

Contestability: key considerations for a pragmatic way forward

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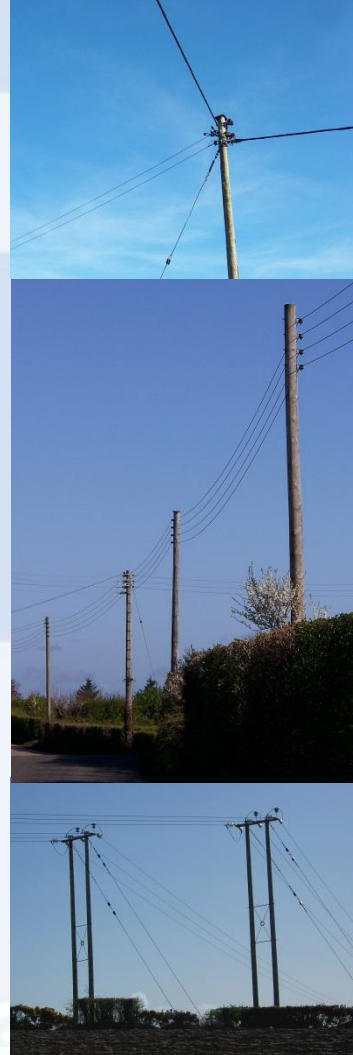
- 1. General principles**
- 2. The Northern Ireland Distribution System**
- 3. Relevant Market Segments**
- 4. Contestable Activities**
- 5. ICPs and IDNOs**
- 6. Summary**

- **Contestability removes some activities from natural monopolies; gives greater choice to connectees**
- **NIE is fully supportive of the move to contestability**
- **Exactly how it is implemented needs to be carefully considered:**
 - **Keep it as simple as possible; employ common sense**
 - **Don't reinvent the wheel - the mistakes are there to be learned from!**
 - **Think carefully about transition**

The NI distribution system

- **840,000 customers**
- **45,000km of network**
- **Circa 8,000-10,000 load connections per annum**
- **Typically 75 / 25 split domestic/commercial**
- **Circa 700 Generation applications per annum
(excluding G83)**

- **Only considering distribution connections here**
 - Transmission connections are very uncommon
 - Connectee applies to SONI, not NIE
- **Distribution likely to follow GB ie low to medium voltage**
 - LV, 6.6kV, 11kV, 33kV



- **Deciding which activities are suitable for competition will require the compilation and agreement of a list of contestable and non-contestable activities**
- **NIE has overriding responsibilities to develop the distribution system in a safe, secure and efficient manner**
- **Contestability – and specifically the activities that are deemed to be contestable – must not undermine these responsibilities**

- In theory, activities that could be considered for contestability might include:
 - Design, procurement, construction of sole use assets

Typical DNO considerations

- Design standards and equipment specifications
- Routing
- Inspection and commissioning

Non Contestable Activities

- **Activities generally considered inappropriate for contestability include:**
 - **Choice of connection point**
 - **Design or implementation of changes or upgrades to existing networks**
 - **Final connection to the network**

- Quotation and acceptance processes
- Adoption processes
- Hybrid approach
 - connectee opts for contestability at some point after accepting original non-contestable offer
- Shared connections
- How to transition existing connection cases

The Devil is in the detail !

- **ICPs – Independent Connection providers**
 - Likely to emerge in NI
 - Need to be properly, independently accredited as in GB
- **IDNOs – Independent Distribution Network Operators**
 - Inappropriate for NI - smaller than any other DNO territory
 - Effective competition can emerge without this complication

- **NIE is fully supportive of contestability in Northern Ireland**
- **Keep it simple, appropriate**
- **Don't reinvent the wheel**
- **Think carefully about transition management**

