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## Submission to CER Consultation Paper CER/08/017. DSOs Proposals on Least Cost Technically criteria, Rebates and Fees.

*Beam Wind Ltd. (Beam) welcomes DSO and CER initiative in this matter. Beam has recent experience of building an underground 38kV cable connection over app. 14km partly over private land and app. 2/3 on public roads. A second developer has signed a grid connection agreement to connect into same underground cable and Beam looks forward to receive due rebates, but has some serious concern about the timing and methodology of receiving same.*

### MAIN POINTS:

1. A huge financial and technical advantage for any developer to connect into an already built interconnection.
2. No rebates can ever fully refund the First Mover for time spent on identifying possible routes, identify landowners, meetings and negotiations with not only with Authorities but also private landowners, dealing with landowner issues and the landowners solicitors.
3. Rebates should not be on depreciated cost and Rebates should be on present day cost not historical cost.
4. Rebates should take into account all properly independently verified cost.
5. DSO should keep the First Mover fully informed of all milestones achieved by Second ( and subsequent) developer.
6. Rebates should be paid without delay by DSO to First Mover.
7. If still doubts whether second mover is going ahead, First Mover should be paid full interest on any money held by DSO on his behalf.
8. A proper methodology should be adapted for instalment payments for the Second developer with immediate rebates paid to the First Mover.
9. Any Rebates should also apply for any other use of the same infrastructure, paid for in full by the First Mover. This could be ESB use of or sale of fibre optic capacity in the communication connection.

1. *A huge financial and technical advantage for any developer to connect into an already built interconnection:*

One of the major risk element in financing and building a windfarm is assurance that the grid connection will be build in accordance with agreed timeschedule and price. Financial institutions increasingly view the deliverability and the risk of increased cost of the grid connection as a major risk; previously once a grid connection offers was accepted, the banks assumed a grid connection would be delivered on cost and on time. In some recent cases landowners point blank refused ESB workers access to their lands even after planning permission was granted as happened to Beam. Turbinés were on order and getting near installation, civil and electrical works on site were nearing completion, Financial institutions - and developers - want certainty and

if it means the very substantial extra cost of building an underground connection, the certainty in providing the connection more than make up for the additional cost.

- 2. No rebates can ever fully refund the First Mover for time spent on identifying possible cable routes, landowners, meetings and negotiations with not only with Authorities but in particular private landowners, landowner issues and the landowners solicitors.*

The amount of time the First Mover can spend identifying different possible cable routes, identifying the relevant landowners, meeting them; they may only be contactable evenings or weekends; negotiating commercial terms and route of cable cannot be quantified. Likewise for the Authorities which can involve getting agreements for Road Opening Licenses and road re-instatement from the Road Engineers at County Council level, dealing with Regional Fisheries Boards, National Park and Wildlife etc. And once all terms are agreed solicitors for both sides have to be involved in drawing up legal agreements. In Beam's case there was 7 private landowners with different solicitors involved in the finally selected cable route. These will typically involve a huge amount of time and associated cost not independent quantifiable (apart from legal cost) and therefore not part of any rebates to First Mover.

- 3. Rebates should not be on depreciated cost and Rebates should be on present day cost not historical cost.*

The reason listed in Paragraphs above is one of the reasons that Beam believes that (1) any rebate should not be on depreciated cost and (2) the second mover should pay present day cost or the standard cost as determined by CER. When LSBN subtracts administration cost the First Mover is already in a shortfall situation if rebate is based on historical cost. The Second Mover already has a huge advantage as outlined earlier in that the connection is built and why should he get a proportionally cheaper connection on behest of the First Mover, who has done all the hard work.

- 4. Rebates should take into account all properly independent verifiable cost*

Beam welcomes the proposed decision that rebates should be on all verifiable cost; apart from the actual per km cost of trenching, ducts and backfilling additional cost such as river crossings, bridge crossing, directional drilling under public roads may occur. Other additional cost could be fencing, legal and engineering cost to provide Declaration of Identity required by financial institutions. However, all these should be verifiable by either legal or engineering companies and should be included in any Cross-over cost.

5. *DSO should keep the First Mover fully informed of all milestones achieved by Second ( and subsequent) developer.*

DSO should keep the First Mover informed if another party is likely to use the connection already build by the First Mover. If the present proposal gets approval from the CLR, presumably DSO will have to contact the First Mover for a verification of his cost, so these can be proper incorporated in the Grid Connection offer to the Second Mover. Since there are very substantial money involved it may effect commercial decision and future extension plans by the First Mover. Similarly DSO should keep the First Mover informed of any Milestones achieved such as further payments and expected connection date by the Second Mover.

6. *Rebates should be paid without delay by DSO to First Mover.*

The underground connection has already been paid in full by the First Mover; the civil works directly by him and the Cable Substation and other works carried out by DSO paid to the DSO. In other words DSO has not had any expenditure on this connection and it has been handed over free to DSO to become part of DSO network. Once the Second Mover signs and pays the grid connection, DSO receives additional money for the connection it already is fully paid for. This money and any subsequent payments from the Second Mover should be refunded to the First Mover without any delay. There does not appear to be any methodology within DSO for either informing the First Mover or issuing payments or ask him to raise invoices for Rebates for shared assets.

7. *If still doubts whether second mover is going ahead, First Mover should be paid full interest on any money held by DSO on his behalf.*

DSO may maintain that there may still be doubt whether the Second Mover goes ahead even though he has signed the Grid Connection Agreement and therefore DSO may have to refund money minus expenses; The First Mover should then be paid full interest on any money held by DSO on his behalf while waiting for the rebate. DSO should not have the use of this additional money over and above having already been paid in full for the connection.

8. *A proper methodology should be adapted for instalment payments for the Second developer.*

A First Mover will typically have a payment schedule which states 10% on signing of Grid Connection (used to be 25%); 55% before material is ordered and construction start ( typically 9 – 12 months before energising) and final 35% payment shortly before line is energised. Any Second Mover on a connection should have the same payment profile, so that the First Mover receives his Rebates in a timely manner. The Second Mover already has a very big advantage in that the connection is built.

*9. Any Rebates should also apply for any other use of the same infrastructure, paid for in full by the First Mover. This could be ESB use of or sale of fibre optic capacity on the communication cable associated with the connection.*

Any Rebates should also apply for any other use of the same infrastructure, paid for in full by the First Mover. This could be ESB use of or sale of fibre optic capacity on the connection. This was at one stage an issue for Beam connection, but did not - to Beam's knowledge - come to fruition.