 noncontestable option.</p>	<p>Section 1.5.1 states that: "1.5.1 a schedule listing those items (including the carrying out of works and the provision and installation of electric circuits or electrical plant or meters) of significant cost liable to be required for the purpose of connection (at entry or exit points on the Transmission System) to the All-Island Transmission Networks for which connection charges may be made or levied and including (where practicable) indicative charges for each such item and (in other cases) an explanation of the methods by which and the principles on which such charges will be calculated;"</p> <p>SONI note the point made with regards to the inclusion of more costs in Table 2, but would point out that the level of detail provided is consistent in terms of "significant cost liable to be required" and is also in line with other transmission charging statements in GB as approved and published on Ofgem’s website (see www.ofgem.gov.uk).</p> <p>In addition, under Condition 30 of the SONI Licence, the TCCMS shall be in such form and contain such detail as shall be necessary to enable any person to make a <u>reasonable estimate</u> of the charges to which it would become liable. SONI believe that the TCCMS allows for this reasonable estimate and as such detailed costs are not required.</p> <p>The indicative costs as provided in Table 2, have been provided to SONI by NIE Networks (in its role as Transmission Owner) via their Transmission Charging Statement. SONI, along with NIE Networks, will commit to reviewing the level of detail provided in Table 2, and depending on the outcome of this review, may include more detailed costs as suggested in future updates of the Transmission Connection Charging Methodology Statement, which we will be updating on an annual basis going forward.</p> <p>It is also important to note that the costs provided in Table 2 ".....gives typical costs for the main items of expenditure, excluding VAT, for a new or modified connection to the Transmission System. These costs are based on current market information, budgetary quotes received from manufacturers and recent tenders. While SONI believes these costs are reasonable at the time of publication actual costs can vary significantly, depending on, for example, movements in labour and raw material costs, site conditions and planning requirements" and as such are <u>indicative only</u>.</p>

3	NIRIG	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 noncontestable 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.	SONI have further reviewed this clause and agree that it is more appropriate to review and revise the O&M costs, as necessary, when the final design of the Connection Assets is agreed to reflect any change to the estimated value of the Connection Assets that is to be built. However, should the design change for any reason after construction has started, SONI also reserve the right to review and revise the O&M costs, as necessary, due to any changes to the final design of the Connection Assets prior to the completion of the construction works.
4	NIRIG	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.	Section 6.4 outlines the scenario for when the Applicant requests a connection arrangement that is not the LCTA arrangement. (Non-contestable costs applicable will always be included in the connection offers for those elements of work that the customer cannot contest). To clarify, the LCTA is defined in Section 14 and will be determined by SONI. In terms of the incremental costs between the LCTA connection method and the system operator preferred connection method, this will be estimated as outlined in Section 6.3, and this estimated incremental cost will be indicated within the connection offer. Section 6.3 outlines the scenario where a system operator preferred connection arrangement was found to be required. The purpose of Clause 6.3, is to set out that the estimated incremental cost difference between the LCTA and the System Operator Preferred ("SOP") will be determined based on the costs as though all connection works (including the Contestable Works) were delivered via Non-Contestable Works. To clarify, the estimated incremental cost difference between the LCTA and the SOP will not be based on the costs that the User or their ICP spent delivering the Contestable Works. Currently, the Utility Regulator would in the first instance have to approve the need for a SOP connection arrangement as determined by SONI. If approved, the cost would be added to NIE Network's (in its role as Transmission Owner) Regulatory Asset Base ("RAB"). In a contestable scenario, the same process would apply. As per Section 6.3, the timing of any refund payments will be on completion of the construction works and when NIE Networks have taken ownership of the contestable assets. This ensures that any incremental cost associated with the SOP connection arrangement, which is Northern Ireland customer money, is not put at any unnecessary risk should the developer or its ICP not deliver the contestable assets to a standard that NIE Networks can adopt. We do however, recognise that the timing of the refund may cause issues for the developer and/or its ICP, particularly if the incremental costs associated with the SOP connection arrangement are significant. As such, SONI and NIE Networks (in its role as Transmission Owner) will seek to develop a mechanism with the Utility Regulator as to how the exposure to the developer and/or its ICP can be minimised if possible. However, in the absence of an Utility Regulator guidance on the timing of this refund, SONI do not propose to changes the wording of Section 6.3.
	SSE	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.	
	ENERGIA	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.	
	NIRIG	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.	Due to the variations in scale, capacity, voltage and technology of transmission connections it is not possible to derive a standard price for design reviews, site inspections any other relevant charges and therefore the price will be supplied in the Connection Offer. In terms of the level of sites inspections required, these will be an essential part of the oversight that SONI and/or NIE Networks will need to carry out in the lead up to adoption of the contestable assets. We have considered further the level of site visits as set out in Table 4, and taking into account your comments that this could potentially give rise to an excessive number of site visits, we believe that it is more appropriate that this Table 4 is removed at this stage. Like the standard price for design reviews, site inspections any other relevant charges, the number of site visits may also vary dependent on the variations in scale, capacity, voltage and technology of transmission connections. Should a developer wish to query the levels of inspection as set out in the Connection Offer, then it can do so via the normal interactions that take place at that stage. We would also point out that it is envisaged that reconciliation would be carried out so that the charges for site inspections would reflect the actual number of site visits carried out.
	SSE	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.	There may also be a future opportunity to put in place a process where the level experience of the customer and/or their ICP successfully delivering contestable works in Northern Ireland may also become a factor in the number of site visits that are deemed to be required as indicated in the Contestability Guidelines.

5	RES	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.	<p>For the avoidance of doubt, a contestable connection offer will provide transparency and will include an estimate of the level of site visits required and the associated cost for the design reviews, site inspections or any other relevant charges.</p> <p>It should also be noted that contestability in Northern Ireland will be an evolving process and as such as we would envisage that future updates to the Transmission Connection Charging Methodology Statement will evolve to the extent that as the experience with contestability evolves, the costs associated with design reviews, site inspections and other relevant charges as well as appropriate levels of inspections will also evolve along with this.</p>
	ENERGIA	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.	
	ENERGIA	<p>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.</p> <p>12 Charges relating to Contestable Works</p> <p>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.</p> <p>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.</p>	
6	NIRIG	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.	This is a typo and should be £1,650k and not £670k. Thank you for highlighting this to us. Please also note that there are other corrections made in Table 2 as well.
	RES	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.	
7	SSE	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.	<p>This level of O&M has been passed through to SONI from NIE Networks (in its role as Transmission Owner) via their Transmission Charging Statement.</p> <p>Although the change from 2% to 1.4% is not directly related to contestability, this has been updated to align with the current O&M rate that NIE Networks have in place in RP5 that was reviewed and updated following the Final Determination by the Competition Commission on the NIE Price Control Determination as published in March 2014.</p>
8	SSE	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.	<p>This is not a contestable related issue.</p> <p>The 10 year timeline was introduced at the time off the introduction of the SEM to align with RoI and as such SONI do not intend to change this timeframe.</p>
9	SSE	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?	<p>As detailed in Conditions 25 & 26 of SONI's Transmission System Operator Licence, if a developer is not satisfied with the terms and conditions as contained within the connection offer, and agreement with SONI cannot be reached within the period that the connection offer remains open for acceptance then the developer would be entitled to raise a formal dispute with the Utility Regulator to request that the Utility Regulator issue a determination on any areas of disagreement regarding the terms or conditions of the connection offer.</p> <p>This will apply for both contestable related costs and non-contestable costs and there will be no separate mechanism in place for challenging or seeking a reassessment of the contestable charges.</p> <p>As part of this process, it would be expected that the formal complaints process (now included in Section 13.3 of the TCCMS) would be followed before the dispute would be escalated to the Utility Regulator, as always, we would fully expect that agreement may be reached before any formal disputes would be raised to the Utility Regulator and we would see this as a last resort only.</p>

10	SSE	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.	<p>This is not a charging related issue.</p> <p>Please see Section G2.2 of the Consultation Report and Recommendations Report on the Contestability Guidelines for further information relating to the Adoption Agreement.</p>
11	RES	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.	SONI note your point and will include both Contestable and Non-Contestable offers within this clause to provide clarity on this.
12	RES	Clause 7.6 makes reference to “this Section 6” instead. Please correct to refer to Section 7.	This is a typo and should read "Section 7" and not "Section 6". Thank you for highlighting this to us.
13	ENERGIA	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.	<p>The SONI Transmission Connection Charging Methodology Statement is not the document where the technical standard should sit as it is primarily the document that outlines the charging methodology.</p> <p>The standards applicable will not be gold plated and will be the same standards that SONI, NIE Networks (in their role as Transmission Owner) would apply to either themselves or their own contractors.</p> <p>Technical standards will be publicly available via the NIE Networks ICP Portal or the SONI website, where relevant.</p>
14	ENERGIA	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.	<p>SONI note you comment regarding issues that may be unique to clusters. This is indeed a very complex area given that the contracted parties that make up a cluster are distribution connected parties.</p> <p>The Section I and Appendix 5 of Guidelines For Contestability In Electricity Connections In Northern Ireland (as published on Utility Regulator's website) outline the general principles and high level processes with respect to cluster infrastructure being contested, but also recognises both the contractual and technical the complexities associated with cluster infrastructure will need to be developed going forward along with NIE Networks (in both its role as Transmission Owner and Distribution Network Owner) and the Utility Regulator.</p>
15	ENERGIA	Finally, the guidelines for contestability in Electricity Connections in Northern Ireland should be consulted on and approved by the regulatory authority.	<p>Guidelines For Contestability In Electricity Connections In Northern Ireland was issued for consultation on 14th Oct 2015 by the Utility Regulator and invited stakeholders to a workshop on 21st October 2015.</p> <p>Following consideration of the responses NIE Networks and SONI issued version 1 of the “Guidelines for Contestability in Electricity Connections” along with a Consultation and Recommendations Report on 14th March 2016.</p> <p>All of these documents are available on the Utility Regulator's website as they facilitated the consultation. It is correct to state that the Guidelines were not approved by the Utility Regulator. Our understanding is that the Utility Regulator believe that it would be in appropriate for them to approve the Guidelines as it would compromise their position if ask to determine a dispute related to contestability, however, we would advise that his may be something that you may wish to raise with them directly.</p> <p>It should be noted that the guideline document is expected to be an active living document that will evolve as the contestable activity becomes more defined.</p>
16	ENERGIA	<p>In the circumstance where the developer is not responsible for the delay or it is beyond their control, they should similarly not be penalised.</p> <p>1. Introduction</p> <p>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.</p>	The intention here is that this may apply if the developer was directly responsible for the delay.
17	ENERGIA	<p>Please define what ‘indirectly’ means in the context of the below clause.</p> <p>3. Charging methodology Objectives.</p> <p>3.1 The connection charging designed methodology is designed to ensure:</p> <p>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,</p>	<p>This is not a contestability related issue and is existing wording which SONI do not propose to change this.</p> <p>This existing wording also reflects the wording as per the SONI Transmission Licence (Section 3 of Condition 25).</p> <p>Direct activities are those which involve physical contact with system assets. Activities listed below, which in most cases support work being physically carried out on network assets, and could not on their own be classed as a direct network activity. It is generally the case that indirect activities normally do not involve physical contact with system assets, whereas direct activities do. Indirect activities include Network Policy, Network Design & Engineering, Project Management, Engineering Management & Clerical Support, Control Centre, System Mapping, Call Centre, Stores, Vehicles & Transport, IT & Telecoms, Property Management, HR & Non-operational Training, Operational Training (classroom and on job training not involving direct activities), Finance and Regulation, CEO etc.</p>

18	ENERGIA	<p>The annual charge should not change and should be fixed for the duration of the project.</p> <p>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,</p>	<p>This is not a contestability related issue and is existing wording which SONI do not propose to change this.</p>
19	ENERGIA	<p>What is the scope of, or what do ‘Connection assets’ cover in the below point 4.10?</p> <p>4 Connection Charging Methodology</p> <p>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.</p>	<p>Connection Assets are defined in Section 5.</p> <p>The estimated O&M charges will be based on all Connection Assets (both those that may be delivered via Contestable Works and those delivered via Non-Contestable Works).</p> <p>The purpose of Section 4.10 is to set out that where element of the Connection Assets are to be delivered Contestable Works the estimated O&M charges will be based on an estimate as though all of the works were delivered via Non-Contestable Works. To clarify, the O&M will not be based on the costs that the User or their ICP spent delivering the Contestable Works.</p>
20	ENERGIA	<p>The below clause should not be applicable beyond the timeframe of 6 months.</p> <p>10. Disconnection, De-energisation and Decommissioning Charges</p> <p>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.</p>	<p>SONI does not see any rationale for time limiting this to 6 months. Depending on the extent of these works, it may not be possible to complete the removing the Non-Contestable Works.</p> <p>SONI will however move this particular Clause 10.1 to Section 4 as this is more appropriate section for this to be in.</p>