

Comments on the Proposed method of funding of Grid Upgrade Programme for Renewables

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Comments by Gaoithe Saor Teo:

Introduction: The grid upgrade programme has been in the pipeline since 1999. The steering group finalised their report in August/September last year. It is over two years since the Department of Communications, Marine and Natural Resources (then Department of Public Enterprise) requested developers to submit their windfarm proposals. Many of those had planning permission at that time. Planning permission lapses after five years if the project is not built in that time, so this programme must be implemented without further delay if these projects are to be built.

1. Timetable for Proposed Programme Cost

Year	Amount of Fund
2003	300,000
2004	8,000,000
2005	14,000,000
2006	7,700,000
TOTAL	30,000,000

The above timetable will result in the majority of the clusters, which have been identified by the Steering Group being built in 2005 and 2006. Many of these projects will need to be operating before this time, as they will be under time pressure because of planning permission. To achieve the 500 MW target by 2005, all expenditure should be incurred in 2003 and 2004.

The €300,000 to be spent in 2003 is most likely the cost of applying for planning permission for the infrastructure required. Some of the identified clusters have planning permission for their infrastructure requirements, so if the fund is put in place without delay, construction should be completed before the end of 2003, thus incurring additional costs in this year.

2. EU Grant: Will the EU grant be used to reduce the cost to the individual developers?
3. Replenishing the Fund: As each project is built the developer pays their portion of the cost. This goes into a fund that increases as new projects come on line. The TUOS charges reduces to zero once all the windfarms are connected. Where will the fund obtained from the TUOS charges then lie.

For example: A grid upgrade costs €1 million and will facilitate 20 MW. The first 5 MW project is built in year 1. The second 5 MW in year 3 and the final 10 MW in year 5. Developer 1 pays €0.25 million, developer 2 pays €0.25 million and developer 3 pays €0.5 million. However TUOS charges have been collected in the intervening years, so there is a surplus on account. Is this paid back to the consumer?

4. Independent Design of the Upgrade: Who is responsible for ensuring that the proposed upgrade is designed to maximise the grid for the purpose of facilitating wind energy projects, but without adding the burden of additional upgrade work relating to other grid requirements?
 5. Independent Auditing: Will an independent auditor be assigned to ensure that the upgrade is developed in a timely and economic manner?
 6. Will the proposed up-grades be contestable and open to independent contractors?
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Comments by DP Energy Ltd.:

1. **Speed** The proposals for support for clusters of projects are very welcome but more than 3 years have already elapsed since this was recommended by the steering group so it is essential that the arrangements are put in hand very rapidly.
2. **Size.** The funding should be reserved for small projects of say less than 15MW or less than the economic size for a project to make and pay for its own application for a connection to the transmission system. Larger projects should not need support.
3. **The Costs** of the works involved in respect of each cluster should be audited. Presumably there should be a public tender for the whole of the works including the design.
4. Presumably it is not intended that the fund should be used for the costs involved for connecting a development to the common connection equipment as 100% of these costs are to be paid by developers? The question of contestability will need to be dealt with in respect of those works.
5. Provision should be made for developers to have an opportunity to contest the amount of the common equipment costs in respect of which they will be required to pay a proportion.
6. The full data in respect of each cluster will need to be disclosed to all the projects in the cluster in advance including details of costs and time table for carrying out of the work and connection availability.