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

02 February 2005.

Dear Aidan,

On behalf of Wexwind Ltd. and our clients who are part of Gate 1 I wish to object in the strongest manner to the proposed Standard Pricing Approach for Generators. If this approach is adopted in its present form it will be the final nail in the coffin of the wind energy industry. The cost of connection to the grid is already exorbitantly high in this country as is demonstrated by the schedule of charges in Schedule 1 of the Standard Pricing Approach for Generators. The further conditions imposed by this approach totally undermine the viability of wind farm construction.

We are objecting to this proposal on three main grounds:

1. Cost of connection is completely open ended not to mention being exposed to extortion from third parties.
2. There is no target date or time limit for connection to the grid.
3. The level of up-front payments will make it extremely difficult for the smaller developers to organise finance.

1. It is proposed to issue an initial cost of connection to the Generator and if further investigations/circumstances increase this estimate by more than 10% then the Generator must foot the bill. This is nothing more than saying to the Generator that the cost of connection is going to be a minimum of the initial costing and could be anything from there up. It is impossible to budget for a business proposal without having an upper limit on what your connection costs are. The viability of many projects (in particular the smaller ones) will depend upon the cost of connection.

Most projects (especially the ones developed by smaller companies and individuals) will require bank finance to fund the cost of connection. This must be secured well in advance of the wind farm finance and at short notice (thirty days for Gate 1). It is going to be extremely difficult to secure the necessary finance if there is

no guarantee that the real cost won't possibly double. Furthermore, it will be difficult to go back to the finance institutes looking for further funds that were not anticipated and the project is still a long way from being realised.

One of the unforeseen circumstances that could add to the cost of connection is compensation for wayleaves and consents. This is a good example of how costs could run out of all control. It is basically giving the DSO a "carte blanche" to sort out compensation for landowners with somebody else's money. This could lead to widespread extortion of the system and grossly exaggerated expense to the Generator.

The charges outlined in Schedule 1 of the Standard Pricing Approach for Generators are exorbitant and will ensure an end to all small scale and individual projects in Ireland. These operations must be put out to tender to bring these charges back into line with commercial reality. The EU has directed that the promotion of all forms of renewable energy must be facilitated. Charges such as these are indicative of an anti-wind policy that strives to price wind energy out of the market in direct contravention of EU policy.

2. No indication of a time limit or target for connection has been issued with this document. This has immense implications for Generators in terms of finance and duration of planning permission.

Generators are being asked to finance 100% of the Shared Connection Asset and 25% of the Dedicated Connection Asset with no indication of how long it will be before the wind farm will actually be connected. Again sourcing finance on this basis is extremely difficult not to mention extremely expensive.

Due to the Moratorium most projects are further into the term of the planning permission than would be desirable - through no fault of their own. If there is no target connection date given, it is likely that Generators could have paid for the connection but be unable to avail of it due to planning permission time limits.

It is essential that firm **completion** dates are given and that penalty clauses commensurate with the likely losses that the Generator will suffer are imposed on the DSO for failure to meet these targets.

3. As mentioned earlier, sourcing finance for the grid connection at the time of grid offer means having to enter into negotiations with the finance institutes a lot sooner than is desirable. This has two implications:

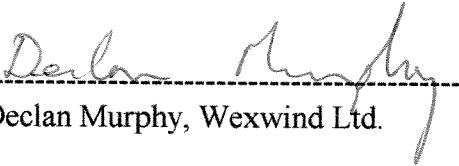
a) A large sum of money must be borrowed at a time when there is no income and there is not likely to be any income for some considerable time. This is a further burden on what is already a capital intensive industry.

b) Final costings for the construction of the wind farm will most likely not have been agreed. It is very difficult to negotiate a favourable rate when the amount to be borrowed cannot be determined.

The amount of non-refundable payments up-front must be reduced considerably. Provided that the amount of payments is considerable enough to discourage Generators from withdrawing from a group scheme there is no necessity to make such large payments before the start of construction. It is merely a form of bank loan to the DSO.

I urge you to give these objections and suggestions considerable thought in the hope of progressing a wind energy policy in Ireland that will not be biased against any sector and which can exploit the vast potential of Irelands wind energy resource.

Yours sincerely,



Declan Murphy, Wexwind Ltd.