

8th August 2008

Our Ref: 37016

Andrew Cooke
Director, Grid Development & Commercial
EirGrid
The Oval
160 Shelbourne Road
Ballsbridge
Dublin 4

Re. Connection Offers and Short-Term Security of Supply

Dear Andrew,

The Commission's recently published Gate 3 Proposed Direction provides for the processing of connection applications from conventional (i.e. non-renewable) projects, along with 3,000 MW of renewable generation in Gate 3, to be included in EirGrid's Incremental Transfer Capacity (ITC) Programme. The intention is that firm connection offers to all these applicants, as based on the Programme, would issue from around August of next year.

The focus of the Gate 3 Proposed Direction is, as you know, on making major inroads into the backlog of renewable connection applications and delivering on our renewable energy target for 2020 while recognising the critical role of conventional plant in delivering our other public policy objectives of security of supply and promotion of competition. The timeframe considered in the Proposed Direction is, necessarily, medium to long-term.

In the more immediate future, however, there is a particular security of supply concern arising, as EirGrid's letter of 24th April last identifies. It is clear from that letter that, when account is taken of generation and demand forecasts as well as the associated risks, EirGrid considers that 200 MW of plant should be "brought forward" - to the extent that this is possible - in order to meet projected Winter 2009/10 demand. This letter also looked beyond Winter 2009/10 but for the purpose of this correspondence the Commission's focus is on the short-term security of supply outlook.

The Commission has considered these issues and discussed them with EirGrid in recent weeks. One proposal which has been considered has been to offer non-firm connection offers in the very near future to identified conventional applicants with a view to inducing them to contract to connect earlier than would otherwise be the case. This would thereby help allay concerns on meeting Winter 2009/10 demand. The applicants would be identified by reference to the following criteria:

- (i) they can be relatively quickly connected to the transmission system providing a reasonable contribution to security of supply in the short-run, for example by

- incurring only a modest level of constraints in advance of their eventual deep connection dates; and,
- (ii) ensuring that such non-firm connection offers would not in any way prejudice the position and prospects for Gate 3 renewable projects.

Of course there is no guarantee that the identified applicants would take up such non-firm connection offers. Indeed they would be perfectly free not to do so. To try to ensure that 200 MW of conventional plant are connected by Winter 2009/10 with a reasonable degree of certainty, and given that there is not enough time now to deal with generator applicants one-by-one, the Commission considers that in the order of 600 MW of conventional applicants should be provided with non-firm offers to address the perceived risk of the capacity shortfall. This amounts to the following projects, in application date-order, as identified by EirGrid:

- Suir OCGT 98 MW OCGT LMS 100, from Mountside Properties, located at Cahir, deemed complete 29/05/07;
- Caulstown GT 58 MW OCGT, from Scottish & Southern Energy Generation Ltd, located at Platin, deemed complete 05/11/07;
- Cuilleen Power 98 MW OCGT LMS 100, from Mountside Properties, located at Athlone, deemed complete 29/01/08;
- Edenderry Power 116 MW OCGT, from Bord na Mona, located at Edenderry, deemed complete 15/02/08; and,
- Kilbride OCGT, 280 MW OCGT, from Power and Energy Holdings (ROI) Ltd, located at Arklow, deemed complete 21/02/08.

As with all deemed complete conventional and Gate 3 renewable applications, these applicants' deep operational - i.e. firm - dates would be provided from next year when calculated by EirGrid as part of the ITC Programme. We also note that this analysis has assumed that the other conventional projects further up the application queue, and renewables in Gate 3, have prior transmission access rights, so issuing these non-firm offers beforehand does not impact adversely on them.

On the basis of these listed plants' contribution to meeting the short-term security of supply need, and noting that Gate 3 renewable projects are not impacted upon, the Commission hereby directs EirGrid, pursuant to Section 34 (1) of the Electricity Regulation Act, 1999, to issue them with non-firm offers as above. Given the sense of urgency with this matter, these non-firm offers should be issued in application date order within 3 months of this date.

Yours sincerely,



Andrew Ebrill
Manager, Electricity Transmission

CC. Commissioners Tom Reeves, Michael G. Tutty and Dermot Nolan.