



Commission for Energy Regulation

An Coimisiún um Rialáil Fuinnimh

## **Resuming Connection Offers to Wind Generators**

### **PROPOSED DIRECTION TO SYSTEM OPERATORS**

**November 2004  
CER/04/354**

## Introduction

1. This document describes a direction to the two electricity System Operators – the Transmission System Operator (TSO) and the Distribution System Operator (DSO) – which the Commission proposes to issue very shortly pursuant to Section 34 (1) of the Electricity Regulation Act, 1999.
2. The proposed direction sets out rules for processing and issuing connection offers to renewable generators following the lifting of the moratorium on such offers introduced on 3<sup>rd</sup> December 2003. The proposal takes account of recent extensive Commission consultation and meetings with the renewables industry and with the System Operators.
3. The proposed direction is the first of several measures to deal with the connection issues facing the wind generation industry. These issues have already been well documented.<sup>1</sup> The immediate focus of the present proposal is very much on making the ending of the moratorium effective and making quick inroads into the huge build up of applications in the system in a manner which is fair, responsible and practical.

## Background

4. The Commission’s direction of 9<sup>th</sup> July 2004 (See CER/04/245) ended the moratorium on new offers to wind generators subject to certain criteria and conditions being met. The direction would take effect when the Commission had approved the new Distribution Code for wind generators. This approval has now taken place.
5. The direction did acknowledge that, due to the unprecedented build up of new connection applications, there was a strong case for reviewing aspects of the conventional approach of processing and issuing connection offers on an individual basis. This was particularly urgent in the case of “interacting applications and offers” (see separate box on page 4).
6. On the 5<sup>th</sup> October a joint TSO/DSO proposal for processing and issuing offers to renewable generators based on a group approach - rather than the individual processing approach which has prevailed up to now - was published by the Commission for consultation. We refer to this proposal as the “**Group Processing Approach.**” This followed on from a half-day workshop hosted by the System Operators

---

<sup>1</sup> In particular see the following:

ESBNG request for moratorium, 01/12/2003,

<http://www.cer.ie/cerdocs/cer03281.pdf>

ESBNG report entitled ‘Interim Policy on Wind Connections’, 01/12/2003,

<http://www.cer.ie/cerdocs/cer03282.pdf>

CER Direction entitled ‘Wind Generator Connection Policy’, CER/04/245, 09/07/2004, <http://www.cer.ie/cerdocs/cer04245.pdf>

on 20<sup>th</sup> August when the concept of a Group Processing Approach was first outlined to the renewables industry.

7. The intention underlying the Group Processing Approach was to issue connection offers to applicants on a basis which would:
  - generally speaking, facilitate delivery of Ireland's EU obligations on increased renewables consumption than maintaining the current individual connection processing approach;
  - take account of the unprecedented growth in connection applications which the existing individual processing approach was never designed to accommodate;
  - make more efficient use of resources; and
  - eliminate the risks facing individual developers whose applications or offers "interact" with, effectively, competing applications or offers.
8. The Group Processing Approach was not presented as a panacea. It would undoubtedly have some drawbacks in the eyes of some developers who might see themselves as being likely to receive a connection offer earlier under the conventional individual processing approach and therefore, arguably, hard done by the move to a Group Processing Approach.
9. The Commission received extensive written comments on the joint System Operators' proposal. On Monday 1<sup>st</sup> November, the Commission hosted a forum for the renewables industry on the issues involved. The Commission found the forum very constructive and useful. It was clear that some industry players had strong views, and in some cases quite differing views, on the overall merits of the Group Processing Approach as well as on individual provisions in it. Quite a few industry representatives indicated, however, their strong preference for a "two-tiered approach". The essential idea here is that applicants who are ready and best placed to connect in the immediate-to short-term would be identified, prioritised and allowed to proceed without delay.
10. The Commission recognises that there are important and difficult issues to resolve both in the short-term and long-term. It is clear that action is required urgently to start making inroads into the backlog of connection applications and, in parallel, to develop the ground rules for a future Group Processing Approach. On this basis the Commission undertook at the forum to publish a short paper outlining possible criteria for proceeding with a "first tier" (Gate 1) as a matter of urgency. This is the subject of the present paper.
11. The paper also indicates the Commission's thinking on following up this initiative and dealing with the "second tier" (Gate 2). The Commission will publish a separate consultation paper on this aspect very shortly.

## **What is an “interacting offer”?**

Electrical interaction is an unavoidable fact of physics. It is a physical reality of an electricity network. A generator’s connection interacts when it electrically impacts upon other connections. Formally written, “Interacting” in respect of a connection offer means that the studies performed and the basis for which an offer is made will change as a result of another offer being accepted.

This can lead to the requirement for additional investment in the network (i.e. further construction of electrical plant to address the issue) or a different connection design, which will allow more than the original generator to connect.

Under the current system applications are analysed on an individual basis. Therefore, when one party accepts their connection offer the network changes and all the other connection applications and offers which have an ‘electrical impact’ or interaction, must be reanalysed and reworked. This results in all the interacting applications and offers being pulled back to day 0 in the process and waiting another 70 business days for a connection offer. This can become an iterative and frustrating process for applicants.

However, by processing Gate 1 applications under the Group Processing Approach no offer will be revoked, thereby avoiding the delays and lack of certainty associated with the current approach.

12. There are now large-scale interactions on the system leading to:

- extensive delays
- uncertainty
- potential for races to sign

under the current individual connection offer process.

## **Guiding Criteria**

13. The Commission has been guided by the following criteria in drawing up this proposed direction to the System Operators. The direction should be:

- fair and reasonable in dealing with individual applicants for connections;
- capable of speedy implementation;
- simple and transparent to the maximum extent possible;

- likely to help deliver on Ireland’s EU renewables obligations<sup>2</sup>;
  - practical; and
  - conducive to promoting development certainty as far as developers are concerned.
14. It is important to bear in mind that some of these criteria can sometimes pull against each other. To illustrate the point: One very simple approach would be to focus immediately on issuing individual offers to, say, the first 20 applicants in the offer queue based on their historical application completeness dates. As it happens, however, out of the first 11 such applicants, 8 are interacting. Therefore, without some incorporation of the Group Processing Approach philosophy from the very outset these 8 applicants would run the major risk of having their offers subsequently withdrawn by virtue of acceptance by other “interacting” applicants. In other words, this ostensibly very fair (“first come first served”) and transparent approach would, in fact, do little to foster development certainty and speeding up the actual plant commissioning of many of these “early” plants, because they would have a serious exposure to the “interaction” risk. Unless that is, some element of the Group Processing Approach philosophy were to be applied to them.
15. Having said that it has to be acknowledged that, in fairness, those applicants whose applications have been deemed complete the longest have a strong *prima facie* for priority treatment by the System Operators in the deployment of their resources and resuming issuing connection offers. This is particularly true of those applications deemed complete prior to the introduction of the moratorium on 3<sup>rd</sup> December 2003.

## **Commission Proposal**

16. The essentials of the Commission’s proposed direction are as follows:
- The System Operators will give immediate priority to issuing connection offers to those 33 applications which were deemed complete by 3<sup>rd</sup> December 2003 and which, the Commission understands, amount to a total export capacity of 330MW.
  - These 33 applications will be deemed to form a combined queue – i.e. there will be no differentiation between applications to the TSO and to the DSO.
  - To ensure that each of the 33 applications can rest assured that, on receipt of their connection offer, they will not run the risk of having it withdrawn under the current rules for “interacting offers”, all of these

---

<sup>2</sup> More specifically, ensuring installed wind generation of the order of 1000 – 1100MW by 2010, to be consistent the electricity consumption targets provided for in RES Directive 2001/77/EC.

33 applications will be subjected to the Group Processing Approach philosophy as described in the joint TSO/DSO proposal of 5<sup>th</sup> October 2004. In effect, these applications will collectively constitute Gate 1 and will be broken down into Groups for processing purposes by reference to geographic location and degree of interaction.

- The identities of these 33 applicants and of the individual Groups within them, will be as set out in the attached schedule to this document (See **Appendix 1**).
- Individual offers within these 33 applications will issue as the relevant studies are available. Therefore, offers will issue to the 33 applicants as soon as they are ready and not in accordance with a strict queuing system. This is on the basis that all of the 33 offers will have issued no later than 4 months from the date of the Commission Direction and some well in advance of that, as indicated in the attached schedule.
- The Commission's intention is that, in any future rules it may introduce regarding the financial treatment of wind generators who may be constrained off by the TSO for system stability reasons, no differentiation will apply within the 33 applications constituting Gate 1.
- Each of the 33 applicants will have 30 business days to accept their connection offer, not 70 business days as applies at present. This shortening of the time to accept is justified by reference to premium now attached to receipt of a connection offer, the need to take account of the interests of *all* applicants and the urgency attaching to resumption of connection agreements and new wind generators coming on stream.
- The probability factors cited in the formula outlined in the Group Processing Approach document of 5<sup>th</sup> October for the purpose of defining connection charges for these Gate 1 applicants shall be 1.
- The System Operators may nominate individual applications within these 33 applications to be treated as transmission or distribution applications where this is technically justified from an overall system perspective.
- The System Operators should not take into account considerations of whether these 33 applicants have planning permissions or financing in place for their projects. This is because, among other things, the offers will all have issued over the coming 2 – 4 months and will have to be accepted or not within 30 business days of issue. Therefore, it would serve little practical benefit for the System Operators to hold up the issue of offers until they, or a third party, have satisfied themselves on the planning and financing questions. The cost would most likely outweigh the benefit. This does *not* mean that such considerations should be ignored for later offers issued after this Gate 1.

17. The Commission intends allowing interested parties 2 weeks to comment on the proposed direction outlined above, recognising the urgency of resuming the connection offer process. Assuming, for the sake of argument, that the proposal remains largely unchanged in substance and issues on 6<sup>th</sup> December, the net effect should be that offers totalling 330MW will have issued by early April 2005 with the risk of interaction completely removed and all recipients bound to accept or forego offers within 30 business days of issue. If all offers were accepted, then the cumulative contracted wind generation on the system would be of the order of **1250MW** (i.e. the existing 896MW contracted, 20MW of 'live' offers plus the additional 330MW under the Gate 1 proposal).

### **Commission Future Proposal on Gate 2 and further Group Processing Approach Issues**

18. This proposed direction deals with the immediate measures which can be taken to ensure that the moratorium can be effectively lifted by making quick inroads into the huge build up of applications. The Commission appreciates the urgency with which the issues not covered in this proposed direction must be addressed. These issues in particular relate to the processing of Gate 2 applications. However, further issues relevant to either or both gates will need to be addressed very shortly. For instance, these include network charging, application fees, and contestability.
19. The Commission proposes that when all of the offers issued under Gate 1 have been issued and signed (with all conditions precedent and requirements met) or deemed void and revoked as appropriate, the second gate will open. The System Operators have provided an indicative timeframe of four months in which all offers will be issued to Gate 1 applicants. Allowing for an additional 30 business days, in which the offer is valid, the processing of applications within the second gate should resume in approximately 6 months from the date the Commission issues its final decision on this proposed direction.
20. Applications for connection to the transmission and distribution systems are currently deemed complete on the basis of a number of criteria. The Commission will consider adding to the criteria for deeming an application complete in Gate 2.
  - The conditions precedent for application completeness for Gate 2 currently include, among other things:
    - Application Fees
    - Dynamic Model – satisfactory modelling data and meaningful engagement with ESBNG on the matter
    - Specific System Operator deemed complete criteria.
  - Additional conditions precedent or criteria for deeming an application complete in Gate 2 may include:
    - Planning Permission

- Evidence that the applicant has a Power Purchase Agreement (PPA) with a licensed supplier (Section 14 of the Electricity Regulation Act) or ESB PES (e.g. AER).
  - Evidence that the applicant has funding
  - Land Lease
  - Integrated Pollution Control License where appropriate
21. The issues surrounding Gate 2 are more complex as there will be more groups and the issue of order will arise. The Commission will be issuing a consultation paper regarding Gate 2 in the next few weeks. This will set out the Commission's proposals for application inclusion in Gate 2 and will consider further issues affecting both gates.
22. In the future proposal the Commission will also address the issue of applications which do not electrically interact with other applications or which cannot form part of a group because of geographical location, in other words 'Outlier' applications. The case has been put to the Commission that 'Outliers' should be dealt with outside of the gate system and processed individually in as short a time as practical.

## **Appendix 1: Schedule of Gate 1 Applications**

This schedule was provided by ESBNG on request from the Commission. The schedule shows the groupings and list of applications deemed by the Transmission System Operator and/or the Distribution System Operator complete prior to the 3<sup>rd</sup> December 2003 and have complied with the provision of information for dynamic studies. Indicative timeframes for issuing offers to the 33 applicants is also shown.

### ***Update on Status of Wind Connections:***

- 896 MW connected or contracted
- 20 MW (about to sign) in live PMOD offers (some PMODs have lapsed)
- 330 MW Pre-Moratorium Applications, as detailed below
- **1,246 MW is total of above**

In the Pre-Moratorium applications, as listed below, only those applications, which have provided the necessary information for dynamic studies, have been included.

If the System Operators start processing the groups in queue order, i.e. the group with the application, which is first in the queue is processed first, and so on as resources allow, offers in the groups would be ready to issue within the following estimated timescales:

- **Wexford / South Wicklow Group**
  - 11 distribution applications (DG34, DG30 (8 applications), DG37, DG45) totalling 31MW
  - Offers to issue approx. 3 months after CER direction
- **Kerry / West Limerick Group**
  - 2 transmission (TG12 & TG18) & 6 distribution applications (DG03, DG23, DG23a, DG24, DG25, DG35) totalling 171 MW
  - Offers issue approx. 4 months after CER direction
- **Monaghan / Louth Group**
  - 2 distribution applications DG36 & DG62 totalling 9 MW
  - Offers issue approx. 2 months after CER direction
- **Donegal Group**
  - 8 distribution applications (DG38, DG39, DG42, DG43, DG44, DG46, DG51, DG61) totalling 76 MW
  - Offers issue approx. 4 months after CER direction
- **Clare Group**
  - 2 transmission applications TG14 & TG15 - 22 MW
  - Offers issue approx. 3 months after CER direction

- **W Cork Group**
  - 1 distribution application - DG41 – 15 MW
  - Offer to issue approx. 4 months after CER direction
  
- **Sligo Group**
  - 1 distribution application - DG52 - 6 MW
  - Offers to issue approx. 4 months after CER direction

**Assumptions re the Above:**

- For studies it is assumed that all windfarms connect in October 2005
- Only load flow and short circuit studies will be undertaken; therefore the offers will contain a caveat with regard to dynamic studies, which will need to be carried out before connection.

**Table 1: Applications to be included in Gate 1**

<b>ESBNG Reference</b>	<b>MW</b>	<b>COMPLETE</b>	<b>Group</b>
DG34	6.75	28/08/2003	Wexford / S Wicklow
TG18	41.23	26/09/2003	Kerry / W Limerick
DG62	1.7	08/10/2003	Louth / Monaghan
DG36	7.5	16/10/2003	Louth / Monaghan
DG23	5	26/06/2003	Kerry / W Limerick
DG23a	18	26/06/2003	Kerry / W Limerick
DG24	6.8	26/06/2003	Kerry / W Limerick
TG12	37.8	23/05/2003	Kerry / W Limerick
DG25	15.3	02/07/2003	Kerry / W Limerick
DG35	22.5	08/09/2003	Kerry / W Limerick
DG03	24.7	21/11/2001	Kerry / W Limerick
DG38	11.9	24/10/2003	Donegal
TG14 <sup>2</sup>	21.9	04/07/2003	Clare
TG15 <sup>2</sup>	21.9	04/07/2003	Clare
DG30a-h (8)	14.45	24/10/2003	Wexford / S Wicklow
DG39	5.1	28/10/2003	Donegal
DG37	5	28/10/2003	Wexford / S Wicklow
DG61	2.55	10/11/2003	Donegal
DG46	7.65	12/11/2003	Donegal

<sup>2</sup> TG14 and TG15 are applications for the same site, with different requested connection methods. Only one of the two ensuing connection offers can be accepted.

<b>DG43</b>	<b>15</b>	19/11/2003	Donegal
<b>DG42</b>	<b>14</b>	20/11/2003	Donegal
<b>DG41</b>	<b>15</b>	19/11/2003	W Cork
<b>DG45</b>	<b>4.5</b>	21/11/2003	Wexford / S Wicklow
<b>DG51</b>	<b>0.6</b>	27/11/2003	Donegal
<b>DG44</b>	<b>19.25</b>	27/11/2003	Donegal
<b>DG52</b>	<b>6</b>	27/11/2003	Sligo