



Dr Andrew Murrison MP
Chair, Northern Ireland Affairs Committee
Committee Office
House of Commons
London
SW1A 0AA

www.soni.ltd.uk
Castlereagh House
12 Manse Road, Belfast BT6 9RT
Telephone +44 28 907 94336
Email info@soni.ltd.uk

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Electricity in Northern Ireland: Follow-up

Dear Dr Murrison,

Thank you for your letter of 16 May 2018. SONI is happy to support the work of the Northern Ireland Affairs Committee in this important inquiry and welcomes this opportunity to provide an update to you.

Background and Process

In December 2017, SONI published guidance¹ around the processes it would follow if it was asked by the Utility Regulator to undertake an assessment of the impact of a generating unit closing less than three years after providing notice. This paper sets out a number of steps that we will follow.

SONI is currently undertaking the tasks set out in Step 5 of this process. Given the commercial implications for both the party that applied for derogation and those units remaining in the market, this process is undertaken by SONI on a confidential basis. Consequently the information set out in any reports is required to remain confidential, at least until such time as the board of the Utility Regulator has made its decisions on this matter.

Response to Questions

Bearing this in mind, SONI will answer your questions as completely as possible without breaching the confidentiality obligations placed upon us under Condition 11 of our licence.

1. What were the conclusions of the assessment that you conducted for the Utility Regulator, to inform its decision on the request for derogation made by AES regarding the early closure of generating units at Kilroot and Ballylumford?

SONI had provided a draft assessment of the impact of the closure of two units at Kilroot. Following the receipt of a further derogation requests for the two units at Ballylumford, the Utility Regulator has requested SONI to provide a Derogation Impact Assessment Report. SONI is therefore currently completing its assessment of the combined impact of the closure of the two units at Kilroot and the two units at

*SONI Limited
Castlereagh House
12 Manse Road
Belfast
Northern Ireland
BT6 9RT
Company Registration
No. NI038715*

¹ [http://www.soni.ltd.uk/media/documents/Plant%20Closure%20Process%20\(20%20December%202017\).pdf](http://www.soni.ltd.uk/media/documents/Plant%20Closure%20Process%20(20%20December%202017).pdf)

Ballylumford on the electricity system in Northern Ireland. This is based on the standards that are defined in SONI's licence and that are approved by the Utility Regulator.

SONI understands² that these conclusions will be made public by the Utility Regulator in due course. Therefore, it would be inappropriate for to set out its current understanding here. We will be happy to update the committee on the outcomes of our analyses at the appropriate time.

a. For what reasons have you been asked to conduct a further assessment to inform the Utility Regulator's decision, and how will this differ from your initial assessment?

SONI will only assess derogation requests that have been referred to it by the Utility Regulator. If the Utility Regulator receives a request that impacts on a derogation that SONI is already considering, SONI will need to review its analyses to ensure that the combined impact of all derogation requests is considered.

b. What engagements have you had with AES to inform these assessments?

SONI has regular ongoing engagement with AES on a range of technical matters relating to the current and future operation of the system. In addition, discussions have taken place between SONI and AES on specific topics relating to the derogation assessment. Both of these types of engagement have informed SONI's assessments.

2. If generating units at Kilroot and Ballylumford are closed this year, what is SONI's view of Northern Ireland's security of supply, particularly given these closures would precede the new North/South Interconnector becoming operational, and that electricity from wind generators and the Moyle interconnector is not guaranteed?

SONI, along with EirGrid, publishes an annual Generation Capacity Statement. Included in this annual assessment of generation capacity are calculations to assess the level of generation security.

Within these calculations there has always been a capacity credited to both the Moyle interconnector and the North South Interconnector. In operational terms SONI would like to highlight that flows of electricity across the Moyle interconnector are determined by bids into the wholesale market, and do not depend on any one generator in GB.

The purpose and one of the key benefits of the I-SEM is to integrate Northern Ireland into the wider European market, and flows across all interconnectors will be determined by the Euphemia algorithm, ensuring efficient trading and the lowest prices for all consumers.

We are keen to emphasise the critical need for the North South Interconnector for long term security of supply for Northern Ireland. The project is also urgently required to reduce the overall cost of wholesale electricity on the island and to

² <https://www.uregni.gov.uk/sites/uregni/files/media-files/Decision%20Paper%20on%20Derogations%20-%20February%202017.pdf>

maximise utilisation of renewable energy.

SONI is currently finalising its assessment of the impact of the early closure of Ballylumford and Kilroot and this will be provided to the Utility Regulator on a confidential basis.

SONI will be happy to provide further information to the committee at the appropriate time.

3. What assessment have you made of the delay to the go-live date for the I-SEM on the all-island electricity market and security of supply for Northern Ireland?

SONI only provided information to the SEM Committee to inform its decision, SONI was not party to that decision. SONI understands that this was a prudent decision taking into account the readiness of the market systems and the readiness of market participants to trade under the new arrangements which together are required to ensure the integrity of the all-island market. The delay also impacted on the introduction of the capacity contracts following on from the T-1 capacity auction.

Closing remarks

SONI would like to confirm to the committee that it is being diligent in its assessments. We value our role as a source of expertise to the committee and we commit to sharing information with you at the earliest point in the process, while respecting the obligations placed on us elsewhere in the statutory framework.

Yours sincerely

A handwritten signature in black ink that reads "Robin McCormick". The signature is written in a cursive style and is positioned above a solid black horizontal line that serves as a separator.

Robin McCormick
General Manager, SONI