

Northern Ireland Electricity (NIE) statement on status of connection offers conditional on 33kV network reinforcement

This statement relates to applications from developers of small scale generation for connection to NIE's grid, who have or would receive conditional connection offers. The conditional terms, which have been included in these offers since March 2013, relate to 33,000 volt (33kV) network reinforcement.

The unprecedented level of applications from small scale generation developers has resulted in the saturation of the distribution network in a number of locations across Northern Ireland, particularly in the North and West. The impact on connection offers has been twofold.

Firstly, costs for connection associated with work on the 11,000 volt (11kV) network have risen markedly since 2012 due to additional reinforcement required in congested areas. These costs are directly chargeable to developers leading to escalating costs within offers.

Secondly, capacity limits on the 33kV network have been reached in a number of locations. Under NIE's current Statement of Charges for Connection to the Distribution System¹ (the "Statement of Charges" as approved by the Utility Regulator) the costs of 33kV investment to resolve these issues would fall to the general body of customers. However, early discussions between NIE and the Utility Regulator in January 2013 considered the extent to which it was appropriate to levy the costs of 33kV reinforcement to support the connection of renewables on the Northern Ireland customer base.

Further to these discussions NIE identified two possible options going forward. The first of these was to decline to issue offers on the basis that there was a lack of capacity on the network to make connections safely. The second was to issue offers conditional on 33kV investment being agreed by the Utility Regulator. NIE proceeded with the latter option from March 2013, whilst continuing to explore the extent to which any 33kV investments might be agreed.

The Utility Regulator approved some 40 discrete lower cost 33kV investments totalling £2.3m in October 2013. This led to conditional status being removed from over 80 offers to date, enabling work on these connections to proceed, and it will facilitate further non-conditional offers being made.

However, approval for the remaining higher cost investments has not progressed. In its final determination of the RP5 price control, the CC decided that levying further costs of 33kV investment on the general customer base to support small scale renewables was not in the public interest. Furthermore, following a dispute in respect of a conditional connection offer, the Utility Regulator's recent determination (Determination DET-522) has concluded that *"it is not reasonable for NIE to require the Complainants to accept the Conditional Terms"* identified in the dispute, and: *"Accordingly the Connection Agreement cannot include the Conditional Terms"*.

Consequently, NIE must now withdraw connection offers with conditional terms relating to the 33kV network, which have already been issued to developers. However, where NIE can demonstrate that there is a lack of 33kV network capacity, as provided for in Article 21(1) (c) of the Electricity (NI) Order 1992 and, in respect of safety considerations, as provided for in Condition 30(5) (a) of the NIE Electricity Distribution Licence, then NIE is under no obligation to make a connection offer.

Accordingly, where NIE withdraws (as noted above) a conditional connection offer, and the conditions noted in the above paragraph are met, NIE will also be unable to make any further connection offer at this time. In addition, NIE will be unable to make connection offers for applicants seeking export capacity in such locations.

¹ <http://www.nie.co.uk/documents/Connections/NIE-Distribution-Connection-Charging-Statement-Oct.aspx>

The above arrangements will apply to small scale generation applications - including G59, G83 Stage 2, Aggregated Generator Unit (AGU) and Demand Side Unit (DSU) applications.

NIE will now undertake a review of the Statement of Charges. This review will consider various options to deal with the 33kV capacity issue. These options will include whether 33kV investment might be passed to developers and/or whether alternative connection arrangements might be offered.

The revision to the Statement of Charges to adopt these options may involve a significant change to the current shallow connection charge policy. The Utility Regulator, who must approve any changes to the Statement of Charges, may deem it appropriate to publicly consult, and so this review may take some time to complete.

With regard specifically to alternative connection arrangements; work has been ongoing to develop an approach whereby the output of the generator is controlled to avoid 33kV network capacity limits being reached and to reduce connection costs associated with 11kV network reinforcement. Similar approaches have been adopted by other network operators in GB, albeit there are inherent differences between the NIE network and those in GB which may impact the viability of this scheme.

NIE expects to bring forward proposals for consultation shortly, however taking account of the comprehensive nature of the Statement of Charges review and the detailed technical work required before any alternative connection method could be finalised, it is likely to take to the later part of 2015 before changes could be implemented.

NIE recognises that the difficulties in arriving at arrangements to deal with 33kV investment matters have led to high levels of frustration amongst applicants. After extensive engagement between NIE, the Utility Regulator and the industry, having explored a number of options, the Utility Regulator agrees that the approach outlined above, which reflects the circumstances in which NIE is unable to make connection offers, represents the viable way forward at this stage. NIE will continue to work closely with the Utility Regulator and the industry to implement this approach.

Questions and Answers

When will I hear from NIE regarding the status of my conditional offer?

NIE will now write to all affected customers, i.e. those who have received or were about to receive a conditional offer, to inform them that their offer will either be withdrawn or will not be issued. Options will be detailed in this letter and the customer must then advise NIE how they wish to proceed.

What if my conditional offer is withdrawn but I would like to be issued with a new offer when the new Statement of Charges is in place?

Where conditional offers have been withdrawn by NIE and the applicant wants to keep their application live, NIE will retain the position of the relevant applicants in the "connection queue". When the review of the Statement of Charges is complete, including any alternative connection arrangement, the applicant will not have to re-apply for a connection offer and one will be issued automatically on the basis of the initial application.

I have made a connection application to NIE recently and have not received an offer yet. What does this mean for me?

Where offers have yet to be made in locations where there is a lack of 33,000 volt capacity, NIE will write to applicants advising it is unable to issue a connection offer and will detail the options available.

My conditional offer has been withdrawn/not issued and I no longer wish to proceed. Can I get a refund?

We will provide details of the cancellation process in your letter. If you cancel the connection application NIE will make a refund. The amount refunded will depend on the stage of the application in the process.