



Our ref:

Your ref:

Northern Ireland Electricity Limited
 Fortwilliam House
 Edgewater Office Park
 Edgewater Road
 Belfast BT3 9JQ

Tel: 028 9066 1100

Website: www.nie.co.uk

Jim Allister QC MLA
 1 Charles Street
 BALLYMONEY
 BT53 6DX

01 July 2013

Dear Mr Allister

HYDRO GENERATOR SCHEME AT

Irrelevant information redacted by the RHI Inquiry

Irrelevant information redacted by the RHI Inquiry

Thank you for your letter dated 14 June, regarding connection issues associated with a proposed 150kW hydro generator project by your constituent

Irrelevant information redacted by the RHI Inquiry

Irrelevant information redacted by the RHI Inquiry

You may be aware that there has been a very high level of applications for connection of small scale generation. This has now resulted in network capacity limits being reached in certain geographical areas, including the area where

Irrelevant information redacted by the RHI Inquiry

Irrelevant information redacted by the RHI Inquiry

intends to connect the hydro generator.

NIE has identified that to address this matter, which impacts on a number of applicants, significant additional reinforcement is required at locations across a wide area of the 33kV distribution network. Depending on the specific location, this will include some combination of work on 33kV lines and/or 33kV/11kV primary substations.

Under current regulatory rules, the cost of this additional work cannot be included in

Irrelevant information redacted by the RHI Inquiry

offer of connection. Instead, we are engaging with the Utility Regulator with a view to seeking their agreement to this necessary reinforcement work being carried out.

In

Irrelevant information redacted by the RHI Inquiry

specific case, the additional reinforcement work required would be limited to installation of transformer reverse power capability at the

Irrelevant information redacted by the RHI Inquiry

33kV/11kV primary substation. The connection offer to Mr is therefore "conditional" on that agreement and the relevant reinforcement work being undertaken.



INVESTOR IN PEOPLE

We do understand that this introduces a significant level of uncertainty, not only to [Irrelevant information redacted by the RHI Inquiry] project, but other similarly affected projects across Northern Ireland and we are continuing engagement with the Utility Regulator on all related matters. It is therefore premature to assume that any further costs, in addition to those already outlined in [Irrelevant information redacted by the RHI Inquiry] quotation, would be applicable to Mr [Irrelevant information redacted by the RHI Inquiry]. At present, assuming that no additional costs are applied, Mr [Irrelevant information redacted by the RHI Inquiry] has indicated that his project is financially viable within the context of the existing connection quotation.

We hope to be in a position to update applicants soon on the position in respect to their individual circumstances. We have been engaging with several other key stakeholders in a number of forums on this issue including DETI, DARD, Ulster Farmers Union, the Northern Ireland Renewable Industry Group (NIRIG) and various renewable developers.

We have had a number of exchanges over the past number of weeks with the [Irrelevant information redacted by the RHI Inquiry] in order to respond to the concerns raised in your letter, further explain the position and outline the ongoing work to find a resolution. Our latest exchange was a meeting on Tuesday 18 June at our offices with [Irrelevant information redacted by the RHI Inquiry] and their Ulster Farmers Union representative, Mr Robert Cochrane. A number of actions have been initiated as a result of this meeting and we believe we have been able to provide some additional clarity on the position for your constituents.

During our meeting on 18 April, we clarified that the capacity referred to at the site meeting on 25 April related to the local network capacity, i.e. the ability of the local overhead line to accommodate the export capacity of the generator, rather than the upstream capacity limit on the 33kV/11kV primary substation. The possibility and implications of "conditionality" were however also mentioned to the [Irrelevant information redacted by the RHI Inquiry] at the site meeting, and later confirmed when the offer was issued one week later. It is therefore not accurate to suggest that capacity had "disappeared" as indicated in your letter.

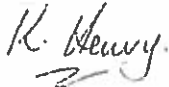
Matters raised by Harry Lloyd by email on 17 April were very specific technical issues associated with the connection arrangements proposed by the [Irrelevant information redacted by the RHI Inquiry], rather than capacity limits. Those technical issues needed to be addressed in order to complete the technical design and job costing. Agreement was reached on these issues at the site meeting on 25 April.

In relation to your suggestion that the nature of these conditional offers means that customers are being asked to effectively sign blank cheques, we can assure you that this is not the intention. Following our meeting with your constituents on 18 April, we have initiated a short legal review to determine whether some additional information/wording might be appropriate to help clarify this position. We plan to be in a position to confirm this in advance of expiry of the [Irrelevant information redacted by the RHI Inquiry] 90 day acceptance period, but we cannot extend the acceptance period, which is an agreed regulatory requirement for all offers.

We would however point out that standard connection offers do necessarily include caveats to cover circumstances such as the inability to secure wayleaves or permissions for the proposed supply which can lead to changes in route and costs. We have been able to confirm to the Irrelevant information redacted by the RHI Inquiry that such circumstances are considered unlikely for their project as the connection is primarily within their own property.

I trust the information above answers your queries. If you wish to discuss the matter further, Aidan Bradley, our Project Manager for Generation Connections, is fully aware of the case and has been involved in recent discussions with your constituent. Aidan can be contacted on 028 9095 4533.

Yours sincerely



fa Joe O'Mahony
Managing Director, NIE