



**ULSTER  
FARMERS'  
UNION**

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2<sup>nd</sup> August 2013

Tanya Headley  
Head of Electricity  
Utility Regulator  
Queens House  
Queen Street  
Belfast  
BT1 6ED

Dear Tanya,

**Conditional Grid Connections and works outside of the licencing remit**

I am writing to you to seek clarity on the above.

The issue of "Conditional" grid connection offers has landed on my desk over the last couple of months. The UFU have been informed that there are 32 grid connection applications subject to "conditional offers" which have been submitted to NIAUR awaiting a decision by NIE.

I have included a case study (included in the submission of 32) of a UFU member (two brothers), who have applied to NIE to connect a 150kW Hydro Generator on to the local electricity grid (Garvagh North);

Personal information redacted by the RHI Inquiry

The [redacted] have committed significant capital expenditure on the actual hydro generation unit, plus they have carried out extensive research and ticked every box when planning the installation of this hydro generator; planning permission, non-electricity water extraction licenses, fisheries studies. In their budget plan, our members actually over-compensated for grid connection (which is more than some would-be generators have done in the past).

But what they had not factored into their plans was that there was going to be insufficient capacity on the grid to connect their generator.

NIE identified that in order to address this capacity problem, significant additional reinforcement is required at locations across a wide area of the 33kV distribution network. Depending on the specific location, this could also include a 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 the connection offer. Instead, NIE stated that they would have to engage with NIAUR with a view to seeking agreement to this necessary reinforcement work being carried out.

**Case Study Timeline**

Up until the formal letter of offer, NIE had informed our member that there was adequate capacity on this line to allow the grid connection application to go ahead. During this time NIE have said they made it clear that any grid connection offer “could” be subject to a conditional status, but at no time did anyone mention for reinforcements beyond the 11kV network, ie 33kV.

**21 January 2013** – NIE acknowledged [Irrelevant information redacted by the RHI Inquiry] grid connection application.

**25 April 2013** – Site visit when NIE stated there to be a 3.1 capacity factor on the grid.

**29 April 2013** – Harry Lloyd from NIE wrote to [Irrelevant information redacted by the RHI Inquiry] with a conditional offer for grid connection. In the letter of offer they stated that significant reinforcement works was needed, in addition to the works detailed in the offer. NIE stated that “we are contact with the Utility Regulator with a view to seeking it agreement to the necessary reinforcement works and therefore your offer of connection is conditional on that agreement being provided”. See point below.

**UFU QUESTION - The offer of connection letter was 6 days late, is this not in breach of the 90 day pledge under the Licence?**

In the letter dated 29 April, NIE state that ‘this quotation is valid for 90 days from the above date (ie the quotation is valid until 5pm on 28<sup>th</sup> July 2013) after which period these terms will lapse and the generation capacity will no longer be reserved for your use”.

**02 May 2013** – Michael Atkinson (Head of Generation Connections) wrote to [Irrelevant information redacted by the RHI Inquiry] informing them that there has been a very high level of applications for the connection of small scale generation and this has resulted network capacity limits having been reached in certain parts of the country including their own. In this letter, Michael stated that NIE are in contact with NIAUR seeking agreement on the reinforcement work and since this may not even be agreed, he concluded the correspondence by stating that the applicants may wish to withdraw their application and their application fee will be refunded.

You can imagine that was met with dismay by our members. [Irrelevant information redacted by the RHI Inquiry] and the UFU separately asked for the 90 day deadline to be extended and this was refused.

**25 June 2013** – NIE submitted a request to NIAUR seeking agreement on the necessary reinforcement work, for 32 (including the [Irrelevant information redacted by the RHI Inquiry]) “conditional offers” which are now currently in the system. NIE stated that if the connection agreement was signed and if NIAUR does not make a decision within 12 months from the date of offer, the [Irrelevant information redacted by the RHI Inquiry] would be entitled to withdraw their acceptance of this offer.

**24 July 2013** – [Personal information redacted by the RHI Inquiry] signed and submitted grid connection agreement (without decision from NIAUR)

There are specific complaints that the [Irrelevant information redacted by the RHI Inquiry] wish to raise about what NIE staff advised them during this time but I will leave this to them to provide to yourselves as I was not party to these discussions.

The main concern was that whilst a grid connection offer was on the table, our members had been advised that should they have signed the connection agreement, whilst NIAUR we deliberating on the case, it would have been tantamount to signing a blank cheque” and hence they were hesitant as this could add

tens of thousands of pounds to the cost. NIE addressed that at the request of the UFU by offering a reworded paragraph to the agreement that the developer can withdraw at any time, if they feel the connection cost had escalated out of proportion. NIE sent out revised paragraph 19/22 July.

### Ulster Farmers Union Position on “Conditional Grid Connection Offers”

This correspondence extends beyond the Irrelevant information redacted  
by the RHI Inquiry It includes the other 31 landowners subject to “conditional offers” and clarity is needed as soon as possible to assist;

- Those wishing to apply – to make sure they make an informed decision on their application
- Those currently in the system with live grid connection applications

The UFU wish to raise several concerns about such “conditional offers”;

- Where does it state in legislation (or similar) that NIE has to seek regulatory approval for such work? Under normal circumstances NIE issue grid connection quotes and carry out works under the remit of the licence.
- Creation of uncertainty in what is already an arduous application process
- Who is going to pick up the bill? The UFU strongly believe the bill for such additional work (national distribution network upgrades) should not be passed onto the landowner/developer. NIE themselves have said that 33kV costs are not the direct responsibility of the LV connecting party.
- In their correspondence, NIE refer to additional reinforcement work at Garvagh North 33kV/11kV primary substation – the UFU believe that this statement is ambiguous in that it does not make clear who is responsible for meeting the costs, 11kV – LV connecting party or 33kV and the wider consumer?
- Does Schedule 6 “Indicative Costs for Substations” of the Statement of Charges for connection to the NIE Distribution Grid apply? Our concern would be that there are four possible costs which are blank, in other words simply state “on-application” and give no indication as to how much they will cost. This is not satisfactory when our members have already committed significant CAPEX.
- What statutory text backs up the claim that NIAUR has 12 month to rule on these contestable grid connection applications?
- Role of Regulator - One of the statutory duties of the NIAUR is; *“the need to secure that all reasonable demands in Northern Ireland or Ireland for electricity are met”*. The UFU view is that by issuing of Conditional Offers, NIE are obstructing such reasonable demands when someone is applying to connect to the grid. Our wider concern would be that “Conditional Offer” problems could extend beyond renewable generators and could in the future include for example, dairy farmers wishing to build a new milking parlour and are unable to connect their businesses to a new 3-Phase line.

**Ulster Farmers' Union Request**

- **Clarification on the legislation on conditional offers for grid connection**
- **How best to inform affected would-be and affected generators – could this be better advertised in the public domain? The UFU acknowledge that we could play a role in this, but we would need to brought up to speed with answers to the questions asked above.**
- **Expenditure ceiling for affected grids - The UFU are calling for the creation of an expenditure ceiling for Garvagh North and other lines subject to conditional offers.**
- **Procurement of additional short term capacity - On 12 June this year, the Northern Ireland Utility Regulator (NIAUR) and the Department of Enterprise, Trade and Investment (DETI) issued an information paper "Security of Electricity Supply in Northern Ireland". In this paper, they identified a risk to security of supply from 2016 onwards. This would become a problem if key infrastructure projects were not resolved.**

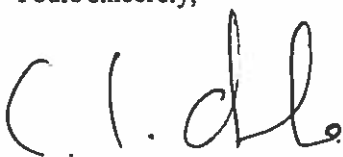
An option was identified to procure additional short term generation capacity to address the security of supply. DETI, under the Electricity (NI) Order 1992, has the power to direct NIAUR to invite tenders or to invite tenders itself for 'further generation capacity' or the provision of such energy efficiency or demand side management measures to meet any projected shortfall.

The UFU is calling for DETI/NIAUR to consider bringing forward the option of procuring additional short term capacity to address the growing shortfall developing throughout NI. Consideration to be given to the need and viability of procuring additional generation through an assessment of options and on how energy efficiency or demand side management measures might contribute to improving security of electricity provision.

To reiterate what was said before, unless this problem is addressed urgently, the UFU fear that it could extend beyond renewable generators and affect day-to-day farmers wish to connect their farm businesses to the grid.

If you have any queries about this correspondence feel free to give me a call on 02890 370222.

Yours sincerely,



**Chris Osborne**  
**Senior Policy Officer**