



Northern Ireland
Assembly

Committee for Enterprise, Trade and
Investment

OFFICIAL REPORT (Hansard)

Electricity Policy Review Part II (Electricity
Pricing) and Part III (Grid Connection):
Northern Ireland Authority for Utility Regulation

3 July 2014

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Members present for all or part of the proceedings:

Mr Patsy McGlone (Chairperson)
Mr Phil Flanagan (Deputy Chairperson)
Mr Steven Agnew
Mr Sydney Anderson
Mr Sammy Douglas
Mr Gordon Dunne
Mr Paul Frew
Mr Fearghal McKinney
Mrs Sandra Overend

Witnesses:

Ms Tanya Hedley	Northern Ireland Authority for Utility Regulation
Mr Jody O'Boyle	Northern Ireland Authority for Utility Regulation
Ms Jenny Pyper	Northern Ireland Authority for Utility Regulation

The Chairperson: With us today we have Ms Jenny Pyper, the chief executive of the Utility Regulator; Ms Tanya Hedley, the director of networks, water and gas; and Mr Jody O'Boyle, the electricity networks manager. You are all very welcome indeed. Thank you for being with us here today. It is the usual format: you have up to 10 minutes to make a presentation to the Committee, and then we will have a question-and-answer session with members. Thanks for being with us.

Ms Jenny Pyper (Northern Ireland Authority for Utility Regulation): Not a problem. Thank you, Chairman, for the opportunity to speak to the Committee this morning as part of your evidence-gathering. One wee point of clarification: Tanya, who will lead on the evidence session today, is the director of network operations rather than just water and gas. Tanya's responsibilities are for networks, whether they are electricity, gas or water. It is cross-utility.

The Chairperson: Right. That is good to know. We just had you on gas and water. You have a lot more than that.

Ms Tanya Hedley (Northern Ireland Authority for Utility Regulation): I have.

The Chairperson: Good, or maybe not so good.

Ms Pyper: Tanya, as the Committee probably knows, has a considerable engineering background and experience. Hopefully, that will be of value. The Committee knows Jody O'Boyle as well for his experience on the electricity side.

I will start with a few opening remarks before I hand over to Tanya. Since the last time we were in front of you, the Committee has received a significant number of submissions and a significant amount of evidence from a whole range of stakeholders, many of which, as the Committee recognises, have vested interests. You will not be in any doubt about how complex the issue of grid connections is. From our perspective in the Utility Regulator, we see that the challenges of grid connections have a policy element, an operational element and a regulatory element. We are trying to strike a balance between approving investment and facilitating renewables targets while trying to keep costs for consumers as low as possible. As the Committee knows, it is a fact that there has been an unprecedented level of applications from small-scale renewables. That has resulted in the saturation of the distribution network, particularly in some key parts of Northern Ireland. One indication of that is the fact that small-scale renewable capacity has increased by some 234% since April 2010. That has been driven by the attractive support regime: the renewables obligation certificates (ROCs). That is a phenomenal rate of growth. The Committee is fully aware of just what a challenge that presents for the grid.

The three elements that I mentioned were the policy, the operational issues and the regulation. In terms of policy, the Committee is aware that DETI is reviewing the costs and benefits of meeting the 40% target. There is also the wider UK electricity market reform, which is going to bring changes to the subsidies for renewable generators. I see from your agenda that you have some updates from DETI on a number of its consultation papers. Clearly, policy issues are being considered in all this. In terms of operational issues, the Committee is well aware that NIE is the operational interface between developers and consumers and the grid. Clearly, NIE has a duty to manage its network and allocate investment in a way that is economic. It has a duty to develop the network in a strategic way that is clear to consumers as well in its connection policy. The Committee will be aware from evidence from NIE that it is looking again at its connection policy, not least because of the unprecedented growth in renewables.

Finally, in terms of the regulatory piece, we, as a regulator, have a track record of approving economic and efficient investment proposals from NIE. However, grid connections need to be paid for. It is not just an individual farmer wanting to develop a wind turbine who pays; it is his neighbours as well. It is a fact that all customer bills will increase if every small-scale renewable request is accommodated. That is where the issue of balance comes in: what is an appropriate balance in who pays and who gets connected? The issue of grid contestability has come up through evidence from stakeholders. The Committee will be aware that that is a forward work programme project for the Utility Regulator this year.

In conclusion, there is no single or simple solution to some of the problems around the grid, but I am clear that we need to ensure that we have a fit-for-purpose incentive regime, that we have a connection policy that is clear and transparent and much simpler than the current policy, and that we strike the right balance between paying for the grid and the cost that that entails for business and domestic consumers.

I will now hand over to Tanya, who will take you through the presentation.

Ms Hedley: Thank you very much for this opportunity to give evidence. I will start by reiterating the role of the Utility Regulator. Jenny has already covered some of the work we do, but, for clarity, our role includes the price control of regulated companies and looking at the investments they intend to carry. We also look at other areas. In our forward work plan, two areas are relevant to this investigation. One is the work around contestability that we are carrying out, and the other relates to the implementation of the energy efficiency directive. We also act as an appeals, complaints and disputes body. Anyone who is unhappy with the treatment they have received or with a connection offer can raise that with us as a formal dispute. That is a quasi-legal role, and, at the end of that process, we will be in a position to make a determination, which will be binding on NIE.

We also approve NIE's statement of charges each year, in which it puts forward the principles of what it is going to charge for anyone who wishes to connect. NIE is currently reviewing that. We expect it to issue a new statement in the coming months. We do not approve the costs for individual connections, but — this is back to our dispute role — if anyone is unhappy, they can raise that with us. Obviously, NIE is a licensed organisation. We are responsible for ensuring that it is compliant with that licence. We monitor the activities it carries out to ensure compliance. Finally, another role that we

have in the policy context is ensuring that the legislative pieces that are put in place by the Assembly are carried out appropriately by the regulated companies. However, it is worth reiterating what Jenny said: it is NIE's responsibility to manage its network and connections to it.

The second slide shows the renewables journey. From 2007 to 2014, there has been a significant increase of renewables generating in Northern Ireland. The information before you indicates that 15% of electricity in Northern Ireland is now made up from renewables, but the latest annual figures show a value of 18%, and that is continually increasing due to the increased connections that are currently taking place. The slide indicates that there are 31 wind farms with a capacity of 531 MW, but that does not include small or microgenerators, of which there are substantial numbers currently connected to the grid. Rough figures from NIE indicate that something like 150 microgenerators connect every month in Northern Ireland; that is about 1.5 MW connecting every month. That may not have a significant impact on the overall target, but it is a significant impact on the individuals who are able to connect and have renewable energy — solar panels — and, therefore, reduce their electricity bill. So, that is going ahead.

It is also worth noting our ability to continue on this journey. At this stage, it is worth reminding the Committee of the plan for the North/South interconnector and the need for that, not only for continuing the renewables journey but also because of the implications for security of supply. I know that the Committee is fully aware of that.

I have included information about the Competition Commission (CC) final determination. I want to flag up that the Competition Commission looked at the cost for investment on the grid for renewables, as well as the investigations that we have done ourselves, and it deemed that additional substantial investment for small-scale was not in the public interest. We also have information about the investment that the Utility Regulator has currently approved. Some £30 million of investment was for the larger-scale renewables, and the projects there relate to capital expenditure at substations and transmission network to allow large-scale renewables and to facilitate their operation in the wholesale market.

Finally, there are a number of challenges to the grid. I do not propose to go into those in any detail, but it is worth noting that there are other challenges, and we would be happy to answer questions about those as well. However, I thought that the time would be better taken up with questions, so I hope that that helps to provide some context.

The Chairperson: Thanks very much for that. We had Simple Power with us, and one thing that has come up fairly frequently is this: the length of time it takes not even for connection but to get a simple quotation from NIE. I just do not understand that at all. NIE is allowed 90 days to provide that, and the experience that was related to us was that it was inevitably in the seventieth or eightieth day that you eventually got NIE out to look at the quotation. A lot of us wonder whether they deliberately leave it to the last minute and then run out and do that, because they knew that they had to do it within 90 days. The inevitable rider from that is that we should give them a dedicated period of 30 days to do it within, and let us see if they get it done within the third of the time. This all adds to the frustration and the impact upon the efficiency of business and the connections that they can provide for people, even to make projections around what the costings might be for their business proposal. So have you any thoughts on how to make even that bit of the operation more efficient?

Ms Hedley: Ninety days is the licence obligation and, obviously, NIE has to make a connection within that time. That licence obligation is consistent with those of other electricity networks within the UK. In GB, they have streamed into two types of connections with the very small micro-scale generation having a different time frame. We have spoken to NIE about this, and it is considering how it can maybe look at the different types of connections.

Simple Power's type of connection, I believe, is on the small-scale side and 90 days is probably appropriate because of the technical analysis that needs to take place to make sure that any connection is safe.

The Chairperson: Sorry, can I just clarify that this is not the actual connection?

Ms Hedley: This is the connection offer.

The Chairperson: This is just looking at the quotation.

Ms Hedley: Sorry, I am aware of that.

The Chairperson: The connection takes you into a different terrain from what you are talking about.

Ms Hedley: It does.

The Chairperson: I am looking at that and the experience appears to be that, if you give them 90 days, they will take up to 90 days to do it. It is a wee bit like the experiences that there are in a multiplicity of other organisations where, if you give somebody a fortnight to do a thing, they will do it within a fortnight, but it could well be the case that they could do it within a week or even a few days. I am really asking whether, as that is part of the licence, the licence needs to be changed to make this operation more efficient.

Ms Hedley: That would be a standard 90 days throughout the UK, but we have asked NIE to look at its processes, and we are talking to it about how it can make that more efficient. The licence is the backstop; what we really want is a delivery of service that does not go to the wire, as it were. That is something that we have asked NIE to look at, and we are engaging with it about that.

The Chairperson: There may be "looking at" and "engaging with", but, with the greatest of respect, it does not seem to be percolating out to the practice on the ground. My question was not whether you were engaging with them; my question was about changing the licence.

Ms Hedley: We have no intention of doing that at this time. These types of connections need to be done in order as you investigate them, because the connection before yours impacts on your connection; therefore, it is not a case of being able to do them in parallel. We are talking to NIE about the process that it has and the time frame it is taking. I could not make a commitment that we could reduce that until we understand in more detail what time NIE needs to do the studies.

The Chairperson: This is not a new issue. I have met NIE, and I am sure that you have been well aware of this as an issue. How long have you been talking to it and at what point do you quit talking and move on to alternative actions?

Ms Hedley: We are not talking to NIE in isolation. We have a group called the renewables grid liaison group, which includes all the stakeholders who are interested in this. It has representation from all the different renewable generators, and the group talks about the experiences they have had and what they think is appropriate. We also compare NIE's actions to how other companies in the UK deal with this and what an appropriate time frame would be within which to deliver this.

At this time, we do not have any information to say that the licence obligation should be 30 days, as you have suggested, because obviously, we do not want NIE to be connecting people in such a way that would then create problems for their neighbours. It has to make sure that the connections are safe and can operate in a way that does not impact on the quality of supply to other people. I agree that it is something that we have been aware of, and it is something that we have been engaging with NIE on. We have not been engaging in isolation; we have been engaging with all of the renewable developers.

The Chairperson: Again, to my mind, and this is just based on the information that has been provided to us, you can engage with the stakeholders all you like, but it will probably boil down to two or three issues: problems getting NIE out to assess the site; and problems and slowness in connecting to the grid and the implications of that. If the connections are not being made, and if you are not getting the assessments done, to my mind, you can consult with stakeholders all you like, forever and ever, amen. If something is not being done about it, you have to move it on.

This is not a new issue. This has been about the system since I have been on this Committee. At what point do you say, "Look, we need more bang for the buck, here"? If things are not being done, there may well be alternative measures that the Utility Regulator has to take to get efficiency in the system. Now, at this time, you are talking to them. I presume that talks in a similar vein were going on about 12 months ago. What I am trying to elicit from you is what is happening to change the situation that exists and has existed for quite a while.

Ms Pyper: Chairman, through our regulation, we want to improve the performance of any of the utilities that we regulate and make sure that they perform to the best standard and are benchmarked

with the best performance across the rest of the UK. The industry standard is 90 days. Clearly, we have picked up, as you have, considerable concerns about the service that people are getting. Part of the issue is lack of certainty and clarity from NIE about the timescales, the processes and what is happening. As Tanya said, we have been using the renewables grid liaison group to get better dialogue. We want to raise NIE's performance on this, but there are reasons for the 90 days, as Tanya explained. However, I hear what the Committee says about trying to improve the performance around that 90 days, and I would like to see what best practice looks like in other network companies and what service they are able to provide. As NIE is reviewing its connection policy, and as we are looking at this again, part of the issue, I suspect, is that developers are not getting information. Perhaps there is radio silence, so they do not know what is happening, and maybe they assume that nothing is happening. I would like to see whether we can improve NIE's performance on the dialogue that it is having as part of its connection policy.

The Chairperson: That is my point. This issue has been about for quite a considerable while, and it does not seem to be changing. Even from the evidence that the Committee has heard, it seems that parts of GB have a much more efficient system.

Ms Pyper: Yes.

The Chairperson: You do not need to sit down with a liaison group of consultees. If you did a simple Google search or made a couple or three phone calls, you would soon find that out. At this stage, both the industry and the Committee are saying to you, first, that the problem has been identified and you know what it is; secondly, that there are other areas where we are being told that, apparently, they do things much more efficiently; and, thirdly, why are we in the North not able to do those things as efficiently as elsewhere?

Ms Pyper: I totally agree with that. We want to drive up NIE's efficiency. I am not sure that moving from 90 days to 30 days is the way that we would achieve that, but I really hear what the Committee is saying as part of the review. I am not disagreeing with you that we want to improve its performance, but we want to see the best way of achieving that.

The Chairperson: We are looking to you and asking you what your ideas are for improving that performance. That is why you are here today.

Ms Pyper: OK. As I said, we have been having dialogue with NIE about its connection policy. The issue has come to a head. I think that you would agree that NIE has been dealing with an unprecedented level of growth in the demand for connections. It is connecting something like 150 microgenerators every month, so it is not as if it is not doing anything. It is connecting. However, as we work through the new connection policy with NIE and its review, we will want to emphasise that we expect its performance to improve, and we will look to see how we can use the licence to do that.

The Chairperson: When do you anticipate having a range of solutions to the problem?

Ms Pyper: To which particular problem? To the 90 days?

The Chairperson: To the one that I have just outlined.

Ms Pyper: The 90-day connection?

The Chairperson: No, it is not the 90-day connection; it is the 90-day evaluation —

Ms Pyper: The offer, sorry.

The Chairperson: — and then difficulty with the connection subsequently.

Ms Hedley: We know that NIE has an internal review and has brought in expertise from GB to see if it can apply new practices that will improve its processes. We want to do this in the whole. It is not enough just to get a connection offer. What is needed is the renewable generator connected and adding value. In GB, there were strong incentives about connection offers, but that did not improve the overall time frame for connections. So, we do not want to look at this one area in isolation to the whole process of getting the generator connected.

The Chairperson: I want to clarify this and distil it down. There appears to have been a considerable body of reflection on this. When will you be in a position to have distilled all that period of reflection into actual action bullet points, agreed with or inspired to NIE?

Ms Pyper: I think that the point that Tanya is making is that there is no silver bullet; there is no easy solution to this. A number of issues need to be looked at in the round. We are certainly working with NIE. We have encouraged it to do this internal review. It has brought in an expert who has been responsible for best practice in the north-west, working with a grid company that is recognised as meeting best practice in the efficiency of its processes. We want to see what comes out of that internal review and whether that has implications for the licence or whether NIE is going to deliver the changes through its own internal processes. It has to be a bit of carrot and stick. We would not want to make licence changes if we could see that a company was going in the right way and making the improvements. We have seen some evidence that NIE is taking this issue very seriously and is going to improve its performance, once it completes its internal review in the autumn. So, we are working on that very closely with it, to try to understand how it is going to get this process —

The Chairperson: This is what I am trying to elicit from you: at what point do you anticipate saying, "Look, we are making progress, and this is the progress". With the greatest of respect, I am not hearing that from you. You are giving a lot of faith to NIE, but I am not hearing from you the direction, the points or the areas in which you wish to go. You have agreed with me, but I really want to hear something a wee bit more tangible. It may well be that your period of reflection has gone on, but at what point will you have clear views as to how things are moving much more efficiently than they currently are?

Ms Hedley: I would say that NIE has improved over the last number of years. If you look at microgeneration in 2013, you see that only 4 MW was connected. In 2014, 30 MW is connected. So it has improved its processes, but still the level of interest is increasing. In recognising that, it has brought in the external expert to assist it to see what else it can do. I re-emphasise that the connection offer piece should not be looked at in isolation. It is about the final connection and getting the generator connected and adding value. It is not just that piece that we are looking at; it is the full process.

The Chairperson: I would hope that you were not looking at just that piece in isolation. I thought that I had made that clear earlier. It is from application to connection to grid. That is the issue that has been relayed to us. Anyway, thanks for that.

Mr Anderson: Thank you for your presentation; you are very welcome. I want to touch on the area of contestability again. You briefly mentioned it. I think that you mentioned that you had a dispute role. What is the Utility Regulator's role in relation to grid connections and the NIE monopoly in disputes and things like that? What is the overall position on that?

Ms Hedley: NIE has a statement of charges that identifies how it allocates charges for people connecting to the network. It submits that to us, and we approve it. That is the principles of what you pay as you connect. If an individual is unhappy with the connection offer that they receive, they can raise a dispute with the Utility Regulator. It is then like a semi-legal role, where we take evidence from both parties and make a determination. Based on that individual case, we then instruct NIE. If there was a further activity that it could do, we would instruct it to do that. That is binding on it.

Mr Anderson: Do you have many disputes like this? Are the numbers increasing or decreasing? You talk about your role in disputes as "semi-legal", but, when you make that decision, is it binding? Would NIE say that it is binding, and will it accept it?

Ms Hedley: Yes.

Mr Anderson: Has it accepted it?

Ms Hedley: Yes.

Mr Anderson: At no time did it say no to your decision?

Ms Hedley: This is why regulators have to be careful when they make decisions. A regulatory decision of this nature on a regulated company is binding and has to be carried out by the company.

So the regulator's role is restricted in legislation because it is quite a powerful role, from that point of view.

Mr Anderson: Do we have many disputes on this issue?

Ms Hedley: There have been disputes in relation to this. We act as the dispute body in a number of areas. Recently, we got powers in relation to billing disputes. I have been in the office for five years, and, during that time, we have always had a role in connection-type disputes. There have been a number in the last few months, but over the years there has always been an element of disputes that comes to us for determination.

Mr Anderson: Is it a consistent type of issue coming through most of the time?

Ms Hedley: They tend to vary, but they all relate to NIE when it comes to electricity.

Mr Jody O'Boyle (Northern Ireland Authority for Utility Regulation): One thing to note is that, even though we are the resolution body, throughout the process the parties involved may come to a resolution, in which case a determination may not have to be made.

Mr Anderson: Does it take much time to resolve issues? Can it be long-winded or can it be resolved quite quickly? I am talking about timescales.

Ms Hedley: Most issues that come to us are resolved informally and quite quickly because we try to have informal meetings between the parties before we go into our legal role. Once we are into a formal dispute we have to set up a dispute team — a decision-making body — and the time frames for that are set in legislation.

Mr Anderson: Tanya, you are giving the impression that disputes are resolved very amicably, in a sense. Do we never really get into a them-and-us situation that can be a bit more protracted, or is it just that you have a dispute, go and sort it out and it is resolved?

Ms Pyper: The very fact of having a disputes-resolution process is often the catalyst to get resolution. When something is referred to us, sometimes the dispute is resolved quite quickly because a company will know that the regulators now have their beady eye on it and are looking at it. It depends on the nature of the case. There can be very different views about who said what and who was given what expectation. That is where it becomes quasi-judicial. We have to take evidence from both sides, prepare a statement of case and allow both parties the opportunity to look at it. Some disputes go as far as that, and that does become quite a time- and labour-intensive process. Quite a lot of the disputes that we get never make it through the full quasi-legal process.

Mr Anderson: I will leave that. I have a few more questions. You touched on the work planned in delivery of contestability. What is the period for delivering that? Have you a work plan for it?

Ms Hedley: What we have identified in our forward work plan is that we will look at contestability this year. There are a number of areas where contestability can be applied. What we hope to do initially is consult on the different areas and then focus on delivering it in different stages, rather than trying to do it all in one go — trying to bite off an awful lot on one issue. There is a desire for contestability for off-shore renewables, onshore large scale and onshore smaller scale, so we do not necessarily want to try to fix everything in one go. Our initial consultation will focus on how we divide the work streams and on putting a plan in place for the delivery of the timetable for all the different areas. It would not be everything at once.

Mr Anderson: So it is broken down into different areas. It has already started and you can see an end timescale for it.

Ms Hedley: The end timescale for the total project depends on how we split it. The initial consultation will be on the splits of the work streams and what we do first.

Mr Anderson: So you cannot say when you can see that being finished because of the different work that has to be done in each area, is that what you are saying?

Ms Pyper: We are just at the stage of scoping the work. It is a commitment to start in this year in terms of our forward work programme. This is the scoping phase. It could be a two- to three-year project. It is one of the priority projects in our corporate strategy. There is the contestability piece as well as we take it forward. One of the things that we have stated as one of our desired outcomes is to offer greater choice in connecting to networks, promote a decrease in price and reduce connection times. We see the contestability piece as working in parallel with other work that we are doing with NIE. So, there is a strong commitment in our work programme to address that and to take it forward, but there are a number of parties that need to be involved, from NIE and SONI to the Planning Service.

Mr Anderson: There is a lot of work involved, Jenny.

Ms Pyper: There is, but it is a priority programme for us, and that has been identified in our corporate strategy.

Mr Anderson: You talk about grid connections. Why does NIE have a monopoly on grid connections?

Ms Hedley: There is only one grid. Regulation is in place because there is an acceptance that you do not want two grids developed: it makes economic sense to have only one network. NIE owns the network in Northern Ireland, and it is not unreasonable that it is responsible for people connecting to the grid. There is a legal obligation on NIE to offer grid connections, although there are some exceptions. There is a need for people to be able to access the grid, both for demand, where they want to supply electricity, and generation, where they want to export electricity. NIE has an obligation to facilitate that.

Mr Anderson: Would legislation need to be changed to enable competition?

Ms Hedley: No, contestability is about building the network; however, there will always be a point where the network that you build connects to NIE's grid. You can build your own network and own it, but if you want access to NIE's grid, NIE has to be involved in the process of connection.

Contestability is about people being able to build a piece of network themselves and transfer the ownership to NIE so that they do not have to manage it long term. NIE can then use that piece of network to connect other people in future.

Mr Anderson: What is your role, Tanya, as the Utility Regulator in relation to the grid connections?

Ms Hedley: Our role in contestability will be to structure what NIE needs to take responsibility for. Does NIE design it? How do you hand over the asset to make sure that it is of the right standard? If you are building your own network that NIE will take ownership of, it will want to assure itself that it meets the legal standards. Our role will be about identifying what NIE needs to do to assure itself that any part of the network that it takes ownership of is of the right standard. It is also to look at the costs that it may charge for such assurance.

Mr Anderson: If competition existed in the grid connection market, what impact would there be on the cost in relation to times and connexion?

Ms Hedley: People can build an electricity network if they so desire. It is a licensable activity to distribute and move electricity around on a distribution network. You could build it, but the problem would be connecting it to the NIE network. The piece of network that is built has to be to the same standard that NIE builds to: DETI has standards that everybody has to meet. How individuals do that and how, when they are in private industry and are not regulated, they allocate costs is up to themselves. NIE's costs have been benchmarked against other distribution network operators. The Competition Commission has looked at its costs and deemed them to be efficient. So, those are the costs that are applied for the network that NIE builds.

People have told us that they can build network more cheaply, and we have received some submissions. We are keen to bring in contestability, because we want people to have that choice. However, realistically, they will be building the same lines and will be using similarly skilled staff who will expect, I suspect, similar wages. So, there may be more of a timing concern for developers rather than a financial concern.

Mr Anderson: People have told you that they could build network more cheaply. What work have you done on that? What is your view on that?

Ms Hedley: We have looked at the costs that other distribution companies —

Mr Anderson: How much more cheaply could they do it?

Ms Hedley: The only cost that we have had submitted relates to one individual connection, which was a unique connection. We have a cost saying that it was cheaper. We have not done a lot of analysis into it, because we are committed to bringing contestability forward and allowing people choice. I would rather put resource into getting that option there for people than spend a lot of time working out whether it is a good thing or not.

Legally, there is a push to introduce this so that there is competition, and we definitely want to see contestability in Northern Ireland. My focus is on bringing it forward. If people can realise savings or reduce their time, that is a good thing.

Ms Pyper: One of the overall objectives for our contestability work plan is that competition in that area would drive down prices, as you would expect competition to do, but that it would also —

Mr Anderson: You are moving into the last area of questioning.

Ms Pyper: — reduce connection time. We have started scoping work to look at other distribution network owners to see how they do it, what best practice is like and how we make sure that we keep the safeguards. Electricity is dangerous stuff; we cannot lose sight of the safety aspect. It would be good to put some competitive pressure on NIE. It has the expertise; it should be able to do it more quickly and cheaply. That is one option to test that and challenge it.

The Chairperson: I want to reverse a wee bit. Some members are indicating on this area, but I want to bring Mr Dunne in on the costing issue.

Mr Dunne: Did you say, Jenny, that you reckon that NIE could do it more effectively and cost-efficiently?

Ms Pyper: Contestability might put some pressure on it to demonstrate that. That is part of the benefits of the process.

Mr Dunne: Going back to what the Chair was on about earlier — the time issues — I have a couple of examples of farming issues. One is in relation to an anaerobic digester (AD) plant connection. A farmer has been waiting nine months for the connection to be made. Is that acceptable?

Ms Hedley: We cannot comment on individual cases. The reason —

Mr Dunne: That is a familiar statement these days.

Ms Hedley: We are a dispute body. Individual cases come to us, and we go into that role. That is where the issue is for us. It is not that we do not get involved in individual cases; we certainly do. There are lots of reasons for delays. There are planning permission issues, there are permissions on other people's land —

Mr Dunne: Is that being constructive? They have been waiting on a connection for nine months. Is that acceptable?

Ms Hedley: I would need to see the detail to understand —

Mr Dunne: Generally, is that acceptable?

Ms Hedley: Without the detail, I do not know.

Mr Dunne: So, it could be acceptable?

Ms Hedley: Without the detail —

Mr Dunne: You need to answer it.

Ms Hedley: Well —

Mr Dunne: To be honest, you are being far too soft with NIE on these issues. That message came across even from the points made earlier by the Chairman. NIE seems to be calling the tune, and you are dancing to it rather than putting real pressure on and making real change. We have had NIE here a number of times. It is a rather civil servant-type structure. It seems to be living in the past; it needs to move forward. It needs to be energised to really come up to meet the standards, because it really is not delivering. It is your job to challenge it and make it deliver.

Ms Hedley: I agree, it is our job.

Ms Pyper: I was going to say that, with respect, the recent Competition Commission determination is evidence that we challenge NIE and that we have not accepted everything that it has asked for in terms of its operating costs or its capital investment costs. That is where we challenge very hard. When it did not accept our determination, the referral went to a higher power: the Competition Commission. The Competition Commission's determination was robust, to say the least. The Committee has been briefed on the outcome. I hear the Committee's frustration about connection time. It is definitely on our agenda to drive up NIE's performance, but I am not sure that I accept that we are, in any way, captured or not robust with NIE. Our recent price determination and the efforts and challenges that we exerted show that we are acting in consumers' interests and are really trying to push NIE.

NIE is on a journey as well to improve its performance. We want to see it benchmarked with the best DNOs across the UK.

Mr Dunne: Is there clear evidence that it is putting the resources in to meet the requirements?

Ms Pyper: That is what we will monitor through our price control and application of the licence as we go through the current price control.

Mr Dunne: Just on the issue of applications, what is your opinion on the problem of planning permission being required before NIE gets involved in any real detail? Do you have any sympathy for both systems running in parallel?

Ms Hedley: It is up to NIE to put in processes to meet its legal and licence obligations. It has put in that prerequisite so that there is a bona fide investment plan. In other areas where people have not had this requirement, we have found that they have put in connection applications for projects that are possibly pie in the sky, and they have blocked valid projects from going forward. It is up to NIE to put in a process that it feels is robust. We have talked to the industry about that. The majority of people who have responded to any consultation that we have put in place have agreed that that is an appropriate way forward, and we have no reason to consider otherwise at this point in time. It is not something that we have determined on in relation to a dispute. It is up to NIE to manage its network as it sees best, and that is the process that it has put in place.

Mr Dunne: What about access to NIE's geographical information and heat maps being made available to potential developers?

Ms Hedley: NIE has done initial heat maps. It has recently updated that, and it is now looking to go to a lower level of granularity. We welcome the work that it has done so far. We think that it needs to do more, and it has told us that it is doing more.

Mr Dunne: So, there will be more information available.

Ms Hedley: That is the plan.

Mr Dunne: You will be regulating or monitoring it.

Ms Hedley: We will continue to push it to —

Mr Dunne: Harass it, maybe. Will you?

Ms Hedley: Regulate it, challenge it —

Mr Dunne: Put the pressure on where it is needed.

Ms Hedley: Yes.

The Chairperson: On the contestability issue, we have one main speaker, but we have another couple or three wanting to come back in.

Mr Douglas: There might be an overlap in your answer to my colleague Sydney. I want to clarify one thing. SSE reached an agreement with NIE about the contestable delivery of the Slieve Kirk wind farm. NIE informed us that it would welcome contestability generally. Given that a precedent has been set — maybe this question is for you, Tanya — is there anything to prevent other developers from reaching agreement with NIE for those contestable delivery connections, or would they have to go through a formal process?

Ms Hedley: There is absolutely no reason why NIE and a developer cannot come to an agreement. We will put in place obligations with contestability, where NIE cannot discriminate, where it has to treat everybody the same and there is transparency. While we are working through that process, we are not going to block, in any shape or form, any developer coming to an agreement with NIE.

Ms Pyper: I think that Slieve Kirk is a good example of what worked between the two organisations, how the process got worked through and the lessons that other developers could learn. We are pushing NIE to understand how it was able to get an agreement and what make it work.

Mr Douglas: I had another very important question, but you have just answered it, Jenny. It was about the case study, and you are saying that that was a good case study.

Ms Hedley: Yes.

The Chairperson: I think that the Slieve Kirk developer went ahead and did the work, which goes back to the issue that we are facing now — contestability.

Ms Pyper: There was sufficient liaison and dialogue with NIE and there was a level of assurance and satisfaction that the work was being done to the proper standards and in the right way — procured correctly, built to the right safety standards and so on. There was obviously some process involving the two organisations that allowed them to work together.

The Chairperson: With the greatest respect, they are both involved in electricity; NIE has suitable experience, and the other has considerable experience. Therefore, they would be doing it to those standards. I think that they found themselves, as a business, saying that unless they did it, those other guys would never get round to doing within the time frame needed for the business proposal.

Ms Pyper: I think that Tanya is saying that there was no barrier to stop them coming to that agreement.

Ms Hedley: Absolutely not.

Ms Pyper: There is no barrier, and there is nothing to stop an appropriate developer with that track record and with that credibility coming forward and coming to an agreement.

The Chairperson: They had to put that proposal forward; otherwise their business proposal just would not have happened within the time frame.

I want to go back a wee bit, because I want to get it on record. You mentioned a number of disputes around contestability coming to you. What quantity of disputes come to you and, for want of a better phrase, around what thematic area do they come from? What are the issues?

Ms Hedley: There have been no disputes on contestability. We have had disputes on connections, billing and payments for people being off supply for a time. Those are the three key areas —

Mr O'Boyle: Standard performance.

Ms Hedley: Jody has corrected me: also payments under standard performance.

The Chairperson: What quantity would you have per annum?

Mr O'Boyle: Last year, it was about 20. There were a couple of weather exemption ones, which is to do with the standard performance. There was a billing one, which we published as well. All the determinations are published in the electricity register, which is a public document.

The Chairperson: I want to get a bit of a handle on those. Mention was made earlier, Jody, of some being resolved informally. In other words, it was a simple case of saying, "Look, guys and gals, there are one or two simple issues; go away off and do it", which could maybe be a five-minute phone call.

Mr O'Boyle: We would initially try to facilitate a meeting between the parties — a couple of meetings could be involved in that — before it goes down the official route.

The Chairperson: Does that figure of approximately 20 mean 20 that actually went down the official route?

Mr O'Boyle: Yes.

The Chairperson: So, it does not include the other bit.

Mr O'Boyle: It does not include the ones that did get resolved.

The Chairperson: That is OK. Thanks very much for that.

Mr McKinney: I want to come in around the definition of contestability, because it is important to understand it. When we on this side of the table talk about contestability, we are talking about it in relation to grid connection, not the overall network development.

Ms Hedley: Yes.

Mr McKinney: You concentrated substantially on network development. We need to be clear —

Ms Hedley: No.

Mr McKinney: — that we are talking about grid connections and the fact that NIE has a monopoly. From what you are saying, it seems that no legislation is needed to change any of that.

Ms Hedley: No legislation is needed. I am talking about connections to NIE's network. It is about building network to connect. Say a wind developer is five miles away from the NIE network. Contestability is their being able to build those five miles themselves and connect to the network where it exits, compared to NIE building the five miles to them. That is what I mean when I talk about contestability.

Mr McKinney: You talked about a work programme and it taking two to three years. The issues, as we see them, need to be resolved much more urgently. What work is going on to make sure that others can enter the connection market?

Ms Hedley: People can build and come to an agreement with NIE. We will put in place the structures that NIE must conform to as part of any handover if somebody else builds those five kilometres of line. For different types of connections, different structures will be needed. The needs of a large offshore wind farm are different from those of a small-scale renewable generator.

Mr McKinney: I know that, but we are not dealing with offshore wind farms; we are dealing with people who are applying on a regular basis, and in significant and growing numbers, to try to get into the market. What assessment have you done on the impact that competition in the grid connection market would have on costs and time?

Ms Hedley: We have not done assessment on that. We are committed to introducing this, irrespective of the impact. We have already decided that contestability is something that we want to introduce. We have looked at how it has been introduced elsewhere, because there are different models. When we talk about splitting the different work streams, I am saying that, because we see contestability being introduced slightly differently for different types of people connecting, we do not want to try to do it all in one go.

Mr McKinney: What I am suggesting is that you are making the problem bigger than it is if you are talking about how to develop a market around connecting big or offshore wind farms. We are talking about another business entering the market — a growing market — and being qualified to connect at speed, for people who need it done quickly. Is that difficult to achieve?

Ms Hedley: That is what we hope to achieve. However, what we are talking about are the rules for NIE and for that other company. The example given is Slieve Kirk. NIE did the designing and got the planning permission. At that stage, the other company came in and did the build. NIE then did assessment, took ownership and said that it was built to the right standard. Contestability could be where you design and build to NIE standards, rather than their going through that process. The question is what part of that list of work is to be done elsewhere. NIE has to go through that process with you. We need to explore with developers to ascertain where their desire is.

Mr McKinney: People will want answers on timescale quickly. You mentioned a two- to three-year timescale for contestability, but, for a grid connection bid, what is the quickest that you could have a process set up that would allow another person to enter the market? To put it another way: have you set a timetable for delivering that in short order?

Ms Hedley: We could do this now with NIE's agreement. There is nothing to stop someone doing it now with NIE's agreement but without regulatory approval or structures. What we will do with regulatory approval and structures is make sure that NIE has to do it and you will know in advance how it is done. There is nothing to stop somebody doing it now; it just does not have the regulatory structure and transparency about it.

The Chairperson: What if NIE says no?

Ms Hedley: We cannot force NIE to do it, but regulation structure will —

The Chairperson: Right, I think that Fearghal wants back in on what you are saying.

Mr McKinney: I am sorry; I am taking up too much time.

The Chairperson: No, you are grand. You are exploring it out. When will we reach the point where, rather than it being done with the agreement of NIE, the customer will have the option of being able to do it themselves? If you will forgive me, I hear what you have said about it being complex, and electricity connections are complex. However, most of the cases that will come in our direction will be the simple connection for the appliance, whether a small turbine or whatever, to the grid. It is that bit there, that bit of a wire connection, poles, whatever has to go up, that seems to be causing serious concern.

Ms Hedley: Different parties are interested in this and the answers that they need about what NIE does and what they do are very different. We are scoping it out, but we are doing so step by step. We will do it for one type of customer first, then the next, then the next, rather than wait and do it all in one big bang, because that would turn it into a monster of a job, and it could take years for anyone to get this —

Mr McKinney: So, are you going to start with the small ones?

The Chairperson: That is what I was going to ask. Which customers will you start with?

Ms Hedley: We will start with the consultation to show how we intend to split it and ask people whether they have a view on where the biggest appetite is. That will be based on consultation responses. I cannot say that I am going to start with a particular one: I am going to scope out how it splits up, check that the scoping is correct and ask people to tell me where they would rather I put the effort first.

The Chairperson: The inevitable question is: when does the consultation start; when is it likely to end; and when are we likely to have bang for our buck?

Ms Hedley: It depends on how we split it. For one type of generator or for one type of customer, the answer will be sooner than another because I am going to split it.

The Chairperson: I asked a number of questions; maybe I should have asked them a wee bit more clearly. When does that consultation exercise start? When is it likely to end? When are you likely to have conclusions from that consultation? You have raised the fact that you are going to consult on it, so when? Maybe it has already started; I do not know.

Ms Hedley: We do not have any actual consultations out at this point in time. We are trying to see how other people have applied it in other jurisdictions, because we do not want to reinvent the wheel.

The Chairperson: Sorry, but you said that you were starting a consultation exercise.

Ms Hedley: We are about to; we are scoping it.

The Chairperson: When? Surely it is not too hard to answer that?

Ms Hedley: This year.

Ms Pyper: It is in our work programme to commence it this year.

Mr McKinney: Why do you need a consultation? If you look at the market and you see 400 applications for small wind turbine connections, one for an offshore wind farm and 10 for big wind farms, you might be able to work out fairly quickly on the back of an envelope just where you should be focusing your efforts.

Ms Pyper: The Utility Regulator has to balance a number of things. We have to balance what will contribute to the Executive's targets. There is no question that the big wind farm, the offshore wind farm, offering large-scale generation will do more to contribute to the Executive's targets. There is the cost of connecting all microgeneration. That, the requirement on customers to pay for those connections and the additional grid will add to the overall cost of electricity. I think that you have a broad metric on what the likely cost implication would be. The regulator is charged with trying to make sure that we balance the interests of developers. Developers, at the moment, if they export to the grid will get a considerable subsidy through the green taxes that consumers pay for. They will be able to earn money whenever they export and then have consumers pay for the cost of connection as well. That is something that the regulator has to weigh up and that is why we have to go to consultation: to scope out what the implications might be in terms of targets, policy, operational matters and cost.

The Chairperson: If it is a priority for the Executive, which it is, I presume it would be a priority for you. You say it is in your work programme —

Ms Pyper: As a priority project.

The Chairperson: It is clear that you know what the issues are. You could probably put them on a couple of pages for consultation. When, with some degree of clarity, will that consultation start? Will it be in the next month, the next two months or the next six months and how long is it likely to be out for?

Ms Pyper: We will go out for the normal consultation period of 12 weeks. I would hope that we get a consultation out in this calendar year.

The Chairperson: Is that —

Ms Pyper: In the autumn.

The Chairperson: Is that an aspiration or a benchmark?

Ms Pyper: We are dealing with a very considerable work programme. It is a priority project, and I would hope —

The Chairperson: I am sorry, but you just said it was a priority project; you agreed with us.

Ms Pyper: We have a number of priority projects. I said that it is in the work programme to commence this year — this financial year — but I would hope that we do better than commencing it in 2015 and that we would get it out before Christmas. The scoping work is under way at the moment, and it is our intention to get it out before Christmas. We are conscious that issues will come out of the Committee's review, and we will want to reflect that in our consultation as well in terms of the priority you are placing on it.

The Chairperson: It does not hold up the work that you have going on.

Ms Pyper: It does not hold up the work, but it has not. As Tanya said, we are scoping this out at the moment —

The Chairperson: I am sorry. I was picking that up as a reason why not to.

Ms Pyper: No, no. I think that the timing is good, but, as I said at the outset, it also fits in with DETI's ongoing policy reviews, the review of the 40% target and the subsidies to renewables. We can see these things coming together at an appropriate time.

The Chairperson: OK, thank you.

Mr Frew: Just on that wee issue, you can see the strength of feeling in the Committee, which it is reflective of the number of people who contact us about it. You talked about your scoping exercise and your consultation, and I understand all that, but there are two issues that I would like to explore. First, as you rightly said, other jurisdictions do this better. Have you identified even those best practice models and will that form part of your thinking on this issue?

Ms Hedley: We have looked at GB because the legislation is similar. Obviously, this has to fit in with the legislation that is there. We are not looking to rewrite legislation, because that would add time. We have also looked at ROI because we work in an all-island market. Some of these generators are in ROI and are building in ROI and they would like something similar that fits. We are probably going to do something bespoke that looks at what both countries do and tries to fit what is best for Northern Ireland, the legislation we have and what is needed here. We are not starting from scratch.

Mr Frew: This should be very simple because, at the moment, the installation goes so far and that can mean heavy voltage where NIE connects to the transformer. It has to have checks and balances in place for the installation. That mindset is already there, so this is only a further extension of the installer's work where they meet NIE. This could be very simple if the guidelines and parameters are set down clearly.

Mr O'Boyle: It is also about the impact beyond what they connect to. If you are putting a large number of megawatts onto a substation, that has to go somewhere else. Whether or not further reinforcement work is required to handle that has to be factored in as well.

Mr Frew: But for the actual installation, and whether it is up to safety standards and correct procedure, that should be a pretty simple procedure.

Ms Hedley: It is just about building lines to a certain extent, because some of the larger-scale wind projects are building electrical sites inside their sites, so the skill sets are there. The issue then is that they are now operating on somebody else's land and it is about whether they have permission to be on that land. NIE, obviously, in law, has permissions that a wind developer would not have. It meets a lot of safety standards, is checked rigorously and audited each year by the Health and Safety

Executive. Electricity is dangerous stuff, and when you are on somebody else's land, you want to make sure it is right.

Mr Frew: OK. That is me finished on that bit.

Mr Flanagan: I am genuinely frustrated by what you are talking about here. I cannot understand why this is such a drawn-out procedure. Everybody we have heard evidence from thinks that contestability is a good idea. Nobody has told us that it should not happen. We thought that NIE was going to come here and say, "No, it shouldn't happen". Our mouths nearly dropped when it said, "Yeah, we would welcome it". There is this whole talk about needing to do a public consultation on one small part of this because we have different priorities and the Executive have a priority. Why can you not just make a decision to do something? Why can you not just say that everybody has the right to do their own work to connect to the grid? Why is that such a problem?

Ms Hedley: It is back to the fact that NIE has to go onto other people's land — farmers' land — and who gets those permissions. Also, not all the individuals who talked to you about contestability have the same view of what the word means. As part of the consultation, we need to clarify that we are all talking about the same thing. Are we talking about building just the poles? Are we talking about designing the network? Are we talking about going through planning permission? Contestability can be a small or large piece of the jigsaw, and we want to make sure that everybody is talking about the same picture as we go forward. The people who have come to talk to us about it do not all have the same view of what that word means.

Mr Flanagan: Could you not just put out a memo stating what it is, and anybody who wants to connect infrastructure to the grid has to apply to NIE for a licence and agree to comply with standards set by NIE. I genuinely cannot understand why you are allowing NIE to retain a monopoly over grid connections. It is no longer a publicly owned company; it does not deserve and is not entitled to that position. There is no legislative or regulative reason why you should not do it.

Ms Hedley: It is not NIE standards but DETI standards. Overhead line design has to be submitted to DETI, and it approves the standards. So, it is not quite even as straightforward as complying with NIE standards.

Mr Flanagan: That is even more straightforward because NIE does not then have anything to do with it.

Ms Pyper: But it is NIE's network that they would need to connect into. As Jody was saying, it is not just —

Mr Flanagan: But NIE has said it would welcome it.

Ms Pyper: — the A to B piece; it is what the knock-on effect will be elsewhere.

Mr Flanagan: The knock-on effect at the minute is that nothing is happening. Gordon said that it has taken nine months and nothing has happened to connect an AD plant that is already built. All that we are hearing in rural areas and in urban areas is that people cannot get connected to the grid. So, with what you are doing at the minute, nothing is happening.

Ms Hedley: Except, there have been thousands of microgeneration connections this year: 150 a month, at the minute. Hundreds of small-scale generators have been connected. Since 2012, we have seen increases of 160% on small-scale, 300% on micro-scale and 22% on large-scale. It is happening. It is not happening in the same timely manner as other locations for some individuals and connections. There are individuals who are very frustrated, and we are aware of that because they talk to us. However, NIE is connecting renewable generation. Renewable generation in Northern Ireland is increasing. On average, we achieved 18% renewable generation in the last year, and we are continuing to move forth to set those targets.

Mr Flanagan: Yes, but that is in spite of this, not because of it. We are not trying to stop renewables coming on stream; we are trying to help them —

Ms Hedley: Yes.

Mr Flanagan: — and all I see is the excuse of a public consultation of one small aspect of this being used to delay further work. I do not see a public consultation as helping.

Ms Hedley: It comes back to connecting not being enough; it needs to add value. The generation has to be able to be used. When you go to the larger-scale operator in the market, we turn off wind farms, OK? We cannot operate the market because the demand is not there at certain times, normally on a summer night. Not enough electricity is used at that time of night to allow them to operate and for systems to be secure. There is an element of this: why would we allow people to move forward with these investments to connect if all we are going to do is turn them off at the end of the day in some shape or form? So, one small-scale renewable is on and you turn off a big one. That is not what we want to achieve.

Mr Flanagan: The solution to that is not to delay connection. The solution to that is the smart grid, which Government have been delaying for years. That is the solution; it is not to stop connecting people to the grid.

Mr McKinney: Are you saying that, as a policy decision — sorry; I hope you do not mind if I interrupt.

Mr Flanagan: I was not getting very far, Fearghal. You can give it a go.

Mr McKinney: Are you saying that you do not mind some of that happening?

Ms Hedley: No. What I am saying is that there is a supply-and-demand issue here.

Mr McKinney: I understand what you are saying.

Ms Hedley: Contestability is just one of the many pieces that we are juggling here to move forward and promote renewables. Getting people a cheaper connection is not the only piece that matters here. If people get a cheaper connection, connect and then cannot actually generate, everybody has wasted time, money and effort. That is not the answer that we want. I understand what you are saying. Contestability is something that we want to do and will move forward on, but a lot of other areas also need to be done. To some extent, some of them are more important. There is no point in somebody having a cheap connection if they cannot run afterwards.

Mr McKinney: You have introduced a completely different argument to this now, over and above the contestability element. We have been dealing with contestability in frustration.

Ms Hedley: Sorry.

Mr McKinney: You are saying that, back here somewhere, people are saying that it is not an issue because, in fact, we will be switching them off.

Ms Hedley: No —

Ms Pyper: That is the reality in terms of supply and demand. Even if everybody got connected, what Tanya is saying is that they might not be able to do anything with their connection. They might not be able to export electricity because there is no demand for it. That is just the reality of supply and demand. So, a lot of people could be very frustrated that even though they have gotten connected — we could do something about the faster connection — they could not actually export their electricity, which is what is driving them to get the connection. If they cannot do anything with it because there is no demand for that electricity, they will end up doubly frustrated. As a regulator, we have got to look at that piece as well. It is not just about connecting everybody who wants to be connected. There are issues about who pays for all of that and whether people, when they are connected, can have the legitimate expectation that they will be able to sell their electricity, which is what, as developers, they want to do.

Mr Frew: Yes, but we import electricity into this country all the time. I think that the only time that we export it is around 5.00 am or 6.00 am. Surely, there is the need.

Ms Pyper: But then we get back to the bigger issues of intermittent renewable generation, which I know that the Committee fully understands, and the need to have the standard thermal generation

from the likes of Kilroot or Coolkeeragh that balances the system. There are limitations on the system's ability to take intermittent generation. That is why — and I was glad that Tanya made the point — that the second North/South interconnector is so important. That is why the work that we are doing with our fellow regulators in Ireland, the CER, on our project on trying to maximise the amount of wind that comes onto and can be managed on the system matters. So, we are not looking at this in isolation. I understand your frustration, but we are trying to look at all the pieces that fit together to try to make that an effective way of getting as many people connected and able to access and use the grid as possible. Contestability is only one piece of the very big jigsaw that we are looking at in terms of policy, operation and our own regulatory role.

The Chairperson: OK. I have one brief question, then we will come back to you, Phil, to continue with your line of questioning. With regard to contestability and the whole issue of grid connection, we have heard already that, south of the border, that can be and is done. Have you ever thought of asking your colleague, your counterpart, in Dublin for the definition of contestability that seems, from what we are hearing today, to be so utterly complex?

Ms Hedley: We have a lot of detail on what they do and how they do it. They have a gate process. There is a lot of frustration in Southern Ireland. I have heard that the frustration is actually, in some cases, worse because what they do is hold all developers in a gate and everyone has to wait until the entire system moves forward.

The Chairperson: I am not talking about the practice; I am talking about the definition of contestability.

Ms Hedley: We have that. We also have the one for GB.

The Chairperson: OK. So, it is not that complex that *[Inaudible.]*

Ms Hedley: We have it, but there are differences. Just to go back to the Deputy Chair's point: if you build the connection yourself, and you are now at NIE's grid, but NIE still has to spend x million pounds so that you can move beyond that point, the hold-up becomes the additional work that NIE still has to do on its network, which is one of the areas that needs to be sorted out as part of this process. Creating a process that creates an expectation, which then leads to people having invested an amount of money and sitting waiting for further work —

Mr Flanagan: They are separate issues. The initial grid connection, which is paid for by the developer, is up to the developer. The rest of the national grid, which is the responsibility of NIE and is paid for by customers, is a separate policy decision. The two things should be kept separate. I do not think they should be kept together. If a developer wants to build a connection from his generator to the grid, that is dead on, but if NIE is not going to upgrade the rest of the grid to bring it online, that should be up to NIE, because it says it is not in the economic interests of wider society. We are not even getting that response. We are not seeing somebody trying to build a single wind turbine on top of a mountain, six miles from the nearest point on the grid, and NIE saying, "Look, it doesn't make economic sense for that to happen". It is saying, "We will give you a response in nine months", and, three years later, that person is still sitting there waiting. That is not good enough.

Ms Pyper: I agree with you. I think that has been part of the problem. NIE has not been frank, open and transparent enough about developers looking for a connection. If I were a small business, I would rather know that I cannot get a connection than be told that I am being put in a process somewhere and not hearing anything for 90 days. I would rather be given an honest assessment that says, "We cannot connect you at this time because ...". That, at least, would give me as a developer or a small business some certainty. I absolutely agree with you there. We are pushing NIE to be much more open and transparent about the realities of whether it can or cannot connect. That is part of the process as well. I totally understand.

Mr Frew: Accessible heat maps will go some way —

Ms Pyper: I agree with you.

Mr Frew: — to allowing developers to find out the areas and locations where they could.

Ms Pyper: I think a lot of what we are seeing here is a mismatch in expectations, because, on the one side, we have had policy and support through the ROCs, which has given people an expectation about whether they can make the investment in a wind turbine, in AD or some other sort of renewable technology, because there is assistance and subsidy there to do it. That expectation has really mushroomed, but it has not been matched by an expectation about how quickly they can get connected or what the grid is capable of delivering. So, we have seen a mismatch. That is why, later in your discussions today, you will see DETI's review of the target and of the renewables subsidy mechanism. The two things go hand in hand: the support and incentive to invest in renewable generation and the ability of the system, which was never designed for renewables, to cope with the sheer volume of demand from developers.

The Chairperson: Thank you for that. Phil, are you finished your point for the moment anyway?

Mr Flanagan: I have spent long enough on contestability, Patsy. I am getting a headache here.

Mrs Overend: NIE states that the Competition Commission's price determination did not include a mechanism to pay for reinforcement of the 33-kilovolt network. I understand that problems are being caused by small-scale renewables on that network because power is flowing in the wrong direction. That leads to a safety issue that has to be addressed. There is also the need not to constrain renewable generation from farms. NIE stated that, as things stand, the only viable option for it is to change its statement of charges so that developers pay, which would mean that many schemes would not be viable. NIE states that you are considering that.

Ms Hedley: We are engaging with NIE about its statement of charges. We will always continue to engage with it on any changes it wishes to make that impact on anyone who interacts with it. In relation to the Competition Commission's findings, NIE asked for investment for the 33 network purely to facilitate small-scale renewables. The Competition Commission found that it was not in the public interest. The money that would be spent on doing that would have to be paid by somebody. Either it would go on everybody's electricity bill or the generators themselves would pay for it. At this point in time, consumers are already paying for the ROCs, so the cost is already there for the incentive mechanism. The Competition Commission did not believe it appropriate to allocate the network development costs, too. Those generators do not pay to use that network. Large-scale generators do pay to use the transmission network. Consumers pay for that network. It is going to be paid for for the next 40 years. Somebody needs to pay for it. So, if we approve additional moneys and we allow NIE the money, it will go on bills. So, this money has to be paid by somebody. The Competition Commission deemed that the consumer base, general consumers — you and I — should not be paying for this through our domestic bills.

Mrs Overend: NIE is saying that it does not want to be paying for it. Is that the case?

Ms Hedley: NIE is a regulated company. It identifies where the investment is. We assess it and deem whether it is economic or appropriate, and apply allowances. NIE did not accept our determination on the current price control. We went to the Competition Commission, and its determination is currently in force. We will obviously look at it again for the next price control, but the Competition Commission did not allow any money for this type of development within the allowances that it put in place.

Mrs Overend: OK. So, that affects those small-scale generators that want to connect through, because the network is not capable of supporting them.

Ms Hedley: It was not designed for small-scale generators to be using the network to make money.

Mrs Overend: NIE also stated that GB has experimented with alternative methods of connection, offering choice and introducing smarter solutions, which have lowered connection costs. Is there scope for a similar approach here?

Ms Hedley: The Competition Commission allowed NIE money for smart grid solutions, so it has been looking at this. It has been looking at what is happening in the rest of GB, and we expect it to move forward with that. If all the electricity from larger-scale generation is not needed, we have the ability to turn the larger-scale generation down, not just off. So, instead of a wind generator being guaranteed the generation of 100% export, the network operator manages how much you are exporting so that you do not overload the grid. That strikes me as being a reasonable way forward.

Mr Flanagan: Patsy, can I ask a quick question on that?

The Chairperson: I will let Paul in first, and then we will come to you, Phil.

Mr Flanagan: That is OK.

Mr Frew: When Action Renewables was here, it stated that connection costs account for 22%, or even as much as 50%, of the total capital costs. We are led to believe that that is averaging out at 5% in the UK. So, it is 50% capital cost here and 5% in GB. That cannot be tolerated. How can that be the case?

Ms Hedley: It depends on where you put your generator and how far away the grid is. Somebody has to pay for it.

Mr Frew: Why is it so different? Is it because our grid is not up speed or in good enough shape, compared with GB?

Ms Hedley: The network was designed for what was needed at the time, economically. At that stage, we had three large generators — Coolkeeragh, Ballylumford and Kilroot — and Power Station West was there. The grid was not as strong in the west because there was no need. It was built for what was needed. With generators coming on, there is not the demand there. If there is not the demand of the load, the alternative is to move the electricity to where the load is.

Mr Frew: So, are we saying that GB got it right with regard to positioning their generators at a time —

Ms Hedley: No, the position of a generator is based on the type of generator that it is. Wind turbines are being placed where it is windy; the placing of the original generators was based round the fuel source and the needs to build those generators. You will find that there are cases in GB where the costs to connect are extremely high, but there are also instances where the costs are low, and it may be more difficult to get planning permission for your development. There is not a lot of wind generation in the south of England.

Mr Frew: So, are we saying that, because of the scale of GB, it is averaging out at 5%, and that if you take the north of England or the north of Scotland regions, you may well see that there are 50% costs?

Ms Hedley: Every individual case will be based on where you are from the network. So, there will be a very wide variation. An average for the whole of GB is slightly misrepresentative. Our average is based on Northern Ireland, and we know that we have more kilometres of line per person than they do elsewhere and that we do not equate to a network in the south of England.

Mr Frew: The Committee has also been informed that, under the security stage payment requirements by NIE, developers could be asked to pay up to 70% of connection costs within 90 days of receiving planning consent and making a grid connection. It seems that the scales are very much tipped in favour of NIE. NIE can take so long to do all this work, and then, when all the ducks are in a row, the developer has to pay instantly. Seventy per cent of connection costs, considering that they could well be 50% of the total capital costs, all within 90 days, is not realistic. Is anything being done? Are you looking at ways of making that more sustainable and affordable for developers? I know that they will be incentivised by ROCs and everything else, but surely that is a massive burden on any generator or developer coming in to, let us face it, basically improve the grid in one way or the other, even though it may seem piecemeal.

Ms Hedley: That has been raised with us and we discussed it as part of the renewable grid liaison group. NIE is not passing risk on to consumers in that it is not spending money when the whole project is not paid for. You end up with a stranded cost. We have asked NIE to look at that again. There was a stage when you had to pay 100% up front before it would even start. It has moved away from that position, and we will continue to discuss that with it.

Mr Frew: The additional cost of installing the half-hour meters is £450. In GB, it averages out at around £150. I know that it is small fry but, for people to become educated and use the grid in a smarter way, half-hour meters will be essential. Can anything be done to get that cost down from £450 if it is averaging out at £150 in GB? Surely we should explore that cost and get that price down.

Ms Hedley: We can look at it, but, in GB, they are bringing forward smart metering. It is another area that we are considering going forward. There are economies of scale. In GB, everyone will have a half-hour meter, irrespective of the need; whereas, here, the same numbers are not involved. We can certainly look at that.

Mr Frew: When you say you will look at it, can we put a date and time on it? Will it be done this year or next year?

Ms Hedley: With something like that, we will engage with NIE after this and look at that now.

Ms Pyper: We are also looking at the opportunities to roll out a smart metering programme in Northern Ireland. They have begun that in GB and in Ireland, and we are looking to see what an appropriate system would be for Northern Ireland. The dynamics here are quite different because a high proportion of people already have pay-as-you-go meters. A lot of people have meters and are used to meters. At the moment, we are engaging with DETI — it is primarily DETI's policy on smart meters — to see what the most cost-effective solution is for Northern Ireland rather than looking at what has been implemented in GB where, although the actual cost of the meter is low because of economies of scale, it is a very expensive smart metering solution that they are putting in place. We are not sure that it would be right to put that burden on consumers in Northern Ireland. So, we are looking at what an appropriate system for us might be.

Mr Frew: Whilst we look at everything, if an initiative or something is going to come up in the future, everybody involved in that will stop doing what they are doing and will wait to see what happens with the initiative or consultation. Whilst you say you will look at it, you will basically create a vacuum where nobody will do anything because they do not want to spend recklessly when it could change in the future. Can we be agile and quick about it and get it sorted as quickly as possible? Whilst they hear of our review coming round the corner, everybody will sit on their hands.

Ms Hedley: We will go away and look to see what those costs relate to and whether they are justified. As regulators, we can do that.

The Chairperson: I really do not accept the economies of scale showing such a disparate amount of between £450 and £150. To my mind, that is just somebody putting in the arm in. I take it you will look at that.

Ms Hedley: Absolutely, and putting —

The Chairperson: More importantly — forgive me for saying so — but in terms of your approach to things, there is a fair bit of talking to NIE and listening to NIE. On something like that, I think that it requires a bit more authority around the place rather than just saying, "Hi, boys. What about the cost of these meters?".

Ms Hedley: NIE has a licence obligation to provide information to us when requested, so we will just go back and ask for detailed information on those costs. Our main role is to audit and look at what NIE is doing and spending. This is in our comfort zone. It is easily done, and we will do it.

The Chairperson: OK. Given that, from what has been presented to us, it is in the realm of being utterly unreasonable, what do you do about it?

Ms Hedley: Based on information from this.

The Chairperson: Yes. We will take it as a case example.

Ms Hedley: We would write to NIE to seek information on the breakdown of the costs, how it is allocating them and what is within them. We would then look at the costs that we have for other areas, including the time allocated for labour, to see whether we deem it appropriate. We know what NIE's labour costs are and how much we expect it to spend on meters. After we get that information, depending on what comes out of that small investigation, because it is only on one piece, we would then sit down and speak to NIE about that and decide what is best going forward.

The Chairperson: I presume that you will keep us informed given the interest.

Ms Hedley: We can keep you informed of that.

The Chairperson: OK. Thanks for that. Phil, you wanted to come in on a further item.

Mr Flanagan: I have one question on the whole issue of cost. There is a debate out there about whether incentives fit in with the wider economic strategy of the Executive. Do you have any information on how much a megawatt of electricity from a small-scale generator costs versus that from a large-scale development?

Ms Hedley: No, because it depends on the type of generation and what you include in those costings. So, it is one of those areas where you need to very carefully define what you are comparing. If the generator is wind, the sorts of costs associated with that are the capital costs of the plant, because you are obviously not paying for fuel. If the small-scale generator is thorough anaerobic digestion, you are obviously talking about having a fuel source.

Mr Flanagan: I am talking about comparing a small-scale wind development with a large-scale wind development, built in a similar location with the same connection to the grid but at a different price and with a different capacity. Have you looked at the cost that consumers have to pay over the lifetime of that project, based on paying for the grid connection and for the incentivisation that goes along with it?

Ms Hedley: The grid connection is paid for by the developer. The policy for a large-scale wind farm and a small-scale wind farm is not the same. One is what is called a shallow connection, and the other is a semi-shallow connection. So, there are different policies on what different developers pay for what is needed. The capacity of a large-scale wind farm is much higher. Such wind farms tend to be in locations that are a lot windier and they have the ability to run a lot more often than small-scale developments. Large-scale developments also have the ability to be turned up and down based on need. With small-scale developments, it is either on or off. There are a lot of factors, and you can make a lot of assumptions to come up with something, but I do not have any figures for you.

Mr Flanagan: There is a limited budget for expenditure in grid investment. Have you given NIE any directive to focus particularly on small-scale or large-scale connections?

Ms Hedley: There is an allowance. It is not a limit. NIE can spend more than the allowance. There is a risk-sharing mechanism, which means that if it spends £1 more, consumers pay 50p of that. So, it is up to NIE to meet its legal obligations, which, in law, means that it has to develop the network economically, efficiently and in a coordinated manner. If somebody felt that they were not being connected and that NIE had failed in those obligations, they could raise a dispute, and we would be the dispute body. There is no limit on the amount of money that NIE can spend. It is up to it to meet its legal obligations and to develop the network appropriately.

Mr Flanagan: Under the Energy Order, it is your responsibility to protect customers, deliver value for money and all those types of things, and protect customers from bills. Has there ever been an instance where you have said to NIE, "This connection does not make financial sense for customers. You should not do it"?

Ms Hedley: The connection cost goes to the developer, so it is up to developers to decide whether it is financially appropriate for them. We protect consumers regarding investment in the grid, not from the cost of connection.

Mr Flanagan: When I am talking about the connection, I am talking about upgrading the grid along the way to facilitate that connection.

Ms Hedley: We would say to NIE that, if it provides us with information on what grid is necessary, we will assess that and decide whether it is economically viable going forward and approve it. NIE has not asked us for any investment that we have not deemed to be economically approved. So we have not limited NIE —

Mr Flanagan: But it is something that you look at?

Ms Hedley: We always look at it very carefully.

Ms Pyper: And we have not turned down any investment that NIE has put forward.

Mr Flanagan: I know that.

Ms Pyper: I think that is the thing. We do not, however, look at individual connections unless there is a dispute. So, it is not that NIE is coming to us with every individual case; although, if they come and make an individual case, we can look at it.

Mr Flanagan: That is fine; that is grand.

The Chairperson: We now move to grid investment.

Mr Agnew: Thank you for your answers so far. There have been many. I want to go back to a figure that Jenny brought up earlier: roughly 150 microgenerators come online per month, which equals about 1.5 megawatts (MW). We all agree that that is fairly small-scale in terms of the overall target. Take that over a year, and it is 18 MW, which is still fairly small scale. However, look at a big project, such as the two tidal projects. I think I am right in saying that each of those is 100 MW. They going to take roughly five to seven years; that would be about right. But, in five to seven years, you will have got on board 100 MW of small-scale generation.

I pick up from DETI's review, and from some of what has been said today, that small-scale generation is just not seen as being strategically relevant and, maybe to be blunt about it, it is a bit of a pain to try and accommodate it. In other words, "Why are we wasting so much time and money on this?" But small-scale generation can be turned over much more quickly. Is that being taken into consideration in all this?

As well as that, there are the other advantages to small-scale generation: you are democratising energy production and getting more energy production into the community; there is more access to it in the community — not too many communities are going to build a large-scale wind farm. We are all consumers; and the generators are also consumers. When you are looking at small-scale generation, is that balance being taken into consideration?

Ms Hedley: We need diversity. We do not need one answer with respect to renewable energy. We want a mix, so small-scale generation has a part to play. NIE now has 30 MW of microgeneration, the very small stuff, connected to the network. And that is connecting at a rate of, as Jenny said, about 150 per month. That will continue, and it fits into the overall ethos of individuals using less energy and the energy efficiency directive's direction of travel.

It is not that we are saying that we have a preference for one over the other; we do not want discrimination. We want to give everybody the opportunity and the market to move forward so that there is innovation here. Our role is to keep transparency; make sure that there is not discrimination and that people are able to move forward in the best way. But, we do not have an image of how this has to break down in the future. We just want to make sure that there are no barriers here for people.

Mr Agnew: How does that reconcile with the Competition Commission's ruling for investment in the 33 kilovolt (kV) network? If I understand all this correctly, that is what we need to do to accommodate more small-scale generation.

Ms Hedley: That would be for the people wanting to export and sell, whereas microgeneration is more for people who are creating electricity for their own use, although there is some smaller amount of export. What you are getting here is this: OK, if they want to move to a 33 kV level, where is the benefit in having them move around at that higher level? At this point in time, as I mentioned earlier, larger-scale generation is being constrained and curtailed, and this type of smaller-scale generation moving up is just going to increase the curtailment and constraints for the other wind generators that already exist. So, there is a balance there, in terms of both the diversity piece and the investment piece. Do we want to spend a lot of money here, when we do not necessarily see any value for the person paying the bill; the general consumer? The Competition Commission looked at the evidence and said that it is not in the public interest.

Ms Pyper: Excuse me — at this point in time, but not forever. This is simply in relation to this particular funding package, this particular price control. The arguments are there, and we will have to

look at that — as we are starting to do already — in our next price control. It is important to remember that the case was not there at this particular point in time.

Mr Agnew: Maybe I am misreading, but my concern is that the direction of travel seems to be the Competition Commission saying that we should not give the go ahead for investment on the 33 kV network. DETI is reviewing the 40% target, and what we have heard today I have interpreted as a suggestion that maybe ROCs are not working for consumers. I suppose that that is what I am getting at. Are we in a position where we are saying that incentivising small-scale generation is too difficult to manage, is costly, and that we should stop doing it, or that, at least, we should decrease it?

Ms Hedley: That is not what we are saying. We are saying that maybe building lots more network is not the answer. Maybe we need to think about other solutions and be more innovative. NIE is suggesting that perhaps we can choose when and where they are used, turning them on and off as well, and we already do that at the larger scale. So, there is no point in having all small-scale generation to the stage where it is either on or off because you need to keep your security of supply. There is an awful lot of change in energy at this point in time, and innovation is starting to come through. It reminds me a bit of the step change between when there was the occasional mobile phone when people said, "Oh my goodness, look at that mobile phone" to where, suddenly, everybody has two. So, we are sort of at that transition stage in the energy industry, and who knows where we will end up in 10 years time? Our job is to make sure that there are no blocks and that we allow this to move forward in the best way.

Mr Agnew: However, we put in a network for mobile phones so that everybody could have one; so, be careful with that analogy.

Ms Pyper: It is simpler technology. I think back to the figure that I quoted at the start. We have seen a growth of 234% in small-scale renewable generation over the past three to four years. That is a huge rate of growth, and we do need to look at grid investment. To expect that to happen over a short period of time is where there is a mismatch in expectation. We need to be looking at forward planning to accommodate small-scale and larger scale renewables.

Mr Agnew: It sounds like what you are saying is that it is not a matter of if but how. Are we talking about how we move to smart grid? Is that what we are saying? Are we saying that what we are doing currently is not sustainable, that there is too much demand, it is becoming too costly, and that we need to find alternative solutions? Is that the smart grid?

Ms Hedley: Just to be clear, the grid is already smart. There is not a step change in that we have not been smart before and we will suddenly be smart in the future. The smart that currently occurs does involve a human being in the middle of it making some of the decisions, and a lot of the smart grid is about automating some of those decisions so that they are faster. Any movement of smart, again, has to be economically justified. It is not technology for the sake of technology. It is technology that will add value for consumers, who are paying the bills.

Mr Agnew: Maybe it is not fair to ask this, but I will ask it. Is NIE being too conservative about the smart grid? You mentioned that the Competition Commission approved investment in smart grids. There is certainly frustration that this is not moving forward more quickly. You have probably got that around every question we have asked; we want everything now and tomorrow. Is there a concern that NIE is too risk averse?

Ms Hedley: Electricity companies, not just NIE, are naturally risk averse, and with good reason. Electricity kills. If you get it wrong, things falls down or things blow up: it is a dangerous commodity. I am not saying that NIE is too risk averse. I can sense the frustration. I know that it is looking at what is happening worldwide now and trying to bring linked technologies in, but, to be clear, electricity is a dangerous substance, so it is not a bad thing that the electricity company is risk averse to some of these technologies.

Mr Agnew: What work is taking place between you and NIE to move this forward ? What work is currently under way, and what role does DETI have, if any, in that work?

Ms Hedley: We have the renewables grid liaison group, which basically brings all the parties together. Some developers have come across technologies and systems elsewhere, through their own contacts, that they have brought to the group and that NIE is now exploring. So, it is not just about

relying on NIE to find solutions. Everybody who is interested is finding solutions. DETI is an observer on that group.

Our role is to implement the policy that Government puts in place. Obviously, they are interested in how it has been implemented and the speed of implementation. I feel that the engagement that we have at that group is very positive. I believe that NIE is keen to find solutions and move forward. It is feeling the pressure of stakeholders wanting a solution sooner rather than later. There should be some very positive developments in the next year.

Mr McKinney: I have to pop out for a few minutes, but that is not the reason why I want to jump in here; I think that this is an appropriate point to jump in.

There needs to be more transparency in this debate. You have people who are planning, believing that they are operating in a way that is consistent with the renewable energy target and thinking that they may get a business opportunity out of it in relation to ROCs, who then find themselves held back operationally and, from what you are suggesting, maybe even from a policy perspective. We have learned that the sustainable energy interdepartmental working group has not met since its action plan in 2012. What is your view on having an Executive-level meeting to sort out some of these issues?

Ms Pyper: I will answer that because I was in DETI, and, back in 2008-09, I was instrumental in the establishment of the sustainable energy interdepartmental working group —

Mr Agnew: SEIDWG, as we like to call it.

Ms Pyper: Yes, SEIDWG. It sounds like Hedwig.

Mr McKinney: Segway.

Mr Flanagan: That is bound to be the first Harry Potter reference in a Stormont Committee.
[Laughter.]

Ms Pyper: SEIDWG was established because Minister Foster believed that it was needed; that there needed to be Executive-level engagement; that it needed to be cross-departmental, and that it needed to look at all of these issues in a coordinated way. You would not expect me, as I sit here now as chief executive of the Utility Regulator, and having been involved in the establishment of SEIDWG, to say anything other than that I think that it was a good body and a good mechanism. I would be keen to see it re-established and for the Utility Regulator to play a part.

Mr McKinney: But, is there not a need for it now given what you are talking about: the change in the debate, in actions and in the entire circumstances? Two years later, is there not an urgency for it to meet?

Ms Pyper: I would not disagree with that. It was a valuable group and had a valuable role. As I said, we are keen to see it re-established and to play an active part in it.

Mr Agnew: Tying in with all that we have discussed is something I have been pushing for some time, which is an assessment. We continually hear about the difficulty and cost of bringing renewables online. What we do not seem to have is a big piece of work stating the cost benefits to consumers. We know that the — I will try to get the terms right — system marginal price is lower when only renewables are on the system because there is a zero unit price, which benefits consumers. However, there does not seem to be any quantifying of that.

I think that I am right in saying that DETI is working with you to try to do a piece of work around that. Given that DETI is undertaking a review and that you are talking about your number of priorities, presumably this piece of work will feed into a lot of the answers. Have we got a timescale for that piece of work?

Ms Pyper: No, I do not know the timescale for DETI's work. However, as I said, the policy piece is a key part of the jigsaw. We were interested to see that you have a briefing from DETI on a number of aspects of this. Again, this is perhaps where the value of SEIDWG comes in. It is a forum to talk about some of these issues with all the stakeholders.

Mr Agnew: I will move very briefly to the big-scale side of this. I recall your predecessor citing the figure of £1 billion to move from the 27% that everybody seems to think is achievable. We will probably get there. There will be a lot of bumps along the way, but we are on the right direction of travel. I am getting very nervous about the 40%, and DETI is reviewing that.

NIE has considerably estimated down its cost improvements in technologies and whatever to £420 million. What is the difference in the impact of that on the end consumers? For so long, we worked on the £1 billion figure. We are down considerably to £420 million. Will that significantly reduce the impact of the upgrade of the grid to accommodate 40% renewables? Will that reduce the impact on consumers?

Ms Hedley: We never assessed the £1 billion. It was never submitted to us. It was a figure that NIE quoted, but we had no background to it. The detail of the smaller figure — £420 million — was submitted to us as part of RP5. Therefore, we are aware of the detail on the projects involved in that. That is not all going to be delivered in the next few years; it is quite a long-term programme, and it is reliant on the North/South interconnector happening. There is money in there for the North/South interconnector. However, if that does not occur, not only will that not be spent, but some of the following projects will not make sense either.

We have figures for the impact that the £420 million will have on bills, and we can provide that to the Committee. I do not think that we have them with us. That does not cover investment for small-scale generation; that is purely the large-scale generation, and the Competition Commission agreed that that has value and it has given us a mechanism to approve that as and when it is crystallised.

Mr Agnew: It relies on the North/South interconnector, and often it is the figure quoted to get us to the 40% renewables. I am trying to find out whether it is more likely to be approved than the figure of £1 billion. Does it make the 40% target more realistic? I got the impression from your predecessor that never in a month of Sundays was he going to approve a £1 billion investment.

Ms Pyper: We did not have any background or reason to accept a £1 billion figure. We have more detail and background on the £420 million, but, again, the North/South interconnector is key there.

Mr Agnew: It is not going to be approved. Presumably the request would not go in for £420 million without —

Ms Pyper: Yes, without a certainty that we were going to be able to get the benefits and do something with the additional generation.

Mr Agnew: I have one final question, Chair, if that is OK. Maybe you are not aware of the issue regarding the connection of the offshore wind farms. I picked up some level of dissatisfaction about agreement on how it was going to be connected, although, to be honest, I did not fully understand the issues. Are you aware of a level of dissatisfaction? Can you explain to us what the issues were?

Ms Hedley: Our awareness of offshore is that NIE is keen to bring contestability in, and it sees that as the key part of the jigsaw for it in that development. That is the only knowledge that we have on that.

Mr Agnew: Is that still achievable within the time frame?

Ms Hedley: We believe so.

The Chairperson: I have one final question. You have probably picked up on the comments anyway, but SONI considers that it is incredibly complicated to have to go on an individual project-by-project basis for transmission infrastructure investment. Have you any views on whether that is a correct analysis?

Ms Hedley: Does this relate to the £420 million again?

The Chairperson: Yes.

Ms Hedley: At this point in time, none of those projects is currently justified. If we get the North/South interconnector through planning permission and it is built, we believe that there is a clear economic

benefit to that and, therefore, we would want to approve that investment. However, there is no point in us giving a cheque from consumers for £100 million to build it if planning permission is not in place and it cannot be built.

The Chairperson: What if its view was that the transmission infrastructure should be managed through a strategic programme? It is saying, potentially, that it could be over 25, 40 or 50 years. Have you any comments around that?

Ms Hedley: There has been a development of a strategic transmission plan, and we are waiting for a submission on what that is. It does have —

The Chairperson: Sorry, who —

Ms Hedley: It was NIE, and it is now going to be SONI, because of a transfer of responsibilities. SONI is under an obligation to provide a 10-year plan, and that goes to Europe. That is actually published each year. We feel that we need longer than that but, at the same time, right now we have a 10-year plan for transmission infrastructure.

The Chairperson: That begs the inevitable question again: how much longer than that?

Ms Hedley: We would like it to go out at least 25 years. Obviously, the further out you go, the less robust it is. The 10 years should be fairly robust, but it requires certain other permissions to be in place. Again, we are back to the North/South interconnector. That was originally a concept in, I think, 1994. The plan was to have it in place by 2012. I am not sure when it will actually be built. Most large transmission infrastructure requires planning permission. We have seen throughout the world those types of projects being seriously delayed.

The Chairperson: OK. Thanks for that. Phil, I know that you were dipping in and out —

Mr Flanagan: Aye, half an hour will do me, Patsy. Only joking; two or three minutes will do me. You have heard from us and everybody else about the difficulties with grid connections. How big a problem is that for us in reaching the Programme for Government targets and the 2020 renewable generation targets?

Ms Hedley: We do not see this as a problem for that. There are issues for individuals, and we need to improve the processes, but if you look at where we are now with 18%, the numbers currently connected and how the larger scale ones in particular are moving forward, we still believe that the target for 2020 is achievable.

Ms Pyper: I think that you have probably heard from a number of other stakeholders as well that the target is achievable.

Mr Flanagan: Right. Are we just settling for the target, or are we trying to go well beyond it at this stage? Was there any inclination in DETI or anywhere else to set a target to have 100% of our electricity generated from renewable sources by x year?

Ms Pyper: Europe is really dictating the pace on that; it is looking at the next tranche of targets. Fundamentally, it is a policy issue, but DETI will need to be sure that there is the technical ability to exceed the 40% target. A lot of work was done to assess whether 40% was technically achievable before the Executive endorsed it. A further round of work will need to be done to move beyond that. We will be part of that. DETI will be looking to see the targets Europe is dictating and how Northern Ireland maximises the resources it has.

Mr Flanagan: Have you done any work with the regulator in the South to see how much would need to be spent on grid investment to bring the island to a stage where 100% of the comparable figure is generated from renewable sources?

Ms Pyper: We have not done any work on a target of 100%, but we have done a lot of work with the CER on a project called Delivering a Secure, Sustainable Electricity System (DS3), which is about trying to maximise the efficiency of the existing grid to move beyond 40% in terms of what the grid —

Mr Flanagan: What sort of a number are you looking at?

Ms Pyper: — can cope with.

We have been looking at DS3 in terms of 75% and what else needs to happen on the system to maximise the flexibility and the way the grid operates. As well as the physical existence of the grid, there is the operation of the grid and how much more efficient we can make that. It is an active project. As part of the wholesale market, it is always going to be a source of dialogue between us and the CER because it, like us, is governed by Europe-wide policy. The drive will be for increasing renewables, so there is only one direction of travel, as far as I can see.

Mr Flanagan: What engagement have you had with large energy users or members of the business community with regards to problems they are having with accessing the grid for renewables or new plants or extensions?

Ms Hedley: I have visited a number of large energy users to talk to them about not only their electricity but their gas and water issues. We also engage with Northern Ireland Manufacturing and CBI, which represent a lot of those people. We have quite a lot of dialogue with their representatives and individual organisations willing to talk to us.

Ms Pyper: It is an ongoing part of our day-to-day business in the executive team, but when we held our board meeting in Derry/Londonderry last month, we received evidence and discussion from a number of the large users in the north-west, and from Stephen Kelly from Northern Ireland Manufacturing. The board has also been hearing at first hand a lot of the issues. It is an ongoing part of our dialogue. You would be surprised if folk like Seamus Downey and Stephen Kelly were not talking to us very regularly.

Mr Flanagan: The Chairman referred to SONI. On the grid and the network, SONI made a loss of £3 million in 2012 and reported a profit of £16 million in 2013. Why is there such a difference in its allowed recoveries of revenue between 2012 and 2013?

Ms Hedley: We do not have that detail with us, but we could come back to you.

Mr Flanagan: OK.

Ms Pyper: Was that reported in the 'Belfast Telegraph' yesterday?

Mr Flanagan: Yes, it was reported by John Simpson on 1 July.

Ms Pyper: Yes, I saw the clipping yesterday.

Mr Flanagan: So, you can come back to us with further details on that?

Ms Pyper: I will come back and explain.

Mr Flanagan: Do you know, off the top of your head, whether that additional money will be put back into reducing the network charges that customers pay, or will it go back to the Free State Government?

Ms Hedley: As a regulated entity, SONI has a revenue entitlement based on its price control. We ensure that, every year, it makes a submission to us. We assess the submission and it is allowed to collect that revenue from consumers. We capture any profits it makes through efficiencies during the next price control. We are currently looking at its next price control. So, if it has greater efficiencies, it will get less money for the next price control period. We would not go back in and remove profit that it has gained from being efficient. However, I do not know whether that is what that money is and would need to look at that. We will do so.

Mr Flanagan: You have not studied the report in detail yet.

Ms Pyper: No.

Mr Flanagan: That is fine.

The Chairperson: I have one final question. When SSE talked to us, we heard about the issue of having planning consent before going to connection. It said that that was a good idea because it prevented the hoarding, for want of a better phrase, of power potential. We also heard from Action Renewables, and there was a lot of merit in what it said. Hoarding is grand, if you are referring to a big wind farm or, as we are now coming to, solar farms and the like. That makes sense. However, when it comes to smaller ones — and you have already alluded to the fact that that could mean a turbine for a farmer — it is not necessarily hoarding and will not lead to huge quantities of hoarding. Is there potential for a bit of common sense to kick in when it comes to getting planning permission before going to the connection stage?

Ms Hedley: NIE is looking at that. However, I point you to the heat map and the congestion that currently exists on the network. The micro-type generation does not require planning permission and is actually moving forward at a rate of 150 connections a month.

The Chairperson: Which ones do not require planning permission?

Ms Hedley: Micro.

Ms Pyper: Microgeneration; the very, very small stuff.

Mr O'Boyle: Anything under about 4 kW, such as a solar panel on a roof.

The Chairperson: Sorry, we are not talking about that. We are talking about wind turbines on farms. That is what —

Ms Hedley: For a lot of them, the capacity, at this stage, might not be there, irrespective of the process.

The Chairperson: Do you pick up the point that I am making? The bigger guys are saying that there is the potential for hoarding. Action Renewables made the point to us that that is not really an issue where you have single smaller applications coming in. Do you accept that rationale?

Ms Hedley: I am not sure that I do. However, if you look at the congestion that currently exists on the network, you will see that this is an issue that might not exist because there might not be the capacity there to hoard.

The Chairperson: So, it is an academic argument.

Ms Hedley: It might be.

The Chairperson: Grand.

Thanks very much for that session. You have a few things to relay back to us, and there are a few points that we need further clarity on. Thanks very much for your ongoing engagement and your time today. If we have any further questions, we can write to you. Are you happy enough to answer those?

Mr O'Boyle: Yes.

Ms Pyper: We noted that you had questions for other stakeholders, so we expected that.

The Chairperson: That is grand. Thanks very much indeed.