

24 February 2015

Ronan McKeown
Electricity Branch
Utility Regulator
Queens House
14 Queens Street
Belfast BT1 6ER

Dear Ronan,

Consultation on the Introduction of Contestability in Connections

The Ulster Farmers' Union welcome the opportunity to contribute to this consultation. The UFU represent 12,500 farmers and landowners in Northern Ireland and our interest in Contestability in Connections is three-fold. Firstly, with 21,000km of 11kV overhead lines crossing rural NI, our members have a vested interest in any changes to wayleaves and access rights (currently covered by Schedule 4 paragraphs 10-12 of the Electricity (Northern Ireland) Order 1992). Secondly, our members' businesses rely upon the 11kV/33kV network for servicing the electricity and power needs of their farms, as well as when connecting new-build farm buildings to the grid. Finally and most crucially of all, many of our members are looking to connect small scale renewable generators to the grid and the introduction of contestability in connections will have a significant impact.

The focus of the UFU response will be the distribution network and addressing the monopolistic nature of its very structure. The UFU are supportive of any moves to introduce competition on the distribution network. When we submitted our Questionnaire to the Utility Regulator in November 2014, we highlighted the problems being faced by our members on the ground when attempting to connect to the grid and we believe that by introducing contestability this will increase efficiency in the connections sector and this can only be a good thing judging by what is happening on the ground at present.

Before elaborating upon the detail of our response, we should stress that we are not wishing to appear to be contradictory, when we refer to RoI and GB energy markets, they both play an integral part in our energy market. From a GB perspective, financial rewards for producing renewable electricity in Northern Ireland (currently ROCs for small scale renewables in NI) mirror Westminster legislation yet the electricity grid forms part of the Single Electricity Market (SEM) for "the island of Ireland" and the two will need to be considered in equal measure in looking at the broader picture.

Q1. Response – The UFU acknowledge these factors. However, for contestability to be effective, there will need to be a willingness by policy makers to update/revise these long standing pieces of legislation. Failure to do so will lead to a form of contestability which fails to meet its key objectives, namely, competition in connections policy and resulting efficiency improvements for connections.

Q2. Response – The UFU are conscious of the fact that the SEM needs to be considered when looking at contestability, this could hold sway when looking at the two markets.

Despite this we are of the opinion that the GB model is the one which should be considered.

Why should the GB model be considered?

1. Northern Ireland Energy Policy is closer to that in GB than what it is in RoI, this is evident through our adoption of ROCs and future introduction of small scale Feed-In Tariffs. The rush to adopt small scale renewables in NI has been buoyed by ROCs. It is not just renewable energy but also extends to renewable heat with NI introducing a mirror version of the RHI.
2. For Contestability to meet its true objectives, improved efficiency for connections through competition, at the very minimum, ICPs and IDNOs need to be introduced. Firstly, ICPs should be allowed to operate as they do in GB (build contestable assets). Secondly and most importantly, IDNOs need to be introduced and be permitted to build and own distribution network assets, and to be in turn responsible for the operation and maintenance of said assets.

The UFU accept that significant legislative change will need to be considered for this to happen, for example, for overhead line construction to become “contestable”, Article 40 of the 1992 Electricity Order will need to be amended.

Q7. Response – when deciding what is contestable and what is not, there is a need to strike a correct balance and with full stakeholder consultation.

Q8. Response – In terms of Policy Considerations, the UFU would request that consideration be given to the development of Micro-Grids in Northern Ireland, ranging from a district/rural community level to a farm/small-scale business level. The UFU have been lobbying for consideration be given to the concept of a Microgrid as an alternative option to traditional grid connection protocol for small scale renewables. Microgrids would be considered either as an islanded option or one connected to the Macrogrid.

The role of the Microgrid can be considered as a means of managing grid frequency fluctuations and spikes created in demand and supply common with embedded generation. We believe that contestability is crucial to the success of Microgrids as to date, the development has been inhibited by the monopolistic nature of the distribution network.

Policy consideration should also be given to “private wire agreements” and how Contestability of Connections could be incorporated into their development. Again the UFU are aware of the legislative upheaval required, but this area along with Microgrids needs to be considered from a policy viewpoint as an alternative to traditional grid connection and the advent of contestability could allow this to become closer to being realised. Project 40 will not be of benefit to all would-be small scale renewable generators, and the UFU believe that the policy debate needs to be widened to include microgrid and other alternatives.

The UFU have already mentioned the role of the GB and RoI and this opens to the possibility of Cross jurisdiction contestability and this will need to be considered for Contestability to work in NI.

In conclusion, we acknowledge the probable impact of not having contestability as continued lengthy timescales for developers and expensive grid connection costs, but we believe that the costs of not introducing contestability correctly would be far worse. It is for that reason we are supporting the GB model with the introduction of a system which considers the role of ICPs and IDNOs.

In the meantime, if you have any queries do not hesitate to get in touch.

Yours sincerely,

Chris Osborne
UFU Senior Policy Officer