Dept for the Economy and Utility Regulator
Call for Evidence response

October 2023

Electricity Connection Policy Framework Review

Weev Response Summary

Weev deploys EV charging infrastructure at en route and destination sites both in public and private locations in the UK and Ireland. The Company was founded in 2021 by two local entrepreneurs with a track record of addressing technological infrastructure challenges at scale both in NI and the UK. The founders have combined their experience in the telecommunications, Fibre and IT industries with an experienced senior management team and an expanding employee base drawn from the automotive, energy and renewable sectors. Weev is in a strong position to become the market leading charge point operator ('CPO') in the NI and surrounding RoI market.

Regulatory Challenges in NI

We believe that the regulatory landscape in NI discourages investment from companies such as ours due to two key areas where NI lags behind GB:

- Connections Charging Regulation: NI's underinvestment and the absence of a progressive connection charging regime has resulted in a relative lack of investment in network capacity. More progressive policies in place in GB for several years, and their subsequent switch to an even more progressive regime in April 2023 means that the gap between the jurisdictions is significant and continuing to widen.
- Lack of Regulatory Framework to Facilitate IDNOs: The absence of a regulatory framework to facilitate Independent Distribution Network Operators (IDNO)s in NI significantly increases connection costs and undermines the viability of the contestable connections market.

Progress in these areas could make NI a more attractive jurisdiction for our company to invest in and participate actively in NI's energy transition.

In addition to the two key areas above, we also highlight the issue of connection standards, with particular emphasis on Connection Offer timescales, which are notably slower in NI compared to GB. These delays associated with obtaining connection offers in NI have led to frustration as well as contributing to increased investment costs and delayed large-scale EV infrastructure rollouts.

Whilst outside of the scope of this review, we also note the additional challenges faced by infrastructure investment and development in NI due to NI's well-publicised comparatively slower planning system. This puts even more emphasis on getting Grid Connection regulation correct, to help attract investment to NI. We would also call on DfE to work with their counterpart departments to address the issues in the planning system in parallel with this Connections Policy Framework Review. We would like to highlight the need to ensure policy driven interactions between the Planning system and Grid Connections framework are designed in a compatible and functional way.

Weev Response to Specific Questions

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?

An enabler of technological innovation and 'micro-grids' in GB is the ability to establish IDNO networks so that these micro-grids fall under a regulated environment with consumers protected. We have therefore chosen this section to put forward our views on establishing a framework for IDNOs in NI. This section could also be considered for our response to question 3.

Creating a regulatory framework for Independent Network Operators (IDNOs) in NI

Technical Innovation & Subsidising Connection Costs:

The presence of IDNOs in GB and their ability to provide connecting customers, such as EV Connection Point Owners (CPOs), with a contribution towards connection costs (called an Asset Value (AV)) reduces the network connection cost and therefore overall development cost of EV Charging and Industrial Electrification projects. They also facilitate innovation in technical standards that can reduce costs and/or timescales.

These benefits are facilitated by the existence of a competitive market for the adoption of the network connection infrastructure which drives technical innovation and commercial efficiencies. We also note that neither electricity bill payers nor connecting customers pay more for these benefits, as end user bills are matched to the incumbent DNO.

In NI, there is a lack of a well-defined regulatory framework, including standardised IDNO license application processes and associated license obligations, as well as other mechanisms aimed at achieving comparable outcomes. This makes EV charging and other types of development in NI more costly and time consuming, which in turn reduces the feasibility of EV charging or other Industrial Electrification development.

Facilitating Competition in the Connections market:

IDNOs play a pivotal role in subsidizing contestable connections and facilitating technical innovation, thereby serving as a crucial driver of the competitive connections market in GB. IDNOs collaborate closely with Independent Connection Providers (ICP) to establish an effective and competitive connections ecosystem within GB. However, in NI, the absence of a supportive regulatory framework for IDNO is notable. This is why there have been very few contestable works completed in NI to date, particularly for Industrial & Commercial (I&C) and EV connections. As a result, we anticipate that the contestable connections market in NI will continue to lack the appeal witnessed in GB unless this issue is addressed.

Legislative & Regulatory Review of IDNOs in NI:

In GB, IDNOs are granted Distribution Licences under Section 6(c) of the Electricity Act 1989, which closely resembles NI's Electricity Order 1992 Article 10(bb). It is worth noting that both provisions have undergone subsequent amendments since their initial publication. These revisions separated the distribution of electricity as its own licensable activity, aligning both provisions. The Utilities Act 2000 brought about this change in the former, while The Gas and Electricity (Internal Markets) Regulations (Northern Ireland) 2011 accomplished it in the latter.

In the 2000s, after the granting of several licences to IDNOs, regulations were introduced in 2010 to formalise the licensing process through The Electricity (Applications for Licences, Modifications of an Area and Extensions and Restrictions of Licences) Regulations 2010. It's important to note that NI does not currently have analogous

regulations in its legal framework. However, this should not serve as a hindrance to the issuance of IDNO licences in NI, given that numerous licences had been issued in GB before the introduction of these regulations.

Additionally, we observe that an equivalent to The Electricity Regulations 2010 could be adopted in NI by the Utility Regulator Northern Ireland (URGENI) through the publication of guidance notes or similar means, without necessitating legislative amendments.

In summary, it seems that there exists a legislative framework in NI, like that in GB, which permits the licensing of IDNOs in NI without the need for legislative alterations. However, it is worth noting that since this activity is relatively new to NI, there is currently a shortage of guidance, standardised licence conditions, and other related documentation that we believe would fall under the remit of the URGENI. These aspects would require development and advancement.

We are of the opinion that the steps can be implemented swiftly, following a 'fast follower' strategy of GB regulation. Much of the groundwork in this regard has already been completed by The Office of Gas and Electricity Markets Authority (OFGEM), with potential for only minor adjustments and amendments to align these practices with NI's legislative and regulatory framework. We note UREGNI's obligation to facilitate competition with respect to the distribution of electricity and think this should be given attention by UREGNI. We are open to further discussions and collaboration with URGENI to delve into the specifics of this matter.

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

Weev acknowledges the principles outlined in the Call for Evidence (CfE) and also wishes to propose additional guiding principles.

The principle articulated concerning a 'just transition' appears to primarily consider the cost to electricity consumers. However, it is imperative to broaden the scope of 'just transition' to ensure that broader Northern Irish society has equitable access, where reasonably feasible, to services that will be essential in the future. For instance, it should not be deemed socially equitable and just if certain regions of the country are left without access to vital public EV charging infrastructure due to a post-code lottery. We believe under current regulations that this would be the case; in areas where local substations lack further capacity, it is typically economically unfeasible for any EV charging developer to upgrade the entire local network. These same principles apply to facilitating all kinds of economic development and prosperity across NI.

We further believe the following two principles should also be incorporated:

1. A further principle to be incorporated is that policy should align and facilitate key NI strategies, such as the 10X economic strategy and any other relevant strategies (such as on EV charging or renewable targets)
2. A further principle should be that the connections charging framework should be clear, without any conflicts or ambiguity that would lead to increased uncertainty for connecting customers. i.e. to ensure no conflicts or ambiguity between Distribution and Transmissions policy frameworks, and no uncertainty in any capital approvals for socialised costs - see query in our response to Q4 regarding clarity on current arrangements.

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.

Please see response to Q1 regarding IDNOs.

Are there any connection areas we should remove from the scope of our review? If so, please explain why.

As above

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

There is limited capacity left on the network in NI. With network capacity continuing to degrade, it is totally unfeasible to expect single customers to pay to upgrade and create capacity on the wider network.

Therefore, a much higher percentage of new connections for major load installations, such as EV charging, do not proceed in NI because the Connection Charging Regulation & Methodology makes them unfeasible and any consequential network upgrades to create further capacity do not happen either. This results in capacity stagnation which greatly limits the numbers of feasible projects that are required for the Energy Transition or other economic development.

A 'do nothing' approach would have the following negative outcomes:

- Higher energy prices from Renewables
- Delays in reaching Renewable targets
- Delays or absence of Public EV charging facilities
- Blocking economic development
- Societal inequality and communities left behind in the energy transition
- Regulatory divergence from GB, reducing the ability of NIE Networks to adopt a fast follower approach, likely leading to increased costs overall for NIE Networks as well as creating barriers to private investment
- Reduced economic development due to lack of viable grid capacity
- The potential for customers to be refused connections on the basis of no regulatory funding mechanisms from either the customer or socialisation
- Lack of underpinning regulatory framework to promote a 'flexibility first approach' by NIE Networks, as promoted by OFGEM in their connection charging reform in GB to reduce the overall cost of the energy transition.

We therefore believe that change is necessary to address the points set out above.

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

We recommend considering only two options for the grid connections framework in NI: an apportionment system (like the old GB system) or a shallow connection system (like the new GB system).

We believe that other alternatives like connection subsidies or standardised charges could lead to unintended consequences and market distortions in terms of contestability and

flexible connection markets. Implementing these alternatives in NI would necessitate the creation of bespoke policies in various areas, limiting the possibility of adopting a 'fast follower' approach.

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.

As stated in our response to Q5, we recommend considering only two options for the grid connections framework in NI: an apportionment system (like the old GB system) or a shallow connection system (like the new GB system).

We believe that other alternatives like connection subsidies or standardised charges could lead to unintended consequences and market distortions in terms of contestability and flexible connection markets. Implementing these alternatives in NI would necessitate the creation of bespoke policies in various areas, limiting the possibility of adopting a 'fast follower' approach.

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.

Connection charging reform will be an enabler and part of the solution. The current regime is a blocker.

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%**

We would like to draw attention to NIE's report (see note below), which indicates that the expected costs associated with the proposed changes are relatively modest. Furthermore, it is important to note that any transition towards a shallower regime can incorporate mechanisms aimed at controlling cost escalation and safeguarding vulnerable customers. Such mechanisms could include High-Cost Customer (HCC) provisions, Lowest Cost Technically Acceptable (LCTA) rules, among others.

Excerpt from NIE Networks document below:

"To provide some context and in an effort to quantify what moving to a shallower distribution connection charging regime might look like, as opposed to highlighting general percentage increases, it is vitally important to outline the piece of work NIE Networks completed with an external consultant to model the impact of socialised reinforcement costs on a customer bill if NI were to move to a shallower distribution charging regime. This project included modelling new demand and generation connections out to 2030 using forecasts developed as part of the RP7 business plan submission and calculating the amount of network reinforcement required to facilitate those connections. The total

reinforcement costs were then apportioned based on the charging scenarios to find the amount of reinforcement that would be socialised.

"The results of this analysis showed that for an average domestic customer in NI, the socialisation of reinforcement costs under the previous GB charging methodology (shallowish) amounted to approximately £2 extra per annum in 2030 and under the current GB (shallow) charging methodology amounted to approximately £3 extra per customer per annum in 2030.

"When converted to a percentage increase and compared with an average household electricity bill per annum, this amounted to a percentage increase on each customer's bill of below 1% for both the previous GB charging (shallowish) methodology and the current GB (shallow) charging methodology.

"With any forecasting piece of work there are certain assumptions that need to be made. As such, even allowing for a significant degree of variance in the forecasted cost impact on customer bills calculated within the report, the overarching conclusion was that for less than £5 extra per year on the average domestic customer's bill, a whole new set of possibilities are opened up to allow NI to meet the 2030 carbon reduction and RES-E targets and allow all customers, including vulnerable customers, to be able to integrate renewable generation, heat pumps or EV charging into their homes and businesses without the fear of debilitating upfront connection costs or overburdening existing customer bills. Some additional analysis was carried out during this project to investigate the cost impact on domestic customers' bills from variance in the forecasted quantum of reinforcement that would be liable for socialisation. This analysis looked to calculate the impact on a domestic customer's bill due to differing amounts of forecasted reinforcement.

"With that in mind, the analysis looked to find what amount of additional yearly socialized reinforcement would add £1 yearly to a domestic customers bill. This value was found to be approximately £4 million per year. Therefore, every additional £4 million per year in socialised reinforcement costs would equate to a £1 increase on the average domestic customers bill per year. These values are intended for illustrative purposes in this section, in order to give a scale as to how much increasing socialised reinforcement costs could affect a domestic customer's bill. The values were calculated under the shallowish charging approach (i.e. GB previous). As discussed previously, there are many design decisions to be made when developing a new distribution connection methodology, all of which will impact the level of socialised cost."

In addition, this question assumes that reinforcement works will need to take place before the network can accommodate a new connection. However, on many occasions, this may not be the case.

NIE Networks' assumptions when studying for a new connection requires them to not only look at the loads on the network currently but also to consider large, contracted loads which are not fully utilised.

The effect of underutilisation of the MIC (Maximum Import Capacity) is to block available capacity to new customers applying to be connected to the network. When customers apply for new connections, the contracted MIC of existing customers connected to the same section of the network is considered as part of a network design for the new load. This is to ensure that NIE networks' contracted obligation to existing customers is maintained while safeguarding the performance of the network following the connection of the new load.

NIE Networks has both a licence and statutory obligation to maintain standards of safety and performance through the appropriate design and operation of the network. To manage

the new load while maintaining contracted obligations to existing customers potentially requires additional network reinforcement resulting in higher cost for the connecting party. NIE Networks cannot ignore contracted obligations to existing customers to facilitate lower cost connections. In the scenario that NIE Networks were to base a connection charge for new customer on the usage of existing customers rather than their MIC, the new customer may receive a lower cost for connection but the liability for future network reinforcement should existing customers realise their MIC would rest with the Northern Ireland customer base through the existing regulatory funding mechanism. With the introduction of charging reforms where upstream reinforcement is socialised NIE should look to use a flex first solution, monitoring the network, consider flex then reinforcement. We believe that this has been one of the key principles behind OFGEM's changes in their significant code review, which will reduce the overall cost and timescales of the energy transition.
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?
It is our understanding that that there are no RP7 allowances allocated to creating capacity for the essential requirements for public EV charging infrastructure.
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.
No comment.
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
No – regulation for GB Network operators sets out much faster timescales for Network companies to issue connection offers. A typical timescale for connection offer for a 1MVA EV HPC site in GB is for weeks – much faster (by some distance) than the current timeframes in NI. This is a major blocker to the delivery of much needed new EV charging installations. By shortening the connection offer timeframe by several weeks it will have a significant impact on the roll-out of our public EV charging infrastructure.
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
The introduction of planning as a mandatory prerequisite for application, as suggested, might be a somewhat rigid approach that could potentially impede future regulatory innovations and delay investments.
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?
We believe it would be prudent for NI to take stock of new developments in GB prior to making any significant change. As a general principle, regulation should be aligned so far as possible with GB to enable NIE Networks to adopt a fast-follower approach with the aim of reducing the overall costs and connection timelines to connection customers as much as possible.

Q14. Do you have any other information relevant to the subject matter of this Call for Evidence that you think we should consider?
N/A
Q15. Please list any connection issues you have raised in order of priority. Please explain your reasoning behind your priority.
1. Connection Charging Reform 2. Facilitation of IDNOs 3. Connection offer timescales and other guaranteed standards

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