



EVIDENCE TO ETI COMMITTEE INVESTIGATION INTO CONNECTIONS ON NI'S GRID

Manufacturing Northern Ireland welcomes the opportunity to provide some evidence to the ETI Committee for its investigation into connections on the electricity grid.

To begin, we recognise that the Committee's terms of reference refer to renewable connections, however, we would welcome the Committee extending this to a wider scope of connections. The Committee are well aware of the scenario which sees NI's manufacturers suffer the 2nd most expensive electricity in Europe and the impact this has on competitiveness and as a result winning business, investment and ultimately jobs. Our members, and others, do make application for renewable generation sources but there are also issues for businesses looking to increase supply, aggregating onsite back-up generation to off-set the cost of electricity as well as onsite generation to provide energy independence from the huge cost of electricity supply.

The Committee will also be aware from the Utility Regulators latest price comparison report, that Northern Ireland is perilously close to being the most expensive energy market in Europe and that others are successfully making efforts to address their cost of supply to consumers. Our members appeal to the Committee to use their influence to ensure that we get affordable electricity supply or that every effort is made to support those who create wealth and work.

In the submission, we supply a summary of 3 different scenarios from members – (1) a large, multi-national company keen to achieve competitiveness within their own group and as a result attract significant investment in production facilities securing the site for the next 15-20 years; (2) a local SME; and, (3) a business who works with our members to help offset the cost of electricity by aggregating back-up generation.

The submissions are from the companies themselves.

1. Large, Multi-National

Michelin in Ballymena employ some 950 skilled and well paid workers supporting a larger supply chain in North Antrim and further afield. The plant is very efficient, one of the best within the group, however their energy costs are amongst the highest leading them to invest in onsite generation from renewables including the installation of two 2.3Mw wind turbines within the past year.

Their experience has been so far:

- Communication from NIE is generally poor. Numerous emails requesting when the grid offer would be issued were unanswered. NIE frequently do not reply to emails or phone calls. We

have a grid connection invoice that will cost around £250k, and yet we are unable to get someone to answer our calls or respond to our emails when spending that amount of money. It would be beneficial to all if NIE could appoint an account manager for each project and maintain regular communication, even if the message is 'nothing to report'.

- Collaborative working – NIE's relationships with Distributed Generation developers are difficult at the best of times. Any changes to the technicalities of a grid offer can result in the project being put to the back of the queue and necessitating a re-quote. If this was to occur a developer could lose the capacity on the network due to another developer taking their place. This is not in line with the other UK DNO's.
- For our grid connection our developer was required to update some of NIE's infrastructure at their cost. This appeared unnecessary; they discussed this with NIE but NIE maintained their position – (update to NIE metering equipment, install new communication mast despite the report stating this would not be necessary).
- Payments to NIE – this was a convoluted process due to NIE stating their SAP system would not allow our developer to pay NIE direct. Funds had to come from Michelin PLC. This could be improved by NIE allowing funds to come from the developer, again, this is in line with other UK DNO's.
- NIE legal team appeared not to be very proactive and very slow to respond – this was evident during the renewing of the Michelin/NIE substation lease.
- Breakdown of costs – our developer requested a full breakdown of the grid connection costs so they could fully assess them, NIE declined to provide this information.
- Above all, a single supply options is not healthy in a market that needs reform if it's to compete with the rest of Europe. The initiative should be taken to open up the market and consider other interconnectors, for example the "North-South" interconnector that has been delayed.

2. Local SME

R Hogg and Sons Ltd, Macrete Ireland Ltd are a manufacturer and quarry. They have experience of renewables and have already successfully installed a wind turbine on another site which has fixed their energy costs and ensure competitiveness in contracting. Their experience has been:

- Planning permission has been granted for a v29 225Kw wind turbine on our site in Kilhoyle outside Limavady. The site is an operating quarry with a de-rated 33kv line.
- We had asked NIE for a connection cost to connect our new turbine to the grid. It was assumed that the turbine would be connected to the existing 33kv line which would be brought back up to full capacity. The cost of reconnecting our supply back to 700Kw would have been too much for us to cover. We had also wanted our connection upgraded to supply a new asphalt plant which is currently going through planning.

- All was going well and meetings were had on site to discuss bringing the 33kv line back up to 700Kw. At no time during these discussions were we informed of any change to our lines from 33kv.
- A letter was then sent to us giving a conditional offer of £530,000 to connect the turbine. This cost would mean that neither the turbine nor the Asphalt plant would be viable. A meeting was arranged with NIE to discuss the issue. During this meeting we were informed that the line would no longer be 33kv and as we reduced our availability NIE had the right to reduce the line to 11kv. It should be noted that at no time prior to the meeting had NIE ever mentioned the reduction of the line, the company was making commercial decisions on understanding that the 33kv line was still being available. As we were not informed by NIE of their intention to reduce the line we assumed our commercial decisions were fine. At the very least we would have expected NIE to inform us of their intention to reduce the capacity from 33kv to 11kv if we reduced our availability.
- We are now in discussions with NIE to see if the matter can be brought to a satisfactory conclusion. We feel that NIE have not been professional with the timing of the information they have given us and the lack of information given while we were making commercial decisions was at best unhelpful. At the very least they should have informed us that they would be reducing the 33 line if we reduced our availability. They have said "if you still had your 33 line we would have found it difficult to refuse your connection to this 33 line". Connecting to the 33 line would be much cheaper as the infrastructure already exists.
- PGC a trading arm of Macrete was about to start manufacturing 250Kw turbines and this was to be the first site for the machines where we could show case the turbine to our international, export customers. This project has now been put on hold because of this issue. The consequence of this is that we will not be employing new staff to manufacture the turbines. The connection costs have also put a question mark on the installation of the Asphalt plant which will also mean that new employment in an area, an unemployment black spot, has been put in question.
- To summarise NIE by their constant barriers to connections are starting to affect employment and general commercialisation in Northern Ireland. My understanding is that with a little thinking out side of the box most of these issues can be overcome. Can we afford in these difficult times to be dictated to by a company that has a monopoly I think not.

3. Aggregating Back-Up Generation

PowerHouse Generation Ltd. are working with MNI members and others to connect a product which aggregates back-up generators providing supply, if and when needed, to the grid. Sites which appropriate supply receive a payment which is used to off-set against the cost of electricity. The concept also provides additional security of supply for all NI customers. Their experience is:

- We have experienced a lack of allocated resource in NIE (e.g. people most times don't answer their phones and seldom give you a mobile contact number).

- There is also a lack of clarity on what the NIE connection process is and a lack of detail in connection offers. For example, the client does not receive a technical report setting out how NIE has arrived at the connection capacity (in MWs) and it is not clear what planning standards NIE has adopted, or more generally, what methodology.
- We have also found that NIE appears to have poor records in regard to existing Connection Agreements for existing demand sites (some with on-site generation). Even though the on-site generators already were properly tested (G59 test), commissioned and operated in the past, NIE don't have Connection Agreements, and are making DSU/AGU generators start the connection application process again at a significant cost.
- They are also introducing limitations (e.g. a maximum of 50 operating hours per year) without providing justification.
- More generally, post Competition Commission Final Determination, there is a need to review how NIE is facilitating small scale embedded generation. A review is needed by UR and NIE need to be held more accountable. There are other "smart control" lower costs solutions which NIE can employ, rather than the traditional expensive solution of investing in grid assets (lines and substations).
- On site generators can make a very meaningful contribution to security of supply in NI and provide a new revenue stream for industrial consumers, at a time when their electricity bills are the second highest in Europe. The Utility Regulator does not currently consent to this demand side participation, whilst there are no restrictions in the Republic of Ireland. The Utility Regulator has provided no explanation for this lack of consent, even though demand side participation is a clear policy of the SEM Committee. Whilst the Forward Work Plan of the Utility Regulator indicates that this will be addressed by the end of September 2014, there has been no communication with industry to implement whatever changes are necessary. We are all feeling very much in the dark and are concerned that the Utility Regulator will not honour the commitment in its Forward Work Plan.

The above, in the words of the businesses themselves, should give the ETI Committee a strong sense of the barriers which NIE are placing on businesses do what they can to contribute to supply, develop their own energy independence and off-set the cost of electricity. Companies are working hard to secure investment and jobs but they need affordable supply as competitiveness at home and abroad is lost.

We encourage the committee to recommend actions which will make a positive contribution to supporting business. In the meantime, if it is of use, we would be happy to encourage those who have contributed to this response to meet the Committee in person.

We are happy for this response to be published.