



# Notice under Article 14(2) of the Electricity (Northern Ireland) Order 1992

Consultation on Proposed  
Modifications to NIE Networks  
Transmission and Distribution  
Licences for Capex Connection  
Costs on a pass through basis

19 Sept 2019



## About the Utility Regulator

The Utility Regulator is the independent non-ministerial government department responsible for regulating Northern Ireland's electricity, gas, water and sewerage industries, to promote the short and long-term interests of consumers.

We are not a policy-making department of government, but we make sure that the energy and water utility industries in Northern Ireland are regulated and developed within ministerial policy as set out in our statutory duties.

We are governed by a Board of Directors and are accountable to the Northern Ireland Assembly through financial and annual reporting obligations.

We are based at Queens House in the centre of Belfast. The Chief Executive leads a management team of directors representing each of the key functional areas in the organisation: Corporate Affairs, Markets and Networks. The staff team includes economists, engineers, accountants, utility specialists, legal advisors and administration professionals.



### Our mission

To protect the short- and long-term interests of consumers of electricity, gas and water.



### Our vision

To ensure value and sustainability in energy and water.



### Our values

- Be a best practice regulator: transparent, consistent, proportionate, accountable and targeted.
- Be professional – listening, explaining and acting with integrity.
- Be a collaborative, co-operative and learning team.
- Be motivated and empowered to make a difference.



## Abstract

This paper sets out our proposal for modifications to the 'Pass Through' Capex term within NIE Networks' electricity Transmission and Distribution Licences.

The proposed modifications will facilitate the recovery of certain costs relating to the connection of the NIE Networks electricity distribution system to the Northern Ireland transmission system in circumstances where the relevant connection is to an existing transmission system asset that has been funded by one or more other connectees in the ten years prior to the relevant connection.

## Audience

This document is likely to be of interest to regulated companies in the energy industry, government, industry groups, consumer bodies, environmental groups and those with an interest in the energy industry and network planning.

## Consumer impact

Overall, the proposed licence modifications are designed to facilitate the approval of appropriate pass through Capex allowances.

Any additional pass through Capex will have to be submitted by NIE Networks and approved by the UR. The customer impact in relation to each specific pass through Capex approved project will be identified in our published decision.



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## Glossary

Capex	Capital expenditure
DPA	Data Protection Act 1998
e.g.	For example
Electricity Order	The Electricity (Northern Ireland) Order 1992
etc.	Et cetera (and so forth)
FOIA	Freedom of Information Act 2000
i.e.	that is
NI	Northern Ireland
NIE Networks	Northern Ireland Electricity Networks
Opex	Operating expenditure
RAB	Regulated Asset Base
SoCC	Statement of Connection Charges
SONI	System Operator Northern Ireland
TIA	Transmission Interface Arrangements
TCCMS	Transmission Connection Charging Methodology Statement
UR	Utility Regulator



# 1 Executive Summary

- 2.1 This paper sets out our proposal for Additional pass through Capex Modifications to NIE Networks' Transmission and Distribution Licences. The licences affected by the proposed changes are the:
- NIE Networks Transmission Licence<sup>1</sup>
  - NIE Networks Distribution Licence<sup>2</sup>
- 2.2 The proposed modifications are required to provide for NIE Networks to be able to recover any connection charges which:
- a. it is required to pay under and in accordance with the provisions of the Transmission Interface Arrangements (TIA); and
  - b. are not (either at present or going forward) recoverable by it (either in its capacity as owner/operator of the distribution system or as owner of the transmission system) through any other means or provision of either Licence.
- 2.3 The effect of the licence modification proposals is to create a mechanism in the NIE Networks transmission and distribution licences which would facilitate pass through capex to be added to NIE Networks RAB and paid for by all customers.
- 2.4 The reason and effects of the modifications proposed are set out more fully in chapters 3 and 4.
- 2.5 Any request for additional pass through capex under this mechanism would need to be approved by the Utility Regulator (UR).

## Document Structure

- 2.6 This consultation paper is structured in a number of chapters as follows:
- *Chapter 1 Executive Summary* provides a high-level summary of the proposed licence modifications and structure of this consultation document; it sets out details on how to respond to the licence consultation as well as equality considerations.
  - *Chapter 2 Introduction* provides an overview over the purpose, as well as the background and licence conditions impacted by the proposed modifications
  - *Chapter 3 Distribution Licence Modification – Annex 2 – Distribution Charge Restriction Conditions* describes the related licence modification proposal
  - *Chapter 4 Transmission Licence Modification – Annex 2 – Transmission Charge Restriction Conditions* describes the related licence modification proposal
  - *Chapter 5 Next Steps* sets out the indicative timetable for the next steps of the licence modification process
  - Annex A shows the proposed changes to the Distribution licence
  - Annex B shows the proposed changes to the Transmission licence

<sup>1</sup> <https://www.uregni.gov.uk/sites/uregni/files/media-files/NIE%20Transmission%20Licence%20effective%2015%20Feb%202019.pdf>

<sup>2</sup> <https://www.uregni.gov.uk/sites/uregni/files/media-files/NIE%20Distribution%20Licence%20-%20effective%2029%2001%202019.pdf>



- Annex C represents the notice under Article 14(2) of the Electricity (Northern Ireland) Order 1992 of our licence modification proposal
- Annex D represents the notice under Article 14(2) of the Electricity (Northern Ireland) Order 1992 of our licence modification proposal

2.7 Annexes A to B set out, for each licence holder, the proposed licence modifications as tracked changes to the current licence conditions. Within the annexes proposed deletions are indicated by red text that has been struck through, proposed additions are indicated by red text that is underlined.

2.8 Chapters 3 and 4 each contain a section setting out the background to the proposed modifications, a section explaining the modification proposal and a section setting out the related reasons and effects.

## Responding to this Consultation

2.9 The Utility Regulator welcomes industry and stakeholder views and comments on the outlined licence modifications proposals and their effect. Any representations or objections with respect to the proposals may be made on or before 5pm on 21 Oct 2019 to:

Jody O'Boyle  
Utility Regulator  
Queens House  
14 Queens Street  
Belfast BT1 6ED

Email: [electricity\\_network\\_reporting@uregni.gov.uk](mailto:electricity_network_reporting@uregni.gov.uk) with cc to [jody.oboyle@uregni.gov.uk](mailto:jody.oboyle@uregni.gov.uk)

The Utility Regulator's preference would be for responses to be submitted by e-mail.

2.10 Individual respondents may ask for their responses (in whole or in part) not to be published, or that their identity should be withheld from public disclosure. Where either of these is the case, the Utility Regulator will also ask respondents to supply the redacted version of the response that can be published.

2.11 As a public body and non-ministerial government department, the Utility Regulator is required to comply with the Freedom of Information Act (FOIA). The effect of FOIA may be that certain recorded information contained in consultation responses is required to be put into the public domain. Hence it is now possible that all responses made to consultations will be discoverable under FOIA, even if respondents ask us to treat responses as confidential. It is therefore important that respondents take account of this. In particular, if asking the Utility Regulator to treat responses as confidential, respondents should specify why they consider the information in question should be treated as such.

2.12 The Utility Regulator has published a privacy notice for consumers and stakeholders which sets out the approach to data retention in respect of consultations. This can be found at <https://www.uregni.gov.uk/privacy-notice> or, alternatively, a copy can be obtained by calling 028 9031 1575 or by email at [info@uregni.gov.uk](mailto:info@uregni.gov.uk).

2.13 This paper is available in alternative formats such as audio, Braille etc. If an alternative format is required, please contact the office of the Utility Regulator, which will be happy to assist.

## Equality Considerations

2.14 As a public authority, the Utility Regulator has a number of obligations arising from Section 75 of the Northern Ireland Act 1998. These obligations concern the promotion of equality of opportunity between:

- i. persons of different religious belief, political opinion, racial group, age, marital status or sexual orientation;



- ii. men and women generally;
  - iii. persons with disability and persons without; and
  - iv. persons with dependants and persons without.
- 2.15 The Utility Regulator must also have regard to the promotion of good relations between persons of different religious belief, political opinion or racial groups.
- 2.16 In the development of its policies the Utility Regulator also has a statutory duty to have due regard to the needs of vulnerable customers i.e. individuals who are disabled or chronically sick, individuals of pensionable age, individuals with low incomes and individuals residing in rural areas. Some of the above equality categories will therefore overlap with these vulnerable groupings.
- 2.17 In order to assist with equality screening of the proposals contained within this consultation paper, the Utility Regulator requests that respondents provide any information or evidence in relation to the needs, experiences, issues and priorities for different groups which they feel is relevant to the implementation of any of the proposals. Furthermore, the Utility Regulator welcomes any comments which respondents might have in relation to the overall equality impact of the proposals.



## 2 Introduction

### Purpose of this Consultation

- 2.1 The Utility Regulator's (UR) principal objective in carrying out the duties associated with our electricity functions is to protect the interests of consumers of electricity supplied by authorised suppliers, wherever appropriate by promoting effective competition between persons engaged in, or in commercial activities connected with, the generation, transmission, distribution or supply of electricity. We are to carry out these functions in the manner which we consider to be best calculated to further the principal objective having regard to a number of considerations, including the need to secure that licence holders are able to finance the activities which are the subject of obligations imposed on them by or under the relevant legislation.
- 2.2 In line with these duties this document sets out for consultation our proposals to modify NIE Networks licences. The licences affected by the proposed changes are:
- NIE Networks Transmission Licence
  - NIE Networks Distribution Licence
- 2.3 The licence modification proposals are aimed at providing appropriate pass through Capex to be allocated to NIE Networks Regulated Asset Base (RAB). This requirement for modified text to provide for the mechanism which has been identified following the UR's determination of a dispute between NIE Networks Distribution and SONI, the Transmission System Operator in respect of charges for the connection of distribution infrastructure to existing transmission infrastructure that has (in the last 10 years) been constructed for and funded by a third party.

### Background

- 2.4 At the end of March 2019, the UR issued a final determination on a dispute, as referred to it for determination by NIE Networks Distribution, between NIE Networks Distribution and SONI in relation to a connection offer made by SONI to NIE Networks Distribution<sup>3</sup>.
- 2.5 The dispute related to the terms of an offer made by SONI under and in accordance with Section S of the document that is entitled the "Transmission Interface Arrangements" (TIA) in relation to the connection of the distribution system (in the context of the dispute a Cluster Substation) to the Northern Ireland electricity transmission system.
- 2.6 SONI provided an offer to NIE Networks Distribution which set out the indicative Connection Charge applicable under the offer.
- 2.7 SONI's offer stated that the assumptions for the connection of the Cluster Substation to the transmission system included the use of Connection Assets that have been funded by an existing User and therefore in line with the relevant provisions of the TIA and SONI's Transmission Connection Charging Methodology Statement ('TCCMS'), the Connection Charge included a "charge for the use of shared Connection Assets..." (the 'Use of Shared Assets Charge').
- 2.8 NIE Networks Distribution disagreed that they should pay SONI the "Use of Shared Assets Charge" and referred the matter to the Utility Regulator for determination under the Transmission Interface Arrangements (TIA) dispute settlement provisions.
- 2.9 In determining the dispute, the UR concluded that SONI was entitled to (and in the circumstances of the case relating to the dispute had to) include a "Use of Shared Asset Charge" in the connection offer to be made by it to NIE Networks Distribution for the connection of the Cluster Substation to the transmission system given the connection was to be made to and make use of existing transmission assets that had been funded by an existing connectee (third party) within the ten years preceding the proposed date of connection of the Cluster Substation.

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<sup>3</sup> <https://www.uregni.gov.uk/sites/uregni/files/media-files/TIA%20Final%20Determination%2028%20March%202019.pdf>

## The pass through capex expenditure amount mechanism

- 2.10 Going forward, a review of NIE Networks distribution connection charging methodology is required to consider whether it is necessary and/or appropriate for the methodology to be changed in respect of the recovery of costs incurred by NIE Networks Distribution in relation to the connection of its (new) distribution infrastructure (i.e. that which is developed and constructed for the purposes of facilitating connections to the distribution system) to the transmission system.
- 2.11 However, notwithstanding this the UR accepts that in the meantime NIE Networks Distribution should be entitled to recover those charges it pays (under and in accordance with the TIA and an applicable connection agreement) to SONI for the connection of the distribution system to the transmission system. That is the UR accepts, that until the charging methodology is reviewed and amended (if/as required), NIE Networks Distribution should, having followed appropriate processes and procedures and obtained the required regulatory approvals, be able to recover such connection charges which it has paid to (or will be paying to) SONI for the connection of the distribution system to the transmission system and not recoverable by NIE Networks in either its distribution or transmission capacity, whether through the price control revenues or from persons connecting to the distribution system infrastructure which is or is to be connected to the transmission system.
- 2.12 Having considered the current price control licence conditions in each of the NIE Networks Distribution Licence and the NIE Networks Transmission Licence, the UR considers that it would be appropriate to amend the current drafting of the pass through capex expenditure amount - Mechanism term in Annex 2 of both licences.
- 2.13 The UR is proposing to amend the Transmission and Distribution licences so that, if the need arises, depending on the Capex request, NIE Networks has a mechanism to request an amount of the pass through Capex for the UR's consideration and approval to be added to either the Transmission or Distribution RAB as appropriate.
- 2.14 It will be up to NIE Networks to submit a request for a pass through Capex and for NIE Networks to identify under which Licence (i.e. either Distribution or Transmission but not both) the request is made. In submitting its request NIE Networks shall provide such information, including in such manner, format and within such period, as may be required by the UR (and notified to the Licensee) for the purposes of making our determination.
- 2.15 The UR will consider a request for pass through Capex in line with our duties and if approved we will publish our decision. We may also make the determination subject to conditions with which the Licensee shall be required to comply, these will be identified in our decision. For the avoidance of doubt, the UR confirms that only those costs approved by the UR shall be recoverable by NIE Networks and recoverable either under the provisions of the transmission licence or the distribution licence (but not both).

# 3 Distribution Licence Modification – Annex 2 – Distribution Charge Restriction Conditions

## Background

- 3.1 As outlined above, a mechanism is required within NIE Networks current Distribution licence to enable NIE Networks to recover certain costs arising in respect of connections between the NIE Networks distribution system and the Northern Ireland transmission system.
- 3.2 The present consultation document sets out our proposal for the required licence modifications.

## Proposed Licence Modifications

- 3.3 Within NIE Networks' Distribution Licence we propose, in Annex 2 – Distribution Charge Restriction Conditions in paragraph 4.21(b) to modify the approved projects to allow for further allowed pass through capex within the term  $PTCE_{X_t}$
- 3.4 We propose to add the following text to 4.21(b) " $PTCE_{X_t} = CC_{X_t} + CCSA_{X_t}$ "
- 3.5  $CCSA_{X_t}$  is to be defined as "means the capex connections shared asset amount in Regulatory Reporting Year t and for each  $RAB_X$  being the amount that the Authority determines, in a published decision, to be appropriate in respect of Shared Asset Charges payable by the Distribution Business for the connection of the Distribution System to that part of the transmission system that has been funded by a third party pursuant to a connection agreement entered into between that third party and the Transmission System Operator."
- 3.6 We also propose to update the definitions in the Annex to define the terms 'Shared Asset Charges' and 'Transmission Connection Charging Methodology Statement' as follows - .
- a. Shared Asset Charges means charges payable under and in accordance with the Cost Allocation Rules for Shared Assets set out in the Transmission Connection Charging Methodology Statement
  - b. Transmission Connection Charging Methodology Statement means the statement prepared by the Transmission System Operator under and in accordance with paragraph 1(b) of Condition 30 of the Transmission System Operator Licence and approved by the Authority.
- 3.7 Finally, as NIE Networks will be required to seek and obtain the UR's approval to costs which are, in any Regulatory Year, to fall within the  $CCSA_{X_t}$  term, the process and procedures which are applicable for the additional capex allowances apply equally to this capex pass through term.
- 3.8 The proposed red lined licence modifications are set out in detail in Annex A.

## Reasons and Effects

- 3.9 The reason for the proposed change within the term  $PTCE_{X_t}$  is designed to provide for pass through of UR approved Capex costs, relating to the connection of the distribution system to existing transmission system assets which have been funded by other connectees who are, by reason of a new connection being made to a transmission asset paid for by them, entitled to a rebate under and in accordance with the transmission connections charging framework, to be allocated to NIE Networks Distribution RAB, if approved.
- 3.10 The Distribution Licence (at paragraph 4.21 of Annex 2) makes provision for 'pass through capex' to be added to the RAB as determined by the UR in a published decision. The addition of  $CCSA_{X_t}$  enables an approved Shared Asset Charge payable by the Distribution Business for the connection of the Distribution System to that part of the transmission system that has been funded by a third party pursuant to a connection agreement entered into between that third party and the

Transmission System Operator.

- 3.11 Therefore these modifications to the licence are required to allow for further identified UR approved specified capex to be added to NIE Networks Distribution RAB.
- 3.12 The effects of the modifications will enable NIE Networks to submit additional pass through Capex projects for approval in relation to the recovery of costs incurred by NIE Networks in respect of distribution/transmission connections which are not otherwise recoverable by NIE Networks through any other means or mechanisms.
- 3.13 Once these licence modifications have been implemented NIE Networks can submit a request for approval for an amount to be added to the RAB.
- 3.14 The UR will consider in line with our duties and if approved we will publish our decision.
- 3.15 The customer impact in relation to each specific pass through Capex approved project will be identified in our published decision.

# 4 Transmission Licence Modification – Annex 2 – Transmission Charge Restriction Conditions

## Background

- 4.1 As outlined above, a mechanism is required within NIE Networks current Transmission licence to enable NIE Networks to recover certain costs arising in respect of connections between the NIE Networks distribution system and the Northern Ireland transmission system.
- 4.2 The present consultation document sets out our proposal for the required licence modification.

## Proposed Licence Modifications

- 4.3 Within NIE Networks Transmission licence we propose, in Annex 2 – Transmission Charge Restriction Conditions in in paragraph 4.21(b) to modify the approved projects to allow for further allowed pass through capex within the term  $PTCE_{X_t}$
- 4.4 We propose to add the following text to 4.21(b) “ $PTCE_{X_t} = CC_{X_t} + CCSA_{X_t}$ ”
- 4.5  $CCSA_{X_t}$  is to be defined as "means the capex connections shared asset amount in Regulatory Reporting Year t and for each  $RAB_X$  being the amount that the Authority determines, in a published decision, to be appropriate in respect of Shared Asset Charges payable by the Distribution Business for the connection of the Distribution System to that part of the transmission system that has been funded by a third party pursuant to a connection agreement entered into between that third party and the Transmission System Operator."
- 4.6 We also propose to update the definitions in the Annex to define the terms Shared Asset Charges and the Transmission Connection Charging Methodology Statement as follows -
- a. Shared Asset Charges means charges payable under and in accordance with the Cost Allocation Rules for Shared Assets set out in the Transmission Connection Charging Methodology Statement
  - b. Transmission Connection Charging Methodology Statement means the statement prepared by the Transmission System Operator under and in accordance with paragraph 1(b) of Condition 30 of the Transmission System Operator Licence and approved by the Authority.
- 4.7 Finally, as NIE Networks will be required to seek and obtain the UR's approval to costs which are, in any Regulatory Year, to fall within the  $CCSA_{X_t}$  term, the process and procedures which are applicable for the additional capex allowances apply equally to this capex pass through term.
- 4.8 The proposed red lined licence modifications are set out in detail in Annex b.

## Reasons and Effects

- 4.9 The reason for the proposed change within the term  $PTCE_{X_t}$  is designed to provide for pass through of UR approved Capex costs, relating to the connection of the distribution system to existing transmission systems assets which have been funded by other connectees who are, by reason of a new connection being made to a transmission asset paid for by them, entitled to a rebate under and in accordance with the transmission connections charging framework, to be allocated to NIE Networks Transmission RAB, once approved.
- 4.10 The Transmission Licence (at paragraph 4.21 of Annex 2) makes provision for ‘pass through capex’ to be added to the RAB as determined by the UR in a published decision. The addition of  $CCSA_{X_t}$  enables an approved Shared Asset Charge payable by the Distribution Business for the connection of the Distribution System to that part of the transmission system that has been funded by a third party pursuant to a connection agreement entered into between that third party and the

Transmission System Operator.

- 4.11 Therefore these modifications to the licence are required to allow for UR approved Pass through Capex relating to a Shared Asset Charge to be added to NIE Networks Transmission RAB.
- 4.12 The effects of the modifications will enable NIE Networks to submit pass through Capex projects for approval in relation to the recovery of costs incurred by NIE Networks in respect of distribution/transmission connections which are not otherwise recoverable by NIE Networks through any other means or mechanisms.
- 4.13 Once these licence modification have been implemented NIE Networks can submit a request for approval for an amount to be added to the RAB.
- 4.14 The UR will consider in line with our duties and if approved we will publish our decision.
- 4.15 The customer impact in relation to each specific pass through Capex approved project will be identified in our published decision.

## 5 Next Steps

- 5.1 This paper represents the Utility Regulator's proposals on modifications to NIE Networks Distribution and Transmission licences. Table 1 summarises the next steps and associated timelines for the licence modification process. We note that that timelines are indicative at this stage and may be subject to change.
- 5.2 Once these licence modification have been implemented we would expect NIE Networks to submit a request for approval for an amount to be added to the RAB.
- 5.3 We will continue to engage with SONI/ NIE Networks on the next steps to get the TIA and Statement of Connection Charges (SoCC) revised, we will also consider future changes to these statements in relation to non-domestic customer charges in respect of shared assets.

**Table 1: Indicative timelines for next steps**

Next Steps	Proposed Date
Notice of proposal to modify Distribution and Transmission licences published	19 Sept 2019
Statutory consultation closes	21 Oct 2019
Notice of decision to modify Distribution and Transmission licences published	End Nov 2019
Licence modification effective date	End of Feb 2020
Further review of TIA and Statement of Connection Charges	Q1 2020

# Annexes

Table 2 below provides an overview over the annexes to this consultation document.

Annexes A to B sets out, for each licence, the proposed modifications tracked against the current licence drafting.

Annex C and D represents the notice under Article 14(2) of the Electricity (Northern Ireland) Order 1992 for the two licence modification proposals.

**Table 2: Overview over Annexes**

<b>Annex Number</b>	<b>Annex Name</b>
Annex A	Distribution Licence Proposed Modifications
Annex B	Transmission Licence Proposed Modifications
Annex C	Article 14(2) of the Electricity (Northern Ireland) Order 1992 - NIE Networks Distribution Licence
Annex D	Article 14(2) of the Electricity (Northern Ireland) Order 1992 - NIE Networks Transmission Licence



# Annex A- NIE Networks NIE Distribution Licence

<https://www.uregni.gov.uk/sites/uregni/files/media-files/NIE%20Distribution%20Licence%20-%20effective%2029%2001%202019.pdf>

## Annex 2 – Distribution Charge Restriction Conditions

In section 1. Definitions, in paragraph 1.1 of Annex 2, the following new definitions shall be inserted (in alphabetical order) -

Shared Asset Charges	means charges payable under and in accordance with the Cost Allocation Rules for Shared Assets set out in the Transmission Connection Charging Methodology Statement.
Transmission Connection Charging Methodology Statement	means the statement prepared by the Transmission System Operator under and in accordance with paragraph 1(b) of Condition 30 of the Transmission System Operator Licence and approved by the Authority.

In section 4. The Regulatory Asset Bases – RAB<sub>X<sub>t</sub></sub>, paragraph 4.21 shall be amended and a new paragraph 4.21A inserted (in each case as shown below)

### 4.20. The pass through capex expenditure amount - PTCE<sub>X<sub>t</sub></sub>

4.21. For the purposes of this Annex, in each Regulatory Reporting Year t and for each RAB<sub>X</sub>, the pass through capex expenditure amount (PTCE<sub>X<sub>t</sub></sub>), shall:

a) be the value of capex incurred by the Licensee (excluding QCE<sub>X<sub>t</sub></sub>) reasonably allocated or attributed to:

- i. the Distribution Business;
- ii. the Regulatory Reporting Year t; and
- iii. RAB<sub>X</sub>; and

b) be calculated as follows:

$$PTCE_{X_t} = CC_{X_t} + CCSA_{X_t}$$

Where:

**CC<sub>X<sub>t</sub></sub>** means the capex connections amount in Regulatory Reporting Year t and for each RAB<sub>X</sub>, being the net costs (or net contributions) relating to activities or services subject to the Licensee's connection charges such that the inclusion is consistent with the Licensee's Connection Charging Statement as approved by the Authority, and where contributions from connecting parties are included on a cash basis. The capex connections amount shall exclude the cost of alterations to existing connections and shall only include costs of the following types of connection:

- i. housing sites with 12 or more domestic premises; and
- ii. Approved Generation Cluster Infrastructure; and

**CCSA<sub>X<sub>t</sub></sub>** means the capex connections shared asset amount in Regulatory Reporting Year t and for each RAB<sub>X</sub> being the amount that the Authority determines, in a published decision, to be appropriate in respect of Shared Asset Charges payable by the Distribution Business for the connection of the Distribution System to that part of the transmission system that has been funded by a third party pursuant to a connection

agreement entered into between that third party and the Transmission System Operator.

- 4.21A The value of  $CCSA\_X_t$  in each Regulatory Year  $t$  and for each  $RAB\_X$  shall be that which the Authority considers appropriate, and for these purposes:
- a) no allowance may be determined in respect of any outputs or costs that are funded through any other provision of this Annex;
  - b) the Authority may follow such procedure as it considers appropriate prior to making its determination, including by providing for any audit, assessment or consultation in respect of the Shared Asset Charges;
  - c) the Licensee shall provide such information, including in such manner, format and within such period, as may be required by the Authority (and notified to the Licensee) for the purposes of making its determination; and
  - d) the Authority may make its determination subject to conditions with which the Licensee shall be required to comply, including in particular conditions as to any monitoring, audit and reporting in relation to the amount and timings of the Shared Asset Charges.

# Annex B - NIE Networks NIE Transmission Licence

<https://www.uregni.gov.uk/sites/uregni/files/media-files/NIE%20Transmission%20Licence%20effective%2015%20Feb%202019.pdf>

## Annex 2 – Transmission Charge Restriction Conditions

In section 1. Definitions, in paragraph 1.1 of Annex 2, the following new definitions shall be inserted (in alphabetical order) -

Shared Asset Charges	means charges payable under and in accordance with the Cost Allocation Rules for Shared Assets set out in the Transmission Connection Charging Methodology Statement
Transmission Connection Charging Methodology Statement	means the statement prepared by the Transmission System Operator under and in accordance with paragraph 1(b) of Condition 30 of the Transmission System Operator Licence and approved by the Authority.

### 4.20. The pass through capex expenditure amount - PTCE\_Xt

4.21. For the purposes of this Annex, in each Regulatory Reporting Year t and for each RAB\_X, the pass through capex expenditure amount (PTCE\_Xt), shall:

- a) be the value of capex incurred by the Licensee (excluding QCE\_Xt) reasonably allocated or attributed to:
  - i. the Transmission Owner Business;
  - ii. the Regulatory Reporting Year t; and
  - iii. RAB\_X; and

b) be calculated as follows:

$$PTCE\_Xt = CC\_Xt + CCSA\_Xt$$

Where:

CC\_Xt means the capex connections amount in Regulatory Reporting Year t and for each RAB\_X, being the net costs (or net contributions) relating to activities or services subject to the Licensee's connection charges such that the inclusion is consistent with the Licensee's Connection Charging Statement as approved by the Authority, and where contributions from connecting parties are included on a cash basis. The capex connections amount shall exclude the cost of alterations to existing connections and shall only include costs of the following types of connection:

- i. Approved Generation Cluster Infrastructure.

CCSA\_Xt means the capex connections shared asset amount in Regulatory Reporting Year t and for each RAB\_X being the amount that the Authority determines, in a published decision, to be appropriate in respect of Shared Asset Charges payable by the Distribution Business for the connection of the Distribution System to that part of the transmission system that has been funded by a third party pursuant to a connection agreement

entered into between that third party and the Transmission System Operator.

- 4.21A The value of  $CCSA_{X_t}$  in each Regulatory Year  $t$  and for each  $RAB_X$  shall be that which the Authority considers appropriate, and for these purposes:
- a) no allowance may be determined in respect of any outputs or costs that are funded through any other provision of this Annex or of Annex 2 in the successor distribution licence;
  - b) the Authority may follow such procedure as it considers appropriate prior to making its determination, including by providing for any audit, assessment or consultation in respect of the Shared Asset Charges;
  - c) the Licensee shall provide such information, including in such manner, format and within such period, as may be required by the Authority (and notified to the Licensee) for the purposes of making its determination; and
  - d) the Authority may make its determination subject to conditions with which the Licensee shall be required to comply, including in particular conditions as to any monitoring, audit and reporting in relation to the amount and timings of the Shared Asset Charges.

# Annex C

## Notice under Article 14(2) of the Electricity (Northern Ireland) Order 1992 – Modifications Proposed to Annex 2 of the Electricity Distribution Licence Held by Northern Ireland Electricity Networks (Ltd)

### THE NORTHERN IRELAND AUTHORITY FOR UTILITY REGULATION NOTICE UNDER ARTICLE 14(2) OF THE ELECTRICITY (NORTHERN IRELAND) ORDER 1992 MODIFICATIONS PROPOSED TO THE ELECTRICITY DISTRIBUTION LICENCE HELD BY NORTHERN IRELAND ELECTRICITY NETWORKS

The Northern Ireland Authority for Utility Regulation ('the Authority') proposes to modify the conditions of a licence in exercise of the powers conferred on it by Article 14(1) of the Electricity (Northern Ireland) Order 1992 ("the Order").

In accordance with Article 14(2) of the Order the Authority gives notice as follows:

1. The Authority proposes to make modifications to the Electricity Distribution licence ("the Licence") held by Northern Ireland Electricity Networks Limited ("the Licensee").
2. Details of the proposed modifications are set out in chapter 3 of the attached consultation paper on pass through capex connection costs to NIE Networks Transmission and Distribution Licences as well as in Annex A to that consultation paper.
3. The reasons for the proposed licence modifications are set out in chapter 3 of the attached consultation paper.
4. The effects of the proposed licence modifications are set out in chapter 3 of the attached consultation paper.
5. Representations with respect to the proposed modifications may be made on or before 5pm on 21/10/2019 to:  
Jody O'Boyle  
Utility Regulator  
Queens House  
14 Queens Street  
Belfast BT1 6ED  
(0) 28 9031 1575  
Email: [electricity\\_network\\_reporting@uregni.gov.uk](mailto:electricity_network_reporting@uregni.gov.uk) with cc to [jody.oboyle@uregni.gov.uk](mailto:jody.oboyle@uregni.gov.uk)
6. The Authority has, pursuant to Article 14(4) of the Order, sent a copy of this notice to the Licensee, the Department for the Economy and also to the General Consumer Council for Northern Ireland.
7. A copy of this notice and the proposed modifications can be obtained in hard copy form from the Authority by contacting Jody O'Boyle at the contact details above.

Dated this 19/09/2019

A handwritten signature in black ink, appearing to read 'Jenny Pyper', written in a cursive style.

Jenny Pyper

**For and on behalf of the Northern Ireland Authority for Utility Regulation**

# Annex D

## Notice under Article 14(2) of the Electricity (Northern Ireland) Order 1992 – Modifications Proposed to Annex 2 of the Transmission Conveyance Licence Held by Northern Ireland Electricity Networks (Ltd)

### THE NORTHERN IRELAND AUTHORITY FOR UTILITY REGULATION NOTICE UNDER ARTICLE 14(2) OF THE ELECTRICITY (NORTHERN IRELAND) ORDER 1992 MODIFICATIONS PROPOSED TO THE ELECTRICITY CONVEYANCE LICENCES HELD BY NORTHERN IRELAND ELECTRICITY NETWORKS

The Northern Ireland Authority for Utility Regulation ('the Authority') proposes to modify the conditions of a licence in exercise of the powers conferred on it by Article 14(1) of the Electricity (Northern Ireland) Order 1992 ("the Order").

In accordance with Article 14(2) of the Order the Authority gives notice as follows:

1. The Authority proposes to make modifications to the Electricity Transmission licence ("the Licence") held by Northern Ireland Electricity Networks Limited ("the Licensee").
2. Details of the proposed modifications are set out in chapter 4 of the attached consultation paper on pass through capex connection costs to NIE Networks Transmission and Distribution Licences as well as in Annex B to that consultation paper.
3. The reasons for the proposed licence modifications are set out in chapter 4 of the attached consultation paper.
4. The effects of the proposed licence modifications are set out in chapter 4 of the attached consultation paper.
5. Representation with respect to the proposed modifications may be made on or before 5pm on 21/10/2019 to:  
Jody O'Boyle  
Utility Regulator  
Queens House  
14 Queens Street  
Belfast BT1 6ED  
(0) 28 9031 1575  
Email: [electricity\\_network\\_reporting@uregni.gov.uk](mailto:electricity_network_reporting@uregni.gov.uk) with cc to [jody.oboyle@uregni.gov.uk](mailto:jody.oboyle@uregni.gov.uk)
6. The Authority has, pursuant to Article 14(4) of the Order, sent a copy of this notice to the Licensee, the Department for Economy and also to the General Consumer Council for Northern Ireland.
7. A copy of this notice and the proposed modifications can be obtained in hard copy form from the Authority by contacting Jody O'Boyle at the contact details above.

Dated this 19/09/2019

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Jenny Pyper

**For and on behalf of the Northern Ireland Authority for Utility Regulation**