



Aidan Kearney
Commission for Energy Regulation
Plaza House
Belgard Road
Tallaght
Dublin 24

4th February 2005

Subject: Standard Pricing Approach for Generators

Dear Aidan,

This submission is in response to an invitation from the Commission for Energy Regulation (CER) to comment on the 'Standard Pricing Approach for Generators' document posted on the CER's web site, Friday 21st January 2005.

Airtricity would like to make the following comments:

1. Clause 2.1.3 refers to how costs shall be attributed to the various generators in a group or sub-group. We would advise that any connection cost derived under the new scheme should be less than the least cost technically acceptable (LCTA) cost under the existing scheme otherwise the existing scheme price and connection method should be used.
2. Clause 2.2 Standard Pricing Charges refers to the Schedule 1 charges as being reflective of average charges over recent years. The cost of connecting to the grid in the Republic of Ireland has been increasing at an extraordinary (and unexplainable) rate over the last few years. These costs are not reflective of the true cost of building a connection asset and we believe, are grossly over inflated. I use the following examples to demonstrate:
 - a. The cost of building a 38kV 100mm² O/H line today, including planning and engineering, on a competitive tender basis is €32-36k/km. In this document the ESB are proposing a charge of €67,850/km.

- b. In April 2001 we were being quoted €30.7k/km by the ESB for a 38kV O/H line. We find it difficult to believe how this cost can have more than doubled over the last four years.

The costs proposed in “Schedule 1: Schedule of Charges” should not go unchallenged and unverified by the Commission. We are currently examining ESB connection offer pricing structure ourselves and will wish to make a further submission to CER on the matter.

3. We have referred previously, in correspondence to you and at the Industry Forum at your offices on 1st November, that contestability should be offered to developers under the Group Processing Scheme. In general we can build O/H lines at half the cost quoted by the ESB. It is imperative that developers who would be prepared to enter into a joint agreement, be allowed to build their sites in a cost effective manner, especially given recent the uncertainties over support mechanisms for renewable energy.

In summary Airtricity recommend that the CER:

- a) Ensure that developers will be subjected to lower costs under the group scheme by stipulating that where the group cost is higher than the LCTA method that the LCTA cost and/or connection method will apply.
- b) Conduct an independent investigation into the proposed connection charges, which we feel are exorbitantly high.
- c) Introduce a contestability option to allow developers to construct their own connections to ESB specification.

Should the Commission have any queries arising from this submission we would be please to address them.

Sincerely,

Paddy O’Kane

Electrical Engineering Manager, Airtricity