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6th October 2023

Reference: Call for Evidence - Electrical connection policy framework review

Dear Sirs,

EPUKI welcomes the opportunity to provide feedback on the electrical connection policy framework review. EPUKI have considerable experience with ownership and operation of power plants throughout the UK and Ireland, as well as having experience throughout Europe as part of our parent company EPH. We recognise that having a robust and suitable connections process is a cornerstone for the sustainable development of electrical infrastructure in Northern Ireland, which is necessary to maintain security of supply, keep energy affordable and achieve reductions in carbon emissions.

EPUKI's experience is largely associated with conventional transmission connections and their interactions with the single electricity market. We have provided responses to questions where they relate to our areas of business.

We look forward to participating in subsequent consultations as part of this review and would be happy to discuss and elaborate further on any of the questions raised in this Call for Evidence.

Yours sincerely,



Aaron McClean

EP UK Investments

Q1. What are the risks and opportunities in relation to the development of micro grids and what issues do these raise for the connections framework in NI?

EPUKI currently have no comment regarding this question.

Q2. Do you agree with our guiding principles? Please expand your answer.

EPUKI currently have no comment regarding this question.

Q3. Do you agree with our proposed scope in relation to this connection review, this includes:

- **Are there other issues which you consider we should take into account? If so, please explain why.**
- **Are there any connection areas we should remove from the scope of our review? If so, please explain why.**

EPUKI generally agree with the scope of this connection review, however we would suggest offshore connections must be taken into consideration in terms of how the connections queue is developed. Currently significant risk exists that large speculative connection applications for offshore wind or subsea interconnectors could hoard capacity on the Transmission Network. This could create significant undue delays to onshore projects that may be much further developed in terms of consents, licences and market participation, as well as triggering increased deep reinforcement charges.

Q4. Do you consider the current ‘partially deep’ connection boundary in NI appropriate? Please explain your rationale further and provide evidence.

EPUKI currently have no comment regarding this question.

Q5. Do you consider a shallow connection boundary to be appropriate in the NI context? Please explain your rationale further and provide evidence. If so, which of the following connection types should have a shallow connection boundary; -Demand only -Generation only -Demand and Generation -An alternate connection type (for example Domestic/Non-Domestic connections) Please explain your rationale further

EPUKI currently have no comment regarding this question.

Q6. Do you consider a shallow-ish boundary to be appropriate in the NI context? Please explain your rationale further and provide evidence. If so, which of the following connection types should have a shallow-ish connection boundary; -Demand only -Generation only -Demand and Generation (for example Domestic/Non-Domestic connections) -An alternate connection type Please explain your rationale further.

EPUKI currently have no comment regarding this question.

Q7. Do you believe that moving to a more shallow connection boundary in NI will deliver NI renewable targets that otherwise would not be met? Please provide evidence to demonstrate your answer.

EPUKI currently have no comment regarding this question.

Q8. Please provide evidence on the potential impacts on energy affordability in NI if reinforcement costs were socialised further? What would the impact on energy affordability be in NI if household bills were to increase per annum by;

1-3%

4-7%

7-10%

EPUKI currently have no comment regarding this question.

Q9. Can NIE Networks differentiate between RP6 allowances, RP7 business plan connection requests and how these differentiate and have been factored into the analysis that has been done on potential reinforcement connection costs analysis NIE Networks have completed?

EPUKI currently have no comment regarding this question.

Q10. Do you think that a developer led or plan led is the best approach for the future development of connections in NI? Please explain your answer.

EPUKI believe a combination of the two is necessary. Should a plan led approach be adopted, then existing processes should remain available for developers to seek grid connections outside of an established network plan.

Although securing the most economical grid connection will be a key requirement for many developers, they will also have other factors to balance such as planning, the environment, land availability, fuel availability, etc. Developers should not be constrained to locations determined in network plans but should have freedom to choose to seek connections outside of established network plans, even where it exposes them to higher connection charges or longer construction timeframes.

Q11. Do you think the current 3- month timeframe for SONI and NIE Networks to issue a connection offer is appropriate? Please explain your answer

EPUKI consider that the current 3-month timeframe for SONI and NIE Networks is sufficiently long for them to complete their studies and make an offer in the majority of situations. However, it has been EPNIE's experience that more often than not SONI have sought and received extensions of many months. As part of further consultation EPUKI would suggest that a summary of the historic times taken could be published without providing specific project details, this can be scrutinised as part of a wider analysis of what is an appropriate and acceptable timeframe.

Please refer to the related response for Question 14.

Q12. If our legislation facilitated it, should obtaining planning permission be a pre-requisite in order to receive a grid connection? Please explain your answer.

It is EPUKI's opinion that to avoid the hoarding of capacity, projects should be required to demonstrate a level of market commitment and/or development progression before capacity on the network can be fully reserved, be that market contracts, planning permission or otherwise. There is an acknowledgement in the Policy that other consents such as geological licences can be considered in place of planning permission and EPUKI suggest this should be widened to consider market contracts for energy, capacity, system services or renewables.

Q13. If our legislation facilitated it, do respondents consider any other issues associated with the current queue process? Or that a different approach to managing the connection queue, would result in quicker connections? If so, what would that be? Are there any lessons to be learned from other jurisdictions?

The timing for when capacity on the network is reserved requires further consideration, as this currently does not generally align with when investment in a project would be secured nor with any market timeframes. EPUKI suggest that capacity should be more formally reserved though the MEC bond at a later milestone such as the projects final investment decision, rather than at the time of connection application or offer acceptance.

Developments that are already contracted to contribute to security of supply, energy, system services or renewables targets should be positioned ahead of other developments regardless of when their connection application was made. Otherwise, speculative large complex projects can delay offers and connections for vital infrastructure, potentially leading to those projects failing to deliver on time or at all.

It is EPUKI's experience that in Great Britain (GB) the 'first-come, first-served', 'customer led' approach has meant that the grid is not prepared for the large influx of new connections, especially offshore wind. In GB there are moves now towards more strategic planning of the network and anticipatory investment to facilitate a net zero system.

Please refer to the related response for Question 14.

Q14. Do you have any other information relevant to the subject matter of this Call for Evidence that you think we should consider?

1. There is currently a discrepancy between the timeframes in Connections Policy in Northern Ireland and the Capacity Remuneration Mechanism (CRM). Section 5(g) of Appendix D from the Capacity Market Code (CMC) states that either a copy of the Connection Agreement or the Connection Offer must be included in an Application for Qualification for New Capacity in the CRM, this is further detailed on the SEMO website as being deemed satisfied where "an application for connection for the Candidate Unit has been submitted, has been validated and deemed complete by the System Operator, and the associated full application fee has been paid and the System Operators are not aware, at the time they deem the application effective, of any reason why the Connection Offer would not be issued in respect of the Candidate Unit...¹". Therefore, at minimum, a validated Connection Application is required for CRM qualification.

Table A from Appendix C of the CMC places the indicative latest date for submission of a Qualification Application in the CRM as 21 weeks prior to the Capacity Auction, with results published 5 weeks thereafter, giving a total of 26 weeks or 6 months. The CRM timeline then allows a further 18 months to reach Substantial Financial Completion (SFC), giving a total of 24 months from qualification to SFC. Assuming the Connection Application is validated in advance of the qualification deadline, based on standard timelines a developer should expect an offer within 90 days which would be open for acceptance for a further 90 days, a total of 6 months, but based on the CMC timeline the development would not yet have a capacity award and it is recognised that the development could still be up to 18 months away from SFC. This is worsened

¹ <https://www.sem-o.com/markets/capacity-market-overview/>

where a developer wishes to secure a connection offer prior to qualification, as the offer would lapse well in advance of the auction and results.

When accepting a connection offer the developer is required to place a Maximum Export Capacity (MEC) Bond of £7,000 per MW. EPUKI consider it unfair and unrealistic to expect developers to place this Bond in advance of the capacity market award and suggest that it should only be required when the project reaches SFC, i.e., 18 months after the Connection Offer is accepted. By asking developers to place the Bond without sufficient time allotted for the Capacity Auction to take place, developers are actually being compelled to hoard capacity by having MEC secured for capacity that has not been (and may not be) contracted by the market.

Uncertainties regarding the Connection Timelines further compound this issue, as do constant delays in the Capacity Auction Timetable, as even prudent developers who apply early for a connection can see their offer lapse before the auction results or miss their Implementation Plan dates while they wait for an offer. In summary there is currently a considerable amount of planning and a lot of luck required to have a connection offer period coincide with the Capacity Auction results.

In GB at transmission level, a Connection Agreement is similarly required to participate in the Capacity Market (CM), however developers can provisionally lock-in their connection much earlier, i.e., before planning consent. Combined with the 'first-come, first-served' approach to connections this has made it relatively easy to hold on to grid capacity even for projects that aren't progressing, which can make it harder for projects which are, to get a reasonable Connection Offer. Although, this is changing with the introduction of more active queue management, which will allow projects to be kicked out of the queue if they don't meet project milestones (e.g. planning). There will need to be a careful balance struck in queue management as projects which are reliant on subsidy regimes are not in full control of when they are awarded market contracts. Once a project has spent money on planning consent for example, it shouldn't lose its connection offer just because it is unsuccessful in an auction on its first attempt, as it may still be the successful in subsequent years.

The NI connections process needs to facilitate participation and competition in market auctions by not placing too many hurdles for obtaining an initial connection offer. Offers should then remain open long enough for projects to complete in multiple market auctions years without the need for large un-refundable bonds to be placed. Finally, projects that demonstrate progression such as planning consents and market contracts should have their connections prioritised in the queue above those who show less progress, and those that remain completely stagnant should eventually lose their position in the connections queue altogether.

2. EPUKI are aware of connection offers with construction timelines that could be considered to be incompatible with the CRM T-4 timeframes, as they do not provide a reasonable timeframe for construction of the electrical connection.

This creates further uncertainty and risk for developers, as based on the timeframes discussed they can find themselves receiving a connection offer with unacceptable timelines only after they have participated in a Capacity Auction or more concerningly developers as a whole in Northern Ireland may find themselves unable to qualify any New Capacity in the CRM due to all new connections being considered to take longer than is acceptable for CRM qualification.

To incentivise competition for New Capacity, developers and the market need certainty that connections will be completed within a reasonable timeframe. It is EPUKI's opinion that all electrical connections should always be achievable within a T-4 timeframe, and it is simply a matter of planning, cost and resourcing to do so. Therefore, a maximum construction period should be prescribed in the connections policy with deviation allowed for controlling costs when SONI, NIE Networks and the Developer are in agreement.

3. EPUKI suggest that the standard text in the Connections Agreements may not have kept up with energy market developments and other changes relating to the energy landscape in NI. We propose that as part of this review the standard Connection Agreement text used by SONI and NIE Networks should be consulted upon and updated as necessary. Then going forward any future changes should be consulted upon.

EPUKI consider these issues should be included and addressed within the connections review and consideration should also be given to how any renewables subsidy schemes might align in the future.

Q15. Please list any connection issues you have raised in order of priority. Please explain your reasoning behind your priority.

1. Ensure the connections process timeframes align with the market arrangements to promote competition.
2. Introduce active connections queue management based on actual project progression to manage capacity hoarding.
3. Review standard construction terms for connections to ensure projects can be delivered within market timeframes.
4. Review standard terms for Connection Agreements to ensure they are kept up to date and avoid undue discrimination.