



TRANSMISSION INTERFACE ARRANGEMENTS

AMENDMENT REPORT

Proposer:	NIE Networks
Capacity of Proposer	Party
Date of Report:	28 July 2023

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1. Introduction

Section S of the TIA sets out the arrangements between NIE Networks and SONI (the “Parties”) to establish transmission works required by a customer connecting to the Distribution System. These arrangements require to be applied to facilitate the construction of cluster infrastructure as approved by the Authority in accordance with Appendix 2 of the NIE Networks’ Statement of Connection Charges.

In response to the Authority’s Determination of a complaint made by Dooish Wind Farm Ltd, the Parties commenced the TIA Charging Review project in December 2020 with specific focus on Section S of the TIA.

The Terms of Reference for the TIA Charging Review took account of the Authority’s recommendations contained in the Dooish Determination and the objectives for the review were agreed as:

- (a) To develop sustainable charging arrangements (TO to TSO and TSO to DNO) with a focus on the installation of cluster infrastructure which are in accordance with the legal and licence obligations of the Parties and which dovetail together to provide a clear and coherent set of charging rules, and
- (b) To develop draft amendments to the TIA and charging statements and drafting of any new documentation required to implement the revised charging arrangements.

The TIA Charging Review examined:

- The licences and charging statements
- the TIA, in particular Sections S and D
- the charging arrangements in Ireland and Great Britain, and
- recent Authority determinations relating to cluster charging arrangements.

The review produced two proposals. In July 2021, SONI proposed dealing with clusters under Section C of the TIA (Transmission Planning) making use of the TNPP¹ process for pre-construction works and the D5 process for construction works where the project is not already included in the price control allowance. The Parties evaluated this option in accordance with sub-paragraph 2.2.3 of Section P of the TIA and agreed it would not better facilitate achievement of the Relevant Aims of the TIA and it was not progressed further.

In September 2021, NIE Networks proposed that TSO-DNO charges for clusters should continue to be defined in Section S, but with some modifications, and proposed specific TIA amendments to clarify and improve the processes.

NIE Networks considers its proposed amendments would better facilitate achievement of the Relevant Aims of the TIA, but SONI does not agree.

To move things forward, NIE Networks developed a Proposed Amendment Report in accordance with sub-paragraph 2.2.4.8 of Section P and submitted it to the Authority in advance of inviting representations in accordance with sub-paragraph 2.2.4.9.

Following discussions with the Authority the Parties published the Proposed Amendment Report on 5 April 2023 and invited views on the proposed amendments by 2 May 2023.

The consultation period is now closed and no representations were received by either Party.

¹ Transmission Network Pre-construction Project

In accordance with sub-paragraph 2.2.4.11 of Section P, the Parties have now developed and agreed an Amendment Report, this document.

Section 2, Part A of this Amendment Report sets out the views of NIE Networks and Section 2, Part B sets out the views of SONI.

Section 3 provides detail on the consultation process and outcome.

Section 4 sets out NIE Networks' recommendations and conclusions.

Section 5 sets out SONI's recommendations and conclusions.

Annexes 1 – 4 contain the current drafting of Sections D and S of the TIA and draft text showing NIE Networks' proposed amendments to these sections.

2. Proposed Amendments

Part A – To be Completed by the Proposer

1 Proposer

The Proposer is NIE Networks.

2 Description of the Issues the Proposed Amendments seek to Address

Issues emerged from the TIA Charging Review which, in NIE Networks' opinion, need to be resolved and they are in relation to the transmission to distribution arrangements as currently set out in Section S of the TIA.

In summary, they are:

- Uncertainty on the status of a Section S offer – whether it is an offer under Licence Condition 25 of the SONI Transmission Licence or Section S of the TIA or both. This leads to uncertainty in relation to the charges which are applied between the Parties.
- Cost recovery difficulties in relation to SONI charges,
- Lack of clarity on application fees – timing and rates.
- Circular charges, where NIE Networks charges SONI and SONI charges NIE Networks.
- Absence of detail on which Section D processes should be followed.
- Absence of process timetable requirements, and
- Ambiguity in relation to the meaning of certain terms used in the TIA and the TCCMS.

The primary issue is whether an application submitted by NIE Networks (as DNO) to SONI under Section S requires to be treated by SONI as an application made under Condition 25 paragraph 2 of the SONI Licence. SONI has submitted that it does, so that it requires SONI to make an offer to NIE Networks to enter into a 'Connection Agreement' (as defined in the SONI Licence) for connection. NIE Networks considers that the application it makes under Section S does not require to be treated as an application under Licence Condition 25.

NIE Networks' position originates from the development of Section S. A key element of the SEM design was the development of arrangements for transmission to distribution interface points in Northern Ireland. The Authority considered implementing the GB model, where DNOs are treated exactly the same as Users of the Transmission System, but it was decided that the GB model would not be replicated in Northern Ireland. That meant an alternative contractual framework was required, covering construction, enduring rights and obligations, and charging arrangements.

The Authority determined that the alternative contractual framework for connecting the Distribution System to the Transmission system would be set out in the TIA and gave effect to the decision in the Authority's TIA Consultation in May 2007². The consultation stated that the TIA should, "deal with matters relating to the connection of the Distribution System to the Transmission system in lieu of individual connection agreements for each point of connection."

² [Single Electricity Market ~ Introduction of the Transmission Interface Agreement in Northern Ireland](#)

Section S was subsequently developed and agreed by the Parties and approved by the Authority.

As a result, NIE Networks maintains that it is Section S and the provisions of the TIA which determine the relationship between NIE Networks as DNO and SONI as TSO. Once an application under Section S is submitted NIE Networks does not rely on the provisions of Condition 25 of the SONI Licence for the production of an offer by SONI, but rather on the provisions of Section S.

The Section S structure was and remains as follows:

- Paragraph 1 grants NIE Networks enduring connection rights
- Paragraph 2 deals with construction of transmission works, and
- Paragraphs 3 – 7 cover connection matters which would otherwise be contained within an enduring Connection Agreement.

The effect of paragraph 1 and paragraphs 3 - 7 of Section S is to grant enduring rights of connection to NIE Networks which would usually expect to be found in an enduring Connection Agreement to be entered into between SONI and a User under Condition 25 of the SONI Licence. There is therefore no requirement on SONI to put in place an enduring Connection Agreement with NIE Networks under Condition 25 of the SONI Licence.

Regarding the charges for transmission works, it was decided that in the absence of anything else the charges should be, "...in accordance with the terms and methods of calculation set out in SONI's Connection Charging Methodology Statement." The reason this clause was inserted in Section S was so that it was not necessary for NIE Networks to rely on the provisions of Condition 25 of the SONI Licence to ensure that SONI would only charge NIE Networks those charges that were approved by Authority in a published charging statement.

It is therefore clear that the intent of Section S was to disapply the requirements on SONI as contained in Condition 25 of the SONI Licence. This is further demonstrated by the reference in Paragraph 2 of Section S to NIE Networks applying to SONI for "...any necessary transmission works". This wording is deliberately intended to avoid reference to "connection" by NIE Networks to ensure that an application submitted by NIE Networks under Section S paragraph 2 would not be treated by SONI as an application for connection under Condition 25 of the SONI Licence.

While recognising that Section S was developed years before the concept of clusters originated, NIE Networks considers that, in the absence of any TIA amendment to the contrary, the principle set by the Authority in May 2007 still stands. Since there have never been any Connection Agreements in the same form as offered to other transmission connectees³ between SONI and NIE Networks at entry or exit points on the Transmission System, NIE Networks is satisfied that there is no basis to conclude that a Section S offer is related to Licence Condition 25 and the TIA must continue to deal with the connection of the Distribution System to the Transmission System.

Regarding the installation of new connections at exit points on the Transmission System, SONI has never suggested that these should follow Licence Condition 25 (2). These are developed following Section C of the TIA (Transmission Planning) with no charges levied

³ A Connection Agreement in the form envisaged by Licence Condition 25 of the SONI Licence. That is, an agreement that would be entered into with a customer seeking a transmission connection for generation or demand which would set out both the arrangements for the installation of the connection and the enduring rights and obligations for that connection. Anything less would not be acceptable to such a customer.

on the DNO and no Connection Agreements. This is a fundamental contradiction of SONI's position on Licence Condition 25 (2) being applicable at clusters.

NIE Networks' understanding of SONI's position is, in summary:

- An offer to provide Transmission works at a cluster is made under Condition 25 (2) of the SONI Licence
- The DNO should be treated the same as Users of the Transmission System, and
- the TCCMS must be applied in full as SONI has no other way to charge the DNO.

So, to resolve the matters highlighted in the Dooish determination, and validated in the TIA Charging Review, clarification is required in the TIA as to whether or not an offer under Section S is an offer under Licence Condition 25 (2) of the SONI Transmission Licence.

If the TIA is not clarified and SONI maintains its position that a Section S offer is also a Licence Condition 25 (2) offer, then:

- Uncertainty would remain as to whether or not it's necessary for the Section S offer from SONI to NIE Networks to contain the same provisions as an offer to enter into a Connection Agreement made to Transmission customers and, if so, would therefore provide for the installation of the connection and the enduring connection matters. Since the enduring arrangements are already in the TIA, this may require a significant overhaul of the TIA, probably requiring the deletion of Section S and amendments to other sections covering such matters as outages, disconnections and Grid Code compliance.
- The TCCMS would have to be applied in full, even though the TCCMS was not written to deal with the DNO requesting transmission works at a cluster and it would mean that NIE Networks would incur costs that it cannot automatically recover. For example, disconnection, de-energisation and decommissioning charges, higher connection application fees, shared asset charges and the cost of putting in place connection charges bonds and capacity bonds. Consideration would therefore need to be given to recovering these costs from distribution customers through connection and/or use of system charges, potentially requiring the distribution charging statements to be revised. The option of SONI amending the TCCMS by developing a section applicable only to the DNO has been discussed. NIE Networks' view is that this option would go against SONI's stated principle that the DNO should be treated the same as Users of the Transmission System and, in any case, would not resolve all of the issues.
- NIE Networks would have to review its Licence Condition 22 Transmission Charging Statement as it was not written to deal with the DNO requesting transmission works at a cluster.
- The Licence Conditions requiring Distribution Interface Arrangements would have to be revisited, and
- The agreement entered into by SONI and certain distribution connected generators, to be bound by and to comply with the relevant parts of the Grid Code, originates from a Section S requirement. It would need to be instigated by other means.

If, on the other hand, it is decided that an offer under Section S is not an offer under Licence Condition 25 (2) then the TCCMS does not automatically apply and NIE Networks' proposed amendments to Section S can easily resolve the following issues:

- The financial risk of unrecoverable SONI charges.

- Uncertainty on the status of a Section S offer.
- Uncertainty over the timing and value of application fees.
- Circular charges between the Parties, creating inefficiencies and costs, an outcome that is not in the interest of customers.
- Confusion over which Section D processes apply in the preparation of Construction Applications, Construction Offers and Section S offers.
- Lack of a framework for agreeing the timetable for the Section S process, and
- Clearing up any confusion over the meanings of terms in the TIA and the TCCMS.

No changes would be required to charging statements or licences.

3 Description of the Proposed Amendments

The proposed amendments require changes to Section S, Transmission/Distribution System Connection & Use of System, and Schedule 3, Construction Offer Specification.

The current versions of the affected TIA sections can be found in Annex 1 (Section S) and Annex 3 (Schedule 3).

The proposed TIA amendments are set out in Annex 2 (Section S) and Annex 4 (Schedule 3).

The opportunity has also been taken to make 'house-keeping' amendments to Section S and Schedule 3 to correct inaccurate cross-references and defined terms.

4 Proposed Text Changes to Modify the TIA

Included in Annexes 2 and 4.

5 The Proposer's Justification of the Proposed Amendments

While the primary objective of the TIA Charging Review was to resolve charging issues between the Parties it became apparent that there were also issues relating to processes and the contractual framework.

Accordingly, the proposed TIA amendments set out in this report are designed to resolve the charging issues while at the same time clarify the necessary processes and contractual framework required to support those revised charging arrangements.

Certainty of Cost Recovery

As stated in Section 2 above, certain TCCMS charges are currently not recoverable by NIE Networks from distribution connected customers through the Statement of Connection Charges. This is due to the fact that while Section S confirms that charges due to SONI are to be calculated in accordance with the TCCMS, there is a lack of clarity in the TCCMS and Section S with respect to which charges may be applied by SONI to NIE Networks. This lack of visibility of future SONI costs means that NIE Networks cannot be certain that its Statement of Connection Charges is fully reflective of the charges that might be applied by SONI and which NIE Networks will have to pass through to the distribution customers.

The Shared Asset Charge is different in that the Authority has agreed that these charges, if approved by the Authority, should be paid and recovered by NIE Networks from Northern Ireland suppliers through the Distribution Use of System tariff. However, NIE Networks

has no role to play in calculating Shared Asset Charges so it should only pay the amount that is added to the RAB in the mechanism set out in the Distribution Licence.

Furthermore, NIE Networks considers that, regarding a Shared Asset Charge, the TCCMS does not allow NIE Networks, "...to make a reasonable estimate of the charges to which it would become liable...", as required by Licence Condition 30, paragraph 3 of the SONI Licence which applies if the Section S application must be treated as an application under Condition 25 of the SONI Licence, as contended by SONI.

NIE Networks proposes having greater certainty as to future SONI charges by specifically stating in Section S which SONI charges will apply and how they are to be calculated by reference to the TCCMS. Explicitly stating that a Section S application submitted by NIE Networks is not to be treated as an application under Condition 25 of the SONI Licence will also clarify that NIE Networks is not to be treated the same as Users of the Transmission System.

Application Fees

There are no references or obligations relating to application fees in Section S. However, NIE Networks agrees there should be an application fee for a SONI Section S Offer and a NIE Networks Construction Offer.

The proposed amendments define when application fees shall be paid and how they shall be calculated.

Circular charging

Given the expected increase in Distribution connection applications requiring transmission works, the TO to TSO and TSO to DNO charges need to be streamlined. It is NIE Networks' view that TO to TSO charges, which require NIE Networks to invoice SONI and SONI to invoice NIE Networks, provide no benefit to customers. NIE Networks is therefore proposing that TO to TSO charges should be discontinued, avoiding the need for a new or amended charging statement and making the overall cost recovery process more efficient. If implemented, this proposal would not affect SONI's ability to recover its costs from the DNO and it would not change the charges that distribution connected customers would pay.

SONI responded to this proposal by confirming that it needs to know the transmission costs where a customer is offered a new connection which makes use of the transmission works. Cost details would be needed to calculate any Shared Asset Charge.

NIE Networks recognises that concern and is also proposing amendments to Schedule 3, Construction Offer Specification, which if implemented would ensure that SONI would have regular updates of transmission costs and a final confirmation of total costs at the end of the project.

It must be remembered that an Independent Connection Provider could undertake the installation of the contestable transmission works at a cluster in which case SONI would have no visibility of the transmission costs. What NIE Networks is proposing under the Schedule 3 amendments provides more cost information than SONI would receive under the contestability option.

The application of Section D processes

While it has become custom and practice to follow relevant parts of the Section D processes it is not currently a requirement set out in Section S of the TIA.

It was tempting to be comprehensive in terms of defining how much of Section D applies to the Section S process, but the NIE Networks' proposed amendments are minimal and are designed to add clarity to the process without extensively replicating Section D within Section S. We would suggest this area can be improved as experience is gained.

Application and offer timetable

The process for developing a Section S timetable is not defined in Section S. However, by treating the Section S application submitted by NIE Networks as an application under Condition 25 of its Licence, SONI is submitting to an obligation to provide a Section S offer to NIE Networks within three months. This timescale is unrealistic and would not apply if Condition 25 did not apply to a Section S application (as contended by NIE Networks).

Where NIE Networks receives a request for a connection to the Distribution System, NIE Networks is required to offer terms for the connection no later than three months after receipt of the application.

On the other hand, NIE Networks and SONI are pro-active in looking at potential cluster locations and designs prior to receiving a distribution connection application. Under those circumstances the three-month backstop need not be applied.

For these reasons NIE Networks has proposed an amendment which puts an obligation on the Parties to agree a timetable within five Business Days of SONI receiving a Section S Application.

This is not a completely new obligation. Sub-paragraph 5.1.1 of Section D currently requires the Parties to, in respect of each Construction Project:

“5.1.1 agree a timetable, subject to and in accordance with the dates set out in paragraphs 2, 3 and 4 of this Section D, for the development of Construction Applications and Construction Offers and covering any other relevant activities required in the course of preparing SONI’s offer to the User or the RoI TSO”

Ambiguous terms

The recent cluster determinations were made more challenging by having to interpret the meanings of various terms which are defined in the SONI Licence, the TIA and the TCCMS. Examples are - user, connectee, applicant, connection agreement and connection offer.

NIE Networks' proposed amendments do not seek to clarify the meaning of these terms but circumvent the need to understand their meanings by explicitly defining the required processes and obligations.

NIE Networks is also proposing to introduce new definitions in Section S.

Exit Points on the Transmission System

The installation of a new exit point on the Transmission System currently follows the Section C process – adding the project to the Transmission Investment Plan, following the TNPP process for pre-construction works and the D5 process for construction works (where the project is not already included in the price control allowance).

NIE Networks does not consider this is appropriate. A TNPP project is defined as a transmission project identified by SONI or NIE Networks acting as the TO. However, the need to develop a new exit point on the Transmission System is identified by the DNO

and the DNO needs the timely completion of these projects to ensure it continues to comply with its planning standards, and therefore its Distribution Licence.

If the DNO has concerns about the timing of projects in the Transmission Investment Plan it can request modifications but the final decision rests with SONI. If necessary, NIE Networks could raise a dispute but that is not ideal.

NIE Networks has not proposed amendments regarding exit points in this Proposed Amendment Report but intends to engage with SONI to discuss potential TIA amendments to the effect that Section S shall also deal with exit points on the Transmission System.

6 Impact of the Proposed Amendments on the Proposer's Licensable Activities

NIE Networks considers that implementation of the proposed amendments would clarify the TIA arrangements to those individuals required to apply the TIA on a day-to-day basis.

7 Impact of the Proposed Amendments on Other Industry Documents, TIA Subsidiary Documents and contents of any Construction Agreement or Transmission Project Agreement and any Changes Required

NIE Networks considers that there would be no impact on the documents referred to above should the proposed amendments be implemented.

8 Mechanism and Likely Timescales for making any Changes identified in Paragraph 7

Should the Authority approve the proposed amendments the timescales to implement after that point would be minimal.

9 Changes or Developments Required to Computer Systems and Processes Used in Connection with the Operation of Arrangements Established Under any other Industry Documents

None

10 Mechanism and Likely Timescales for making any Changes identified in Paragraph 9

Not applicable

11 Estimate of any Costs Associated with Implementing the Proposed Amendments

Minimal

12 Proposed Implementation Date

Immediate

13 The Proposer's Recommendation and Whether or not the Proposed Amendments Would Better Facilitate Achievement of the Relevant Aims of the TIA

NIE Networks considers that the proposed amendments would better facilitate achievement of the relevant aims of the TIA as, if implemented, they would improve efficiency of the processes required by the licences and enhance the co-ordinated development of the Transmission System.

For these reasons, NIE Networks recommends that these proposed amendments should be implemented.

14 List of Attachments, if any

None

Part B – To be Completed by the Other Party

1 The Other Party

The Other Party is SONI Ltd (“SONI”). SONI holds a licence to participate in the Transmission of Electricity (“the TSO Licence”), and its role in the transmission of electricity was Certified in 2014 on the basis of the wording and responsibilities set out in the Transmission Licence and the TIA ⁴.

Our response to NIE Networks proposal is structured around the following points:

- Article 8 of the Electricity (NI) Order 1992 (“the Order”) restricts SONI’s rights and obligations to those set out in the TSO Licence and explicitly sets out the serious consequences for non-compliance with the same.
- Unlike distribution connections, there is no legislation setting out rights, obligations and exemptions associated with connections to the transmission system, SONI must rely on the TSO Licence to provide it with the right to recover its costs and discharge those activities. This is a key factor in SONI’s deliberations;
- The TIA acts as a contract between SONI & NIE Networks and cannot provide SONI with rights with respect to third parties, and therefore those rights would be lost if the activities captured under Section S are not undertaken under the umbrella of Licence Conditions 25 and 30;
- Interpretation of the TSO Licence is a duty upon which the UR may wish to seek engagement with the Department for the Economy (“the Department”), given that if the UR find in favour of NIE Networks proposed changes, this will result in a significant departure from the current arrangements. SONI considers that the proposals made by NIE Networks places an unacceptable risk on SONI. It places SONI at risk of enforcement action as SONI considers that it would be working outside its legal remit.,
- The proposed modifications would have consequences for other (future) licence holders and for distributors exempt from holding a licence. SONI cannot unduly discriminate in favour of NIE Networks and, in SONI’s opinion, the UR (and possibly the Department) would need to give consideration to the impact of these modifications on all relevant parties (including future holders of licences or exemptions) when undertaking its assessment;
- The proposal would diminish SONI’s role in the planning of the transmission system and would limit access to information that SONI requires to discharge its duties, contrary to Articles 32 & 40 of EU Directive 2019/944 (“the Directive”). We presume the existing obligations to share information between system operators and between all parties participating in transmission were originally transposed via the TSO Licence and the existing wording of the TIA. These information sharing obligations have been increased in the 2019 Clean Energy Package. Therefore, input from the Department may be necessary to ensure consistency with all relevant European requirements if the NIE Networks proposals were to be progressed;
- For completeness, we explain why NIE Networks’ commentary around the motivation of decision makers in 2007 became irrelevant when licences and legislation changed due to IME3

⁴ The EC opinion on certification for Northern Ireland can be found at: https://ec.europa.eu/energy/sites/ener/files/documents/2013_059_uk_en.pdf

- Finally, we provide a brief overview of our proposed solution, which is to update the Transmission Connection Charging Statement in a way that SONI considers addresses the concerns raised by NIE Networks in Section A of this paper, while maintaining SONI's rights and obligations, and avoiding undue discrimination in favour of NIE Networks.

As set out in detail below, SONI does not and cannot support the modifications to the TIA proposed by NIE Networks, is of the opinion that there is no legal authority for the modifications proposed and that the remaining issues can be resolved in a way that can seamlessly accommodate all potential holders of distribution licences and distributors exempt from holding a licence.

2 Impact of the Proposed Amendment on the Other Party's Licensable Activities

The modifications to the TIA that are proposed by NIE Networks would prevent SONI from discharging its licensable activities in the way that was envisaged when the arrangements were certified by the UR in 2014.

Within the UR's consultation paper for the 2014 TIA modifications to give effect to IME3 it is noted:

While Licence Condition 25 of the SONI licence still requires SONI to offer terms to connection applicants in no more than three months from the date of application, the allocation of transmission planning responsibilities to SONI requires TIA changes in terms of the how the three month period is allocated between the companies. The companies are still in discussion on this matter but suggested time periods are set out in the marked-up version of the TIA. It should be noted that these time periods may not be final but Users will not be affected by any changes.

Within the UR's Decision Paper this point is further discussed:

NIE and SONI submitted an updated Section D of the TIA to the Utility Regulator which has been accepted. The timelines noted in the modified TIA align with the three month time period required for connection offers.⁵

The UR's intentions within the consultation and decision are clear. Its licence conditions are the primary legal authority in respect of its duties and obligations, with the TIA only acting to compliment it in certain defined circumstances.

SONI's response to this proposal is focused on adhering to the rights provided to it by the TSO Licence and ensuring that it is able to fulfil its role in transmission planning as set out in the UR's certification decision in 2014 and to continue to facilitate competition in the generation of electricity within the SEM.

We set out the adverse impact of these modifications on SONI in detail below. We also highlight their potential impact on other licence holders, which will be relevant to the UR's decision making process. We identify areas impacted by these modifications which fall

⁵ Both the consultation and decision paper can be found at: <https://www.uregni.gov.uk/consultations/consultation-proposed-modifications-tia-between-nie-and-soni-following-ime3>

under the remit of the Department and which therefore may necessitate input from the Department before any decision can be made.

Electricity (NI) Order 1992

Article 8⁶ of the Order is very clear. SONI can only undertake transmission related activities that are set out in the TSO Licence, which includes codes approved by the UR under the TSO Licence. Consequently, SONI's primary focus during this work has been to ensure that any updated drafting of the TIA supports efficient delivery of SONI's statutory duties and preserves the rights that SONI relies upon to discharge those duties.

Our understanding of the legal hierarchy and status of documents relevant to the TIA is:

- Statute takes precedent, including European regulations that continue to apply under the Withdrawal Agreement between the UK Government and the European Union. The UR has been given responsibility for allocating the responsibilities set out in the Network Codes between SONI, Moyle Interconnector Ltd and NIE Networks;
- The licences, including the TSO Licence, NIE Networks' Transmission Owner licence and NIE Distribution licence sit beneath statute in the hierarchy;
- Codes, methodologies and statements, that are established under the licences, such as the Grid Code and charging statements sit below the relevant licences; and finally
- Contracts approved by the UR under the TSO Licence, such as SONI's interface agreements with PPB, Moyle Interconnector Ltd and NIE Networks, sit at the lower end of the hierarchy and can only govern the practical outworking of the relationship between the parties to that contract. They cannot establish any wider rights or obligations, and need to be consistent with the legislation, licences and codes that sit above them in the legal hierarchy.

Network assets that operate at 110kV are classed as transmission in Northern Ireland, this means that SONI is responsible for determining their location and functionality. This includes 110kV assets chargeable to parties⁷ connecting at 33kV and via clusters. While Articles 19 to 26 of the Order set out obligations, rights and exemptions associated with connection to the distribution system, there is no equivalent legislation covering transmission connections. Therefore, it is only the TSO Licence that provides SONI with the right to charge for connection related works and to refuse connection in specific circumstances. This is a fundamental difference between Transmission and Distribution connections.

For example, if SONI were to process a connection application by NIE Networks outside of Condition 25 of the TSO Licence, it would lose the statutory rights and protections provided to it via the TSO Licence conditions such as the right to charge for services or to refuse connection on any grounds, thereby creating a mismatch between SONI and NIE Networks. It would also remove any obligation on SONI to provide an offer within a fixed time and the UR oversight of that aspect of the process. SONI therefore cannot agree to the proposal presented by NIE Networks.

⁶ <https://www.legislation.gov.uk/nisi/1992/231/article/8>

⁷ This includes both generation and demand connections

Authority to Interpret SONI's Licence

As part of the process of assessing Section S, SONI has articulated to NIE Networks the unacceptable consequences to SONI of NIE Networks interpretation (as set out above) and has also highlighted that the proposed modifications would create the potential for a compliance risk to SONI.

All of the textual changes proposed by NIE Networks are dependent on the Section S processes falling outside the scope of Condition 25 of the TSO Licence and as stated above this is a significant departure from the current arrangements. Therefore, in order for these proposals to be implemented, in SONI's view, the UR should engage with the Department. In the event that the UR signs off text that states that this work is outside Condition 25, SONI would need the comfort that the Department is fully aware of the proposal and has had adequate opportunity to consider the same and make any directions it feels are necessary. In addition, SONI would also require verification from the UR around its rights to recover its costs and other aspects covered by conditions 25 and 30.

For completeness, SONI's delivery of work through the TIA is covered by multiple Licence conditions, for example SONI discharges some of its obligations under Condition 20 of its licence via Section C of the TIA, therefore there is no conflict created by SONI discharging some of its obligations under Condition 25 via Section S of the TIA. We are therefore comfortable that Section S contains the outworking of Condition 25 in respect to the 110kV assets chargeable to 33kV connections. Indeed, it is SONI's view that any delivery of work must be covered by the TSO licence conditions as the TIA simply expands on the TSO Licence but cannot conflict with it otherwise the TSO Licence must take precedence.

SONI's Role in Charging for Transmission Assets

SONI's role in charging for connection and use of the transmission system was considered as part of the TSO certification process. That process also assumed that SONI would be determining which transmission assets would be built, and that NIE Networks would provide SONI with the information necessary to inform these decisions. The insertion of proposed paragraph 2.5 would fundamentally change that role. We have therefore considered NIE Networks proposed wording of paragraph 2.5 in two contexts:

1. Is it legal? and
2. Is there a problem with the current financial flows in practice?

As demonstrated below, in SONI's opinion, the answer to both questions is "no".

Legal basis for the changes

Under the arrangements certified, SONI is responsible for planning the transmission network. In its opinion on certification, the European Commission stated that: "SONI is the contractual counterparty for system users and is responsible for calculating charges for access to the transmission system in line with the regulatory approved methodology."

NIE Networks does not appear to question that the 110kV assets associated with a cluster fall within the definition of transmission, and therefore SONI's responsibility. It is also clear that under the certified arrangements SONI is responsible for identifying the location of transmission assets and charging for them.

The trading boundary in the Single Electricity Market (SEM) is at the point where the transmission and distribution systems meet. SONI has a duty to facilitate competition in the generation of electricity and is responsible ⁸ for ensuring that there is no undue discrimination between market participants across the SEM who are charged for connection assets at transmission voltages.

However, the proposed modifications would completely remove any role for SONI in processing charges for 110kV assets constructed for clusters. Instead, NIE Networks appears to be proposing to pass charges directly between its transmission and distribution businesses, preventing SONI from fulfilling the role envisaged at certification.

We have not been able to find any provision within the statutory framework at either European or local level that would permit NIE Networks to directly charge market participants for connection assets at transmission voltages as either Distribution Network Owner or Transmission Owner, without SONI's involvement in that calculation.

Article 8 of the Electricity (NI) Order 1992 only permits NIE Networks participating in transmission to the extent allowed by its licence,. In the absence of a clear legal right claimed by NIE Networks (and verified by the relevant authorities ⁹) that would allow it to charge customers directly for transmission assets, we see no basis upon which the UR could approve these modifications.

Current Financial Flows

In practice, the money flows under the TIA have worked efficiently and effectively recently. This was demonstrated in the energisation of the Agivey cluster, The TIA, as extant, permits the netting of charges, therefore any financial transfer that passes via SONI would in practice only result in the net charges being transferred. While we understand the theoretical concerns that NIE Networks articulated to us during this process, this was prior to the assurances provided by the UR to SONI and NIE Networks in relation to the recovery of shared asset charges.

Subsequent to the assurances provided by the UR, and due to the netting arrangement, which is already in place, SONI has assumed that no actual difficulties have arisen in practice. We therefore struggle to see any practical justification for the introduction of paragraph 2.5

SONI has offered to update the TCCMS to provide additional clarity in relation to the costs associated with the section S process. We consider that this would address the concerns raised by NIE Networks.

⁸ SONI discharges this duty in conjunction with EirGrid, the TSO in Ireland

⁹ The UR and the department would need to determine if they considered they had the authority to decide this, or if it triggers a review of the certification arrangements as set out in the Electricity (NI) Order 1992 and in Condition 20A of SONI's TSO licence

Information Necessary to Plan the Transmission Network

NIE Networks proposed modification would reduce SONI's right to contractual information in relation to cluster connections. NIE Networks proposal includes the use of a Schedule in the TIA to provide backup information. This approach may diminish SONI's role in the planning of the transmission system and would limit access to information that SONI requires to discharge its duties, such as ensuring the efficient, economic and coordinated development of the transmission network. Such a move would be contrary to Articles 32 & 40 of the Directive, which envisage increased information sharing between system operators and all parties participating in transmission.

In SONI's opinion, the right to information needs to be strengthened to comply with the Directive, not diminished.

Licence Condition 15: No Undue Discrimination

The proposed modifications entrench and exacerbate the favourable position of NIE Networks as holder of both transmission and distribution licences ahead of any future holders of the generic distribution licence and any exempt distributors (as set out above). They would also introduce the potential for a lower level of regulatory protection for generators connecting via clusters, particularly with regard to regulatory oversight of SONI's role in that process.

Condition 15 of the licence prohibits SONI from both unduly discriminating in favour of NIE Networks and unduly discriminating against generators connecting via clusters. Therefore, in SONI's opinion, the UR would need to give consideration to the impact of these modifications on all relevant parties (in this case future holders of generation or distribution licences) when undertaking its assessment of NIE Networks proposal. Obviously SONI is not in a position to provide representation on behalf of future licence holders but is drawing this potential impact to the UR's attention to ensure that all relevant perspectives are taken into account.

In the event that UR considers this differential treatment to be acceptable (i.e. due discrimination), it will be important that the UR provides the necessary clarity and justification for that position within its decision paper.

The Directive also contains a right for parties to be connected in a non-discriminatory manner, therefore the modifications would also need to be assessed by UR and the Department for compliance with Article 42 of the Directive before they could be approved.

Comments on other matters raised by NIE Networks in Section A

Relevance of Decisions made in 2007

We note that NIE Networks' justification for these modifications focuses on the background to decisions made in 2007. These decisions were made to implement the second package of European electricity legislation and also to implement the original SEM trading arrangements. Those decisions have since been superseded by the implementation of the third energy package.

For completeness, SONI attempted to authenticate the claims made by NIE Networks in relation to the original development of Section S 15 years ago. Unfortunately, this wording was not consulted upon (save for a reference to a section that will be developed at a later date ¹⁰), therefore SONI has been unable to find any consultation or decision paper setting out the reasoning behind the wording of Section S and consequently does not consider these historical motivations reliable for use in these circumstances.

The reasons behind the original drafting of Section S are no longer relevant. The certification decisions were based on the licences and wording contained within the TIA as extant in 2013 and furthermore, these were assessed in the context of the updated legal framework, as referenced in the EC paper from 2013, which had evolved significantly since 2007.

The relevant sections of the licencing framework in Northern Ireland were also updated between 2007 and 2013. The licences reviewed during the certification process included a condition that was not present in the 2007 licence ¹¹. This additional condition requires the introduction of specific Distribution Interface Arrangements. Furthermore, the obligation is not only placed on SONI and NIE Networks but is also included in the generic Electricity Distribution Licence ¹² that was created by the UR in 2013.

The most recent package of legislation introduced by the European Commission, the Clean Energy Package, further defines the role and responsibilities of Distribution System owners and operators. Given the substantial changes over the last 15 years, it is clear that the wording of the TIA and NIE Networks' proposed modifications can only be assessed in the context of the legal framework pertaining today.

We note that NIE Networks has made no reference to the implementation of IME3 or the new requirements contained in the Clean Energy Package within Section A. We understand that NIE Networks does not consider these to be relevant to this process.

3 The Other Party's Recommendation and Whether or not the Proposed Amendments Would Better Facilitate Achievement of the Relevant Aims of the TIA

SONI considers that the current wording of the TIA fully reflects the allocation of responsibilities that was assessed through the TSO certification process. We also consider that the current wording is well grounded within the statutory framework at both European and Local levels.

We are aware that additional clarity could be provided for parties connecting at 33kV and who will be charged for assets at 110kV. Article 42 of the Directive mandates that these transparent methodologies are approved by the UR. We are therefore of the opinion that the TCCMS could be updated to provide additional clarity required by 33kV connectees, NIE Networks, and any future holder of a Distribution Licence, around the transmission/distribution charging interface. SONI considers that this can be undertaken

¹⁰ <https://www.uregni.gov.uk/publications/single-electricity-market-introduction-transmission-interface-agreement-northern> (See page 88)

¹¹ <https://www.semcommittee.com/sites/semcommittee.com/files/media-files/AIP-SEM-07-219%20NI%20SO%20Licence%20-%20for%20Application.pdf>

¹² https://www.uregni.gov.uk/files/uregni/media-files/Generic_Electricity_Distribution_Licence.pdf

in a way that remains consistent with our obligations under Condition 15 of our licence, i.e. this update would apply to:

- NIE Networks, currently the only holder of a distribution licence in Northern Ireland;
- all future holders of a Distribution Licence; and
- any distributors that are exempt from holding a distribution licence.

In our Forward Work Plan, published on 30 September 2022, we have committed to reviewing the TCCMS before the end of the 2022/23 reporting year. This work would consider options for clarifying which charges apply to DSO connections. We plan to undertake a full public consultation on this update, ensuring that all relevant stakeholders have an opportunity to input, including NIE Networks.

This approach is consistent with:

- European legislation;
- TSO Certification;
- Local legislation; and
- SONI's TSO licence.

SONI tabled this option with NIE Networks during our discussions, however NIE Networks wished to progress their proposed amendments.

4 List of Attachments, if any

None

3. Consultation

3.1 Consultation Process

In accordance with Paragraph 2.2.4.9 of Section P of the TIA, the Parties placed the Proposed Amendment Report on each Party's website and invited views on the proposals.

The Parties place a great deal of importance on stakeholder engagement and, while public/industry consultation on proposed TIA amendments is a requirement of the governance process set out in the TIA, the Parties implemented a consultation strategy with the objectives of fully informing stakeholders of the proposals to enable the submission of views from anyone who has an interest in the effects of the proposals and wishes to be involved in the decision-making process.

To that end:

- In consideration of the Easter holidays the consultation period was set at four weeks, 5 April to 2 May 2023, which is longer than is required by the TIA,
- Full advantage was taken of social media to maximise awareness of the consultation – notifications were placed in Twitter, LinkedIn and Facebook, and
- Stakeholders registered with SONI to receive news briefings received emails notifying them of the consultation.

The Parties assured potential respondents that all representations received would be fully considered, following which an Amendment Report would be prepared containing a summary of those representations and the report would then be submitted to the Utility Regulator for consideration.

3.2 Responses to the Consultation

By the end of the consultation period neither NIE Networks nor SONI had received any responses.

4. NIE Networks' Recommendations and Conclusions

NIE Networks remains of the view that the proposed amendments reflect the conclusions of the TIA Charging Review and should be implemented for the reasons set out in Section 2, Part A above.

Specifically, the proposed amendments would:

- Resolve charging issues while at the same time clarify the necessary processes and contractual framework required to support those revised charging arrangements,
- Ensure certainty of cost recovery for both Parties,
- Define when application fees shall be paid and how they shall be calculated,
- Discontinue circular charging between the Parties,
- Add clarity to the internal processes,
- Introduce an obligation and a process for developing an application and offer timetable, and
- Clarify certain definitions.

5. SONI's Recommendations and Conclusions

SONI remains of the view that the proposed amendments should not be implemented for the reasons set out in Section 2, Part B above.

Annex 1 – Section S as Currently Drafted

Section S Transmission/Distribution System Connection & Use of System

1 Right To Be and Remain Connected and Energised

1.1 NIE Networks shall (subject to the provisions of the **Relevant Documents**) have the right for the **Distribution Connection Equipment** to be and remain connected to the **Transmission System** at the **Connection Point** and to be and remain **Energised** for the remainder of the **Term**.

2 Applications for Distribution Connections Requiring Transmission Works

2.1 Where a person applies to NIE Networks for an offer to connect, or to modify an existing connection, to the **Distribution System** which, in NIE Networks' view may require a **Construction Project** were it to proceed, NIE Networks shall submit an application to SONI to provide any necessary transmission works.

2.2 Should SONI receive such an application from NIE Networks then SONI shall submit an offer to NIE Networks to provide such works as may be chargeable to a connectee under SONI's **Connection Charging Methodology Statement**.

2.3 Should NIE Networks accept SONI's offer then NIE Networks shall pay the charges as set out in SONI's offer and as recorded in a statement of account drawn up for that purpose. The offer provided by SONI shall be in accordance with the terms and methods of calculation set out in SONI's **Connection Charging Methodology Statement**.

2.4 Any offer submitted by SONI to NIE Networks pursuant to sub-paragraph 2.2 shall be in accordance with a **Construction Offer** provided by NIE Networks to SONI pursuant to Section D, sub-paragraph 4.4.

2.5 Notwithstanding sub-paragraph 2.3 any charges so payable may be netted off other payments falling due under the TIA.

3 Emergency/Temporary De-Energisation

3.1 If, in the reasonable opinion of SONI, the condition or performance of the **Connection Equipment**, the **Distribution System** or the **Transmission System** or other **Plant** or **Apparatus** poses a threat of injury or material damage to any person or property (whether belonging to or operated by SONI, NIE Networks or any other person) SONI shall have the right to **De-energise** the **Connection Point** if it considers it necessary or expedient to do so to avoid such danger, injury or damage.

3.2 SONI may **De-energise** the **Connection Point** at any time if and to the extent that SONI acting as a **Reasonable and Prudent Operator** considers it necessary to do so:-

3.2.1 to enable SONI to inspect or to effect alterations, maintenance, repairs, removals, replacements or additions to any part of the **Transmission System** and any interconnector or to facilitate such actions in respect of the **Distribution System**;

3.2.2 in the case of emergency affecting or liable to affect the proper working of the **Transmission System** or any other system through which SONI receives a supply of electricity directly or indirectly; or

3.2.3 to avoid interference with any supply for the time being delivered by SONI to any person.

3.3 Any **De-Energisation** of the **Connection Point** must be carried out in accordance with the provisions of the **Grid Code** and agreed safety procedures.

3.4 SONI shall **Re-Energise** the **Connection Point** as soon as practicable after the circumstances leading to any **De-energisation** under this paragraph 3 have ceased to exist.

4 Prudent Operating Practice

4.1 SONI, as a **Reasonable and Prudent Operator**, shall ensure that the **Transmission Connection Equipment** is operated in accordance with the **Grid Code**, and NIE Networks, as a **Reasonable and Prudent Operator**, shall ensure that the **Distribution Connection Equipment** is operated in accordance with the **Grid Code**, save that nothing in this paragraph shall prevent the **Distribution System** from responding to an unplanned event in either system such as to prevent outage or increase the stability of that system.

5 Rights of Access

5.1 Each **Party** hereby grants the other all necessary rights of access as are required for the purposes of using, operating, maintaining, inspecting, repairing and, if necessary, renewing or replacing the **Transmission Connection Equipment** or the **Distribution Connection Equipment**.

5.2 At each NIE Networks distribution substation to which a **Relevant Power Station** is connected NIE Networks shall so far as it is able to do so:

5.2.1 permit SONI to locate its SCADA and other telemetry and control equipment which SONI reasonably requires to be located at such substation pursuant to obligations in the SONI **Transmission Licence** within the NIE Networks switch room and/or NIE Networks control room and provide a power supply to such equipment;

5.2.2 procure such access rights as SONI may reasonably require for the purpose of installing, using, operating, maintaining, inspecting, repairing and, if necessary, renewing or replacing such equipment subject to compliance by SONI with such reasonable directions regarding access as may be given by NIE Networks or the site owner (as the case may be).

6 Site Specific Technical Conditions

6.1 NIE Networks shall use all reasonable endeavours to ensure that the **Distribution Connection Equipment** complies with and shall continue to comply with any site specific technical conditions. SONI shall ensure that NIE Networks uses all reasonable endeavours to ensure that the **Transmission Connection Equipment** complies with and shall continue to comply with any other site specific technical conditions.

6.2 If NIE Networks or SONI wishes to modify, alter or otherwise change the site specific technical conditions or the manner of their operation:-

6.2.1 if the change is agreed not to be significant, it may do so upon obtaining the agreement of the other **Party**, such agreement not to be unreasonably withheld; or

6.2.2 in absence of such agreement, such modification, alteration or change shall be deemed to be a **Modification** for the purposes of the TIA.

7 Distribution User Requirements, Energisation and De-energisation

7.1 NIE Networks shall not Energise the connection between any **Relevant Power Station** and the **Distribution System** unless the user in respect of such **Relevant Power Station** has entered into the relevant agreement with SONI for use of the **Transmission System**, or for **Grid Code** compliance, as the case may be, as specified from time to time in Schedule 4 by SONI.

7.2 SONI shall notify NIE Networks in writing as soon as the condition has been satisfied in each particular case. SONI and NIE Networks shall notify each other as soon as reasonably practical if either **Party** becomes aware that a **Power Station** becomes or has ceased to be a **Relevant Power Station**.

7.3 NIE Networks shall **De-energise** the connection equipment of or related to the use by any user referred to in paragraph 7.1 as soon as reasonably practicable following the instruction of SONI where such instruction is made pursuant to an agreement referred to in paragraph 7.1 SONI shall reimburse any expenses reasonably incurred in relation to such act of **De-energisation**, if any, and shall indemnify NIE Networks against any liability for loss or damage suffered by it as a result of such **De-energisation**. Details of any such circumstances likely to lead to such a **De-energisation** shall be notified promptly by SONI to NIE Networks. NIE Networks shall promptly notify SONI of any such **De-energisation**.

7.4 Schedule 4 contains the form of agreement to be entered into between SONI and a user in respect of a wind farm power station between 5MW and 10MW that is connected to the **Distribution System** for **Grid Code** compliance, where such user does not otherwise have an agreement with SONI for use of system.

7.5 Where NIE Networks **De-energises** the connection equipment of or related to the use by any user referred to in paragraph 7.1 other than in the circumstances described in paragraph 7.3 NIE Networks shall promptly notify SONI of any such **De-energisation**.

8 Definitions

8.1 In this Section S:

"**Connected**" or "**Connection**" or "**Connecting**" means the installation of the **Transmission Connection Equipment** in such a way that, subject to **Energisation**, **Transfers** may be made;

"**Connection Equipment**" means the **Transmission Connection Equipment** and/or the **Distribution Connection Equipment**;

"**Connection Point**" means the point at which the **Transmission Connection Equipment** is connected to the **Distribution Connection Equipment**;

"**De-energisation**" means the movement of any isolator, breaker or switch or the removal of any fuse so as to prevent electricity from flowing to the **Transmission System** from the **Distribution System** (and vice versa) and "**De-energised**", "**De-energise**" and "**De-energising**" shall be construed accordingly;

"**Disconnect**" or "**Disconnection**" or "**Disconnected**" means the permanent electrical

disconnection of all or any of the **Transmission Connection Equipment** from the **Distribution Connection Equipment**;

"**Distribution Connection Equipment**" means the **Plant** and **Apparatus** agreed as such between the **Parties**;

"**Energise**" or "**Energising**" or "**Energisation**" or "**Energised**" means the movement of any switch or the insertion of any fuse or the taking of any other step so as to enable an electrical current to flow at the **Connection Point**;

"**Power Station**" means an installation comprising one or more turbine generators or wind turbine generators owned and/or controlled by the same generator (being a person granted a licence or exemption under the **Order**), which may reasonably be considered as being managed as one **Power Station**.

"**Relevant Power Station**" means a **Power Station** which participates in the Single Electricity Market (as defined in the **Transmission Licence**) pursuant to the TSC and/or is a wind farm power station between 5MW and 10MW that is connected to the **Distribution System**.

"**Reasonable and Prudent Operator**" means a person exercising that degree of skill, diligence, prudence and foresight which would reasonably and ordinarily be expected from a skilled and experienced operator engaged in the same type of undertaking under the same or similar circumstances;

"**Re-energise**" or "**Re-energisation**" or "**Re-energised**" means **Energisation** on a second or subsequent occasion during the currency of the TIA, following a **De-energisation**;

"**Relevant Document**" means the **Grid Code**, the **Distribution Code** and the TIA;

"**Term**" means the period of the TIA;

"**Transfer(s)**" means the transfer of electricity from the **Distribution System** to the **Transmission System** and/or from the **Distribution System** to the **Transmission System**, as the context requires;

"**Transmission Connection Equipment**" means the **Plant**, **Apparatus** and other items agreed as such between the **Parties**.

Annex 2 – Proposed Amendments to Section S

Section S Transmission/Distribution System Connection & Use of System

1 Right To Be and Remain Connected and Energised

1.1 NIE Networks shall (subject to the provisions of the **Relevant Documents**) have the right for the **Distribution Connection Equipment** to be and remain connected to the **Transmission System** at the **Connection Point** and to be and remain **Energised** for the remainder of the **Term**.

2 Applications for Distribution Connections Requiring Transmission Works

2.1 Where:

(a) a person applies to NIE Networks for an offer to connect, or to modify an existing connection, to the **Distribution System**, or

(b) NIE Networks intends to advance the development of a cluster substation, in accordance with Appendix 2 of the NIE Networks' **Statement of Connection Charges**

which, in NIE Networks' view may require a **Construction Project** ~~were it to proceed~~, NIE Networks shall submit an application to SONI to provide any necessary transmission works (a "**Section S Application**").

2.1.2.2 A **Section S Application** shall be accompanied by the first instalment of the relevant SONI application fee and the second instalment of that fee shall be paid by NIE Networks once SONI has deemed the **Section S Application** to be effective and submitted an invoice to NIE Networks. The relevant **SONI** application fee is a fixed fee derived from Section 8 and Table 1, column headed 'Generation - Assessment of system works, including distribution connected generation' in the **Connection Charging Methodology Statement**.

2.3 Should SONI receive a **Section S Application** ~~such an application~~ from NIE Networks then, subject to sub-paragraph 2.4:

2.3.1 In accordance with the relevant requirements of Section D, paragraph 2 (**Construction Applications**) and paragraph 3 (**Construction Offers**):

2.3.1.1 SONI shall submit a **Construction Application** to NIE Networks, accompanied by the first instalment of the relevant NIE Networks application fee. The second instalment shall be paid by SONI once NIE Networks has deemed the **Construction Application** to be effective and submitted an invoice to SONI. The relevant NIE Networks' application fee is a fixed fee derived from Section 6 and Table 1 in the **Transmission Charging Statement**; and

2.3.1.2 NIE Networks shall submit a **Construction Offer** to SONI.

2.3.2 A **Section S Application** shall not be treated by SONI as an application which is subject to the terms of Condition 25 of the **SONI Transmission Licence**.

2.1.1.2.3.3 ~~SONI shall submit an offer to NIE Networks to provide the necessary transmission such works~~ ("a **Section S Offer**") ~~as may be chargeable to a connectee~~

~~under SONI's **Connection Charging Methodology Statement**.~~

~~2.4~~ The Parties shall, in respect of each **Construction Project**, agree a timetable for the development and submission of **Construction Applications**, **Construction Offers**, **Section S Offers** and any other relevant activities required pursuant to sub-paragraphs 2.3.1 and 2.3.2 as soon as reasonably practicable but, unless otherwise agreed, within five **Business Days** of SONI receiving a **Section S Application**.

~~2.5~~ The **Section S Offer** may only include charges estimated to ensure that SONI recovers the following in relation to a **Construction Project**:

(a) SONI's pre-construction and construction costs;

(b) SONI's operation and maintenance costs; and

(c) **A Shared Asset Charge**.

~~2.2.6~~ Subject to sub-paragraph 2.7 below, ~~S~~ should NIE Networks accept the **Section S Offer**~~SONI's offer~~ then NIE Networks shall pay the charges as set out in the **Section S Offer**~~SONI's offer~~ and as recorded in a statement of account drawn up for that purpose. The charges in the **Section S Offer**~~offer~~ provided by SONI shall be calculated in accordance with the ~~terms and~~ methods of calculation set out in SONI's **Connection Charging Methodology Statement**.

~~2.7~~ Notwithstanding the requirements of sub-paragraph 2.6, NIE Networks shall only be obliged to pay the **Shared Asset Charge** if it is equal to the amount that the **Authority** determines, in a published decision, to be payable by NIE Networks for the connection of the **Distribution System** to that part of the **Transmission System** that has been funded by a **User** pursuant to a **Connection Agreement** entered into between that **User** and SONI and, as such, is deemed to be pass through capital expenditure for NIE Networks.

~~2.3.2.8~~ Any **Section S Offer**~~offer~~ submitted by SONI to NIE Networks pursuant to sub-paragraph 2.3.2 shall be in accordance with the relevant **Construction Offer** provided by NIE Networks to SONI pursuant to Section D, sub-paragraph ~~3~~4.4.

~~2.4.2.9~~ Notwithstanding sub-paragraph 2.6~~3~~ any charges so payable may be netted off other payments falling due under the TIA.

3 Emergency/Temporary De-Energisation

3.1 If, in the reasonable opinion of SONI, the condition or performance of the **Connection Equipment**, the **Distribution System** or the **Transmission System** or other **Plant** or **Apparatus** poses a threat of injury or material damage to any person or property (whether belonging to or operated by SONI, NIE Networks or any other person) SONI shall have the right to **De-energise** the **Connection Point** if it considers it necessary or expedient to do so to avoid such danger, injury or damage.

3.2 SONI may **De-energise** the **Connection Point** at any time if and to the extent that SONI acting as a **Reasonable and Prudent Operator** considers it necessary to do so:-

3.2.1 to enable SONI to inspect or to effect alterations, maintenance, repairs, removals, replacements or additions to any part of the **Transmission System** and any interconnector or to facilitate such actions in respect of the **Distribution System**;

3.2.2 in the case of emergency affecting or liable to affect the proper working of the

Transmission System or any other system through which SONI receives a supply of electricity directly or indirectly; or

3.2.3 to avoid interference with any supply for the time being delivered by SONI to any person.

3.3 Any **De-Energisation** of the **Connection Point** must be carried out in accordance with the provisions of the **Grid Code** and agreed safety procedures.

3.4 SONI shall **Re-Energise** the **Connection Point** as soon as practicable after the circumstances leading to any **De-energisation** under this paragraph 3 have ceased to exist.

4 Prudent Operating Practice

4.1 SONI, as a **Reasonable and Prudent Operator**, shall ensure that the **Transmission Connection Equipment** is operated in accordance with the **Grid Code**, and NIE Networks, as a **Reasonable and Prudent Operator**, shall ensure that the **Distribution Connection Equipment** is operated in accordance with the **Grid Code**, save that nothing in this paragraph shall prevent the **Distribution System** from responding to an unplanned event in either system such as to prevent outage or increase the stability of that system.

5 Rights of Access

5.1 Each **Party** hereby grants the other all necessary rights of access as are required for the purposes of using, operating, maintaining, inspecting, repairing and, if necessary, renewing or replacing the **Transmission Connection Equipment** or the **Distribution Connection Equipment**.

5.2 At each NIE Networks distribution substation to which a **Relevant Power Station** is connected NIE Networks shall so far as it is able to do so:

5.2.1 permit SONI to locate its SCADA and other telemetry and control equipment which SONI reasonably requires to be located at such substation pursuant to obligations in the SONI **Transmission Licence** within the NIE Networks switch room and/or NIE Networks control room and provide a power supply to such equipment;

5.2.2 procure such access rights as SONI may reasonably require for the purpose of installing, using, operating, maintaining, inspecting, repairing and, if necessary, renewing or replacing such equipment subject to compliance by SONI with such reasonable directions regarding access as may be given by NIE Networks or the site owner (as the case may be).

6 Site Specific Technical Conditions

6.1 NIE Networks shall use all reasonable endeavours to ensure that the **Distribution Connection Equipment** complies with and shall continue to comply with any site specific technical conditions. SONI shall ensure that NIE Networks uses all reasonable endeavours to ensure that the **Transmission Connection Equipment** complies with and shall continue to comply with any other site specific technical conditions.

6.2 If NIE Networks or SONI wishes to modify, alter or otherwise change the site specific technical conditions or the manner of their operation:-

- 6.2.1 if the change is agreed not to be significant, it may do so upon obtaining the agreement of the other **Party**, such agreement not to be unreasonably withheld; or
- 6.2.2 in absence of such agreement, such modification, alteration or change shall be deemed to be a **Modification** for the purposes of the TIA.

7 **Distribution User Requirements, Energisation and De-energisation**

- 7.1 NIE Networks shall not Energise the connection between any **Relevant Power Station** and the **Distribution System** unless the user in respect of such **Relevant Power Station** has entered into the relevant agreement with SONI for use of the **Transmission System**, or for **Grid Code** compliance, as the case may be, as specified from time to time in Schedule 4 by SONI.
- 7.2 SONI shall notify NIE Networks in writing as soon as the condition has been satisfied in each particular case. SONI and NIE Networks shall notify each other as soon as reasonably practical if either **Party** becomes aware that a **Power Station** becomes or has ceased to be a **Relevant Power Station**.
- 7.3 NIE Networks shall **De-energise** the connection equipment of or related to the use by any user referred to in paragraph 7.1 as soon as reasonably practicable following the instruction of SONI where such instruction is made pursuant to an agreement referred to in paragraph 7.1 SONI shall reimburse any expenses reasonably incurred in relation to such act of **De-energisation**, if any, and shall indemnify NIE Networks against any liability for loss or damage suffered by it as a result of such **De-energisation**. Details of any such circumstances likely to lead to such a **De-energisation** shall be notified promptly by SONI to NIE Networks. NIE Networks shall promptly notify SONI of any such **De-energisation**.
- 7.4 Schedule 4 contains the form of agreement to be entered into between SONI and a user in respect of a wind farm power station between 5MW and 10MW that is connected to the **Distribution System** for **Grid Code** compliance, where such user does not otherwise have an agreement with SONI for use of system.
- 7.5 Where NIE Networks **De-energises** the connection equipment of or related to the use by any user referred to in paragraph 7.1 other than in the circumstances described in paragraph 7.3 NIE Networks shall promptly notify SONI of any such **De-energisation**.

8 **Definitions**

- 8.1 In this Section S:

"**Connected**" or "**Connection**" or "**Connecting**" means the installation of the **Transmission Connection Equipment** in such a way that, subject to **Energisation**, **T**ransfers may be made;

"**Connection Equipment**" means the **Transmission Connection Equipment** and/or the **Distribution Connection Equipment**;

"**Connection Point**" means the point at which the **Transmission Connection Equipment** is connected to the **Distribution Connection Equipment**;

"**De-energisation**" means the movement of any isolator, breaker or switch or the removal of any fuse so as to prevent electricity from flowing to the **Transmission System** from the **Distribution System** (and vice versa) and "**De-energised**", "**De-energise**" and "**De-energising**" shall be construed accordingly;

"Disconnect" or "Disconnection" or "Disconnected" means the permanent electrical disconnection of all or any of the **Transmission Connection Equipment** from the **Distribution Connection Equipment**;

"Distribution Connection Equipment" means the **Plant** and **Apparatus** agreed as such between the **Parties**;

"Energise" or "Energising" or "Energisation" or "Energised" means the movement of any switch or the insertion of any fuse or the taking of any other step so as to enable an electrical current to flow at the **Connection Point**;

"Power Station" means an installation comprising one or more turbine generators or wind turbine generators owned and/or controlled by the same generator (being a person granted a licence or exemption under the **Order**), which may reasonably be considered as being managed as one **Power Station**.

"Relevant Power Station" means a **Power Station** which participates in the Single Electricity Market (as defined in the **Transmission Licence**) pursuant to the TSC and/or is a wind farm power station between 5MW and 10MW that is connected to the **Distribution System**.

"Reasonable and Prudent Operator" means a person exercising that degree of skill, diligence, prudence and foresight which would reasonably and ordinarily be expected from a skilled and experienced operator engaged in the same type of undertaking under the same or similar circumstances;

"Re-energise" or "Re-energisation" or "Re-energised" means **Energisation** on a second or subsequent occasion during the currency of the TIA, following a **De-energisation**;

"Relevant Document" means the **Grid Code**, the **Distribution Code** and the TIA;

"Section S Application" means an application issued by NIE Networks to SONI for the provision of a Section S Offer;

"Section S Offer" means an offer issued by SONI to NIE Networks for the provision of necessary transmission works to enable NIE Networks to:

- (a) issue an offer(s) to connect, or modify an existing connection, to the **Distribution System**, or
- (b) advance the development of a cluster substation, in accordance with Appendix 2 of the NIE Networks' **Statement of Connection Charges**

which may require a **Construction Project**. For the avoidance of doubt, a **Section S Offer** is not an offer under Licence Condition 25 (2) of the **SONI Transmission Licence**;

"Shared Asset Charge" means the charge calculated in accordance with section 7 of the **Connection Charging Methodology Statement** which if paid by NIE Networks will enable SONI to make a partial rebate to an existing **User**;

"Statement of Connection Charges" means the statement prepared pursuant to Licence Condition 32, paragraph 1 (b) of the NIE Networks **Distribution Licence**, as approved by the **Authority**;

"Term" means the period of the TIA;

"**Transfer(s)**" means the transfer of electricity from the **Distribution System** to the **Transmission System** and/or from the **Distribution System** to the **Transmission System**, as the context requires;

"**Transmission Charging Statement**" means the statement prepared pursuant to Licence Condition 22 of the NIE Networks **Transmission Licence**, as approved by the **Authority**;

"**Transmission Connection Equipment**" means the **Plant, Apparatus** and other items agreed as such between the **Parties**.

Amendment required in Section U:

"Connection Agreement" an agreement between SONI and a **User** pursuant to an offer made by SONI under Licence Condition 25 (2) of the SONI **Transmission Licence**, setting out the terms relating to a connection to the **Transmission System**;

Annex 3 –Schedule 3 as Currently Drafted

Schedule 3 Construction Offer Specification

1 Introduction

- 1.1 This schedule specifies the information which shall be provided by NIE Networks to SONI in a **Construction Offer**, in respect of a **Construction Project**. It covers the minimum technical, commercial and project management requirements of the **Construction Offer**.
- 1.2 Terms which are in bold type and capitalised shall be interpreted according to the definition in Section U of the TIA or the **Grid Code**.

2 Information to be contained in all Construction Offers

- 2.1 NIE Networks and SONI will develop a pro forma **Construction Offer** which will contain the information listed in paragraph 2 within 12 months of 1 November 2007 or such longer period as the **Authority** may direct.
- 2.2 All **Construction Offers** submitted by NIE Networks to SONI, pursuant to Section D, sub-paragraph 4.4, shall contain the following information:
- 2.2.1 The reference number or name of the **Construction Application**;
- 2.2.2 Details of any pre-application feasibility studies that have been carried out and are relevant to the **Construction Application**;
- 2.2.3 The **User Application Date** or the **RoI TSO Application Date**;
- 2.2.4 Any specific safety issues or requirements;
- 2.2.5 Project management contact details;
- 2.2.6 NIE Networks' charges, if any, for the **Construction Project**, in reasonable but not excessive detail, setting out:
- 2.2.6.1 The basis of the charges, for example fixed price or indicative price;
- 2.2.6.2 Charges relating to design review, inspection and monitoring of the **Contestable Works**;
- 2.2.6.3 Payment terms, detailing milestone payments, if any; and
- 2.2.6.4 Any price adjustment events and methodologies (including, where applicable, in relation to the relevant **User's** compliance with any **Contestable Offer** made pursuant to the relevant **User Application**).
- 2.2.7 A construction programme containing:
- 2.2.7.1 Asset specific commissioning dates, including phased commissioning where appropriate;
- 2.2.7.2 Scheme completion date;
- 2.2.7.3 Site access dates, if any;

- 2.2.7.4 Outage requirements;
 - 2.2.7.5 Dependencies on any **User Works** or receipt of information from the User;
 - 2.2.7.6 Dependencies on any third party works;
 - 2.2.7.7 Dates and frequency of progress reports; and
 - 2.2.7.8 Dependencies on any **Contestable Works**.
- 2.2.8 A site plan showing the proposed **Connection Site**, all major items of **User Equipment** and any proposed location for NIE Networks' **Transmission Connection Assets**, including details of land ownership, site services to be provided by the **User** and site access;
- 2.2.9 Details of any planning consents to be acquired by NIE Networks;
- 2.2.10 Designs in sufficient detail showing the main items required for any **Transmission Connection Assets** and/or any **Transmission Reinforcement Works**;
- 2.2.11 A description in reasonable but not excessive detail of the scope of the **Construction Offer**, relating to:
- 2.2.11.1 New or modified switchgear, including circuit breakers, disconnectors, busbars, CTs, VTs and line traps;
 - 2.2.11.2 New or modified overhead lines;
 - 2.2.11.3 New or modified cables;
 - 2.2.11.4 New or modified power transformers, series reactors and quadrature boosters;
 - 2.2.11.5 New or modified reactive compensation plant;
 - 2.2.11.6 New or modified protection and control equipment; and
 - 2.2.11.7 New or modified civil works.
- 2.2.12 A requirement that SONI procures that the terms of any **Contestable Offer** to be made by SONI to the relevant User requires that the **User** (and the relevant **User's ICP**, where an **ICP** is used by the **User** for the **Contestable Works**) enters into a **Standard Adoption Agreement** with NIE Networks within a reasonable period of time.
- 2.2.13 Without prejudice to the provisions of paragraph 8 of Section B, any further reasonable requirements of NIE Networks in respect of the terms of, and SONI's management and enforcement of, any **Contestable Offer** to be made by SONI to the relevant **User** pursuant to the relevant **User Application**.

Annex 4 – Proposed Amendments to Schedule 3

Schedule 3 Construction Offer Specification

1 Introduction

- 1.1 This schedule specifies the information which shall be provided by NIE Networks to SONI in a **Construction Offer**, in respect of a **Construction Project**. It covers the minimum technical, commercial and project management requirements of the **Construction Offer**.
- 1.2 Terms which are in bold type and capitalised shall be interpreted according to the definition in Section U of the TIA or the **Grid Code**.

2 Information to be contained in all Construction Offers

- 2.1 NIE Networks and SONI will develop a pro forma **Construction Offer** which will contain the information listed in paragraph 2 within 12 months of 1 November 2007 or such longer period as the **Authority** may direct.
- 2.2 All **Construction Offers** submitted by NIE Networks to SONI, pursuant to Section D, sub-paragraph 43.4, shall, subject to paragraph 3 of this Schedule 3, contain the following information:
- 2.2.1 The reference number or name of the **Construction Application**;
- 2.2.2 Details of any pre-application feasibility studies that have been carried out and are relevant to the **Construction Application**;
- 2.2.3 The **User Application Date** or the **RoI TSO Application Date**;
- 2.2.4 Any specific safety issues or requirements;
- 2.2.5 Project management contact details;
- 2.2.6 NIE Networks' charges, if any, for the **Construction Project**, in reasonable but not excessive detail, setting out:
- 2.2.6.1 The basis of the charges, for example fixed price or indicative price;
- 2.2.6.2 Charges relating to design review, inspection and monitoring of the **Contestable Works**;
- 2.2.6.3 Payment terms, detailing milestone payments, if any; and
- 2.2.6.4 Any price adjustment events and methodologies (including, where applicable, in relation to the relevant **User's** compliance with any **Contestable Offer** made pursuant to the relevant **User Application**).
- 2.2.7 A construction programme containing:
- 2.2.7.1 Asset specific commissioning dates, including phased commissioning where appropriate;
- 2.2.7.2 Scheme completion date;

- 2.2.7.3 Site access dates, if any;
 - 2.2.7.4 Outage requirements;
 - 2.2.7.5 Dependencies on any **User Works** or receipt of information from the User;
 - 2.2.7.6 Dependencies on any third party works;
 - 2.2.7.7 Dates and frequency of progress reports; and
 - 2.2.7.8 Dependencies on any **Contestable Works**.
- 2.2.8 A site plan showing the proposed **Connection Site**, all major items of **User Equipment** and any proposed location for NIE Networks' **Transmission Connection Assets**, including details of land ownership, site services to be provided by the **User** and site access;
- 2.2.9 Details of any planning consents to be acquired by NIE Networks;
- 2.2.10 Designs in sufficient detail showing the main items required for any **Transmission Connection Assets** and/or any **Transmission Reinforcement Works**;
- 2.2.11 A description in reasonable but not excessive detail of the scope of the **Construction Offer**, relating to:
- 2.2.11.1 New or modified switchgear, including circuit breakers, disconnectors, busbars, CTs, VTs and line traps;
 - 2.2.11.2 New or modified overhead lines;
 - 2.2.11.3 New or modified cables;
 - 2.2.11.4 New or modified power transformers, series reactors and quadrature boosters;
 - 2.2.11.5 New or modified reactive compensation plant;
 - 2.2.11.6 New or modified protection and control equipment; and
 - 2.2.11.7 New or modified civil works.
- 2.2.12 A requirement that SONI procures that the terms of any **Contestable Offer** to be made by SONI to the relevant User requires that the **User** (and the relevant **User's ICP**, where an **ICP** is used by the **User** for the **Contestable Works**) enters into a **Standard Adoption Agreement** with NIE Networks within a reasonable period of time.
- 2.2.13 Without prejudice to the provisions of paragraph 8 of Section B, any further reasonable requirements of NIE Networks in respect of the terms of, and SONI's management and enforcement of, any **Contestable Offer** to be made by SONI to the relevant **User** pursuant to the relevant **User Application**.

3 Information to be contained in Construction Offers issued pursuant to Section S

3.1 Notwithstanding the requirements of sub-paragraph 2.2.6 of this Schedule 3, **Construction Offers** issued pursuant to Section S shall list for information only:

3.1.1 NIE Networks' costs, if any, for the **Construction Project**, in reasonable but not excessive detail, and setting out:

3.1.1.1 Costs relating to design review, inspection and monitoring of the **Contestable Works**; and

3.1.1.2 Any cost adjustment events and methodologies (including, where applicable, in relation to compliance with any **Contestable Offer**).

~~2.2.13~~3.1.2 NIE Networks shall provide to SONI any revisions to the **Construction Project** costs at an agreed frequency and on completion of the **Construction Project**.