simple power

Inquiry Manager
NIE Price Determination
Competition Commission
Victoria House
Southampton Row
London
WC1B 4AD

9th December 2013

Dear Sir,

Response to the NIE RP5 Competition Commission Provisional Determination

We wrote to you recently (22 November 2013) regarding the absence in your Provisional Determination of any mechanism to cover the network investment that may be needed to accommodate small scale renewables. We highlighted in that response the importance that the government of NI attaches to the role that small scale renewables has to play in the overall Strategic Energy Framework (SEF). Neither it seems is there any mechanism similar to the Low Carbon Fund in Gb to incentivise utilities to invest in alternative 'smart' solutions as a means to avoiding a portion of the capital investment that would otherwise be required to connect renewable generation to existing networks.

As we understand your Provisional Determination there is no provision for flexing the capital expenditure on distribution networks (although there is at the transmission level) to accommodate renewable connections. As applications for renewable connections are not readily predictable, as each tends to be a large, single point, connection (unlike normal diversified load growth), there needs to be some mechanism at the distribution level to allow the regulatory authority to flex the allowed capital spend as necessary to accommodate these connections. This would occur for example when renewable generation connected to the 11kV network results in a requirement to reinforce at the next level, i.e. the 33kV network. However as we pointed out in our 22 November submission we believe that 'smart' solutions should be able to obviate, or at least mitigate, the need for major capital expenditure, to accommodate renewables, to be borne by the general body of customers.

The main reason for my writing again to you on this subject is our concern at the content, and tone, of paragraph 85 of the UR's response to your Provisional Determination. In paragraph 85 the UR argues that NIE's application for circa £30m to reinforce the 33kV system should be rejected as it comes late in the process and provides insufficient detail. We cannot comment on the detail provided but in our view it is incorrect to say that the company has known about this problem 'for years'.

On the contrary, our understanding is that the need to reinforce the 33kV network at a number of locations, to accommodate the small-scale renewables that have applied for connection to the 11kV network, is a relatively recent phenomenon, i.e. it has emerged as a consequence of the number of connection applications that NIE has received.

Notwithstanding these arguments there needs to be some sort of mechanism in the price control that recognises and can accommodate the connection of small-scale renewables. We submit that a discretionary allowance for distribution level load related capex is required and also recognition that smart allowances (similar to the GB DNO low carbon fund allowance) are efficient mechanisms for incentivising capex avoidance. The problem of connecting small-scale renewables can't simply be ignored with no recommended means of accommodating these connections.

We are not putting forward the case that the £30m requested by NIE and referred to in paragraph 85, should be allowed, but we are saying that there is a requirement for some sort of discretionary mechanism to accommodate uncertain capex at the distribution level, and preferably one that also incentivises smart solutions where they can be applied..

We feel it is worth our mentioning our concern regarding the sort of interaction we observe between the UR and NIE. Although probably outside the CC's remit it is nevertheless the case that in several places in the UR submission there is a strong sense that there is a very poor working relationship with NIE and seemingly little if any trust that legitimate arguments are being put forward.

Our concern is that such a relationship gives rise to hostile exchanges where valid arguments go unheard. Such a sterile and uncooperative dialogue is certainly not in customers interests.

We would ask that your final determination does what it can to promote a better working relationship between the UR and NIE.

Yours faithfully,

Philip Rainey
Chief Executive