



Commission for Energy Regulation

An Coimisiún um Rialáil Fuinnimh

Consultation Paper on Detail for Allocating Scheduled Firm Access in Gate 3 ITC Programme

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CER – Information Page

The purpose of this Commission consultation is to seek views on the detail of the date order approach when inputting generators into the ITC Programme and deriving their scheduled firm access dates. The ITC Programme forms the basis of scheduled firm access dates for both Gate 3 renewable generators as well as those non-renewable (“conventional”) applicants which will receive a connection offer with Gate 3.

Target Audience:

Renewable and conventional electricity generator/interconnector projects receiving an offer as part of or with Gate 3.

Related Documents:

CER direction on Gate 3 and Related Matters (CER/08/260) of 16th December 2008. See following link:

<http://www.cer.ie/GetAttachment.aspx?id=54270766-56dc-4ddf-b0a1-d3be66a23df1>

Proposed Direction on Treatment of Conventional Generator Connection Applicants (CER/09/114) of 24th July 2009. See following link:

<http://www.cer.ie/en/electricity-transmission-network-current-consultations.aspx?article=8d1f1e76-3a9d-470a-b618-348ee8bd5bb3>

Responses to this proposed direction should be returned by email, post or fax and marked for the attention of Andrew Ebrill at the Commission, by no later than 17:00 on Thursday 12th November 2009.

The Commission intends to publish all submissions received. Respondents who do not wish part of their submission to be published should mark this area clearly and separately or enclose it in an Appendix, stating the rationale for not publishing this part of their comments.

EXECUTIVE SUMMARY

Introduction & Background

On 16th December 2008, the Commission published a direction (CER/08/260)¹ on Gate 3 of Ireland's group processing approach for the connection to the electricity network of renewable generators. The Commission directed the electricity system operators, EirGrid and ESB Networks Limited, to issue connection offers to circa 3,900 MW of renewable generation projects as part of Gate 3. This is with a view to achieving the Government's target of 40% of electricity consumption coming from renewable sources by 2020. Certain non-renewable ("conventional") projects will also receive a connection offer with Gate 3 renewable projects - a consultation on this (CER/09/114) has recently closed and will be decided on in the near future.

The system operators have recently drawn the Commission's attention to two issues in relation to the detail of the allocation of scheduled firm capacity in the ITC Programme, which is used as part of Gate 3. These issues are discussed in this consultation paper. Following this public consultation, which closes on Thursday 12th November 2009, and subject to the outcome of it, a Commission direction on these matters will be issued to the system operators.

Date Order Definition in ITC Programme

EirGrid and ESB Networks Limited (the system operators) have used the "initial application received" dates (i.e. regardless of whether all necessary information was provided) in the ITC Programme for Gate 3 renewable projects since it commenced running. Following a recent query from a generator applicant, the system operators drew the Commission's attention to this fact.

The Commission restated to the system operators that the term application "receipt date" as used in its Gate 3 direction (with reference to the ITC programme) is the date all necessary information is provided to the system operator.

This does not affect which renewable projects will be made an offer under Gate 3 as this has already been determined on the basis of the date all necessary information was provided to the system operator.

Considerations & Proposal

Having considered the matter the system operators have now advised the Commission that the use of "receipt dates" for Gate 3 renewable projects, as intended in the Gate 3 direction (in relation to the ITC Programme), is not reasonable as the use of such "receipt dates" could result in inconsistency in the treatment of renewable applicants between mid 2004 (i.e. for the first applicants included in Gate 3) and 16th November 2007 (i.e. for the last

¹ <http://www.cer.ie/GetAttachment.aspx?id=54270766-56dc-4ddf-b0a1-d3be66a23df1>

applicants included in Gate 3). Therefore, the system operators suggest it would not be feasible to come up with a single verifiable and consistent system for checking for “receipt dates” over this period. This is in contrast to the “initial application received” date, which is simple and consistently verifiable.

The Commission has considered the views of the system operators and the following facts in developing its proposal:

- There were no responses to the “initial application received” dates that were included in the Appendix to the original Gate 3 direction, bar the query received recently to the system operators. Therefore the Commission had no reason to believe that these dates cause any significant issue for projects included in the Gate and indeed, to change the list in the Appendix now could be against their legitimate expectations, given that the direction was published last December.
- If the Programme were to be re-run using the (originally intended) dates, several months of work would be lost and the Gate 3 offer roll-out programme would be severely delayed. This could have negative consequences for both the Gate 3 projects themselves and would adversely impact on the timely connection of more renewable generation onto the network.

In view of the above, and given that date order is still respected *overall* with “initial application received” dates, the Commission proposes to direct the system operators to continue using the “initial application received” dates in the ITC Programme for renewables in Gate 3.

Same Date Applications in ITC Programme

The system operators have also recently raised another query regarding the allocation of scheduled firm capacity in the ITC Programme from applications with the same application date, where the capacity is deemed to be interchangeable between them. (Where capacity is not interchangeable no issue arises under the ITC Programme methodology). The Commission agrees with the system operators that clarity on this issue is required. Having reflected on this the Commission now presents below its proposals.

There are three scenarios which relate to where renewable or conventional applicants in the ITC Programme have the same “initial application received” date and are deemed by EirGrid to be interchangeable in terms of the allocation of scheduled firm capacity:

- Applications for “MW phases” for the *same site from the same applicant* should have scheduled firm capacity allocated in the ITC Programme in line with the order of the phased developments. For example “Project X Phase 1” will receive its full scheduled firm quantity before any capacity is provided to “Project X Phase 2”, and so on. For such applications where it is not already stated which relates to what phase, the system operator will

ask the applicant to clarify this and it will allocate scheduled firm capacity on that basis. This allows the developer to decide which of its phased applications receives priority.

- Applications for *different sites from the same applicant* - i.e. they are from the same applicant but not for phases for the same sites as in the first scenario - should have available scheduled capacity in the ITC Programme shared, either equally or pro-rata between them, up to their full capacity applied for. Whether the equal or pro-rata approach would apply would be decided on by the applicant, which is to inform the system operator of its preferred approach within **one week** of this paper so as not to delay the running of the ITC Programme. Please note that in the absence of correspondence from an applicant on this issue - within one week of this paper - the system operator will use the pro-rata approach as a default. As an example, if there were two projects at differing sites from the same applicant of 100 and 150 MW each, where only 90 MW of scheduled firm capacity is available in a given year in total, depending on the applicant's choice, in that year either each project would receive 45 MW of scheduled firm capacity (equal sharing) or the larger one would receive 60 MW and the smaller one 30 MW (pro-rata). Allowing applicants such a choice is on the assumption that no other applicants in the Gate are impacted on and is made on customer service grounds. If the application for different sites was initially from different applicants or is now from different applicants, then the 3rd scenario below applies.
- Applications (for the same or different sites) *from different applicants* should have available scheduled firm capacity allocated in the ITC Programme on a pro-rata basis. As an example, if there were two projects at differing sites from different applicants of 100 and 150 MW each, where only 90 MW of scheduled firm capacity is available in a given year in total, then the larger one would receive 60 MW and the smaller one 30 MW. This is on the grounds of fairness and equity to applicants with the same "initial application received" date.

For clarity, the general criteria for deciding which conventional applicants will receive an offer with Gate 3 (see CER/09/114 for proposals) will be separately decided on and published by the Commission in November.

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1. Introduction & Background

- 1.1 The Commission for Energy Regulation ('the Commission') is the independent body responsible for overseeing the regulation of Ireland's electricity and gas sectors. The Commission was initially established and granted regulatory powers over the electricity market under the Electricity Regulation Act, 1999. The enactment of the Gas (Interim) (Regulation) Act, 2002 expanded the Commission's jurisdiction to include regulation of the natural gas market, while the Energy (Miscellaneous Provisions) Act 2006 granted the Commission additional powers in relation to gas and electricity safety. The Electricity Regulation Amendment (SEM) Act 2007 outlined the Commission's functions in relation to the Single Electricity Market (SEM) for the island of Ireland. This market is regulated by the Commission and the Northern Ireland Authority for Utility Regulation (NIAUR). The Commission is working to ensure that consumers benefit from regulation and the introduction of competition in the energy sector.
- 1.2 On 16th December 2008, following consultation, the Commission published a direction (CER/08/260)² on Gate 3 of Ireland's group processing approach (GPA) for the connection to the electricity network of renewable generators. The Commission directed the system operators, EirGrid as Transmission System Operator (TSO) and ESB Networks Limited as Distribution System Operator (DSO), to issue connection offers to circa 3,900 MW of renewable generation projects as part of Gate 3. This is with a view to achieving the Government's target of 40% of electricity consumption coming from renewable sources by 2020.
- 1.3 This direction decided that the 3,900 MW of renewable generators in Gate 3 will be selected for a connection offer by earliest application date order, with offers to roll out from this December through to mid 2011. The Gate 3 direction decided that the scheduled deep/firm connection dates, from 2010 to 2025, for each of the Gate 3 renewable generators would be determined by reference to EirGrid's Incremental Transfer Capacity (ITC) Programme. The ITC Programme uses transmission capacity assumptions over the period from 2010 to 2025 and, applying these assumptions, derives the scheduled firm capacity to Gate 3 renewable projects and eligible conventional projects, using an application date order methodology (for further details please see the direction). The Programme also prepares scheduled firm connection dates for conventional plants eligible for an offer, which itself is an issue on which the Commission recently consulted on (please see CER/09/114 published on 24th July) and which will be decided on in the near future.
- 1.4 The system operators, EirGrid and ESB Networks, have recently brought to the attention of the Commission an applicant query in

² <http://www.cer.ie/GetAttachment.aspx?id=54270766-56dc-4ddf-b0a1-d3be66a23df1>

implementing the exact application date order definition, as provided for in our Gate 3 direction, for the allocation of scheduled firm capacity to renewables in the ITC Programme. Section 3 of this paper provides the Commission's view on the matter, for public consultation. For clarity, this does not affect which renewable projects will get an offer under Gate 3 as this has already been determined on the basis of the date all necessary information was provided to the system operator.

- 1.5 The system operators have also recently raised another issue regarding the allocation of scheduled firm capacity within the ITC Programme from applications with the same application date. This is discussed in section 4 of the paper for public comment.
- 1.6 Following a review of comments received to this paper, the Commission will issue a direction on these matters to the electricity system operators, EirGrid as TSO and ESB Networks Limited as DSO, pursuant to section 34 of the Electricity Regulation Act, 1999.

2. Purpose of Paper and Request for Comment

- 2.1 The purpose of this paper is to present firstly, in section 3, the Commission's current view on the exact application date order definition that should be applied in EirGrid's ITC Programme. In Section 4 the paper then presents the Commission's current view on how to treat applicants in the ITC Programme which have the same application date. Please note that this paper is not consulting on which renewable/conventional applicants are eligible for an offer with or as part of Gate 3 (see section 1).
- 2.2 All comments to this paper should be submitted to Andrew Ebrill at the Commission by no later than 17:00 on Thursday 12th November. The Commission intends to publish all comments received. Respondents who do not wish part of their submission to be published should mark this area clearly and separately as an Appendix, stating the rationale for not publishing part of their comments.

3. Date Order Definition in ITC Programme

Date Order for Inclusion in Gate 3

- 3.1 As stated in section 1, an application date order approach was provided for in the Gate 3 direction for selecting applicants in Gate 3, with a view to allowing for a Gate size of circa 3,900 MW. In this regard section 5.13 of the Gate 3 direction states that:

“...renewable applicants received and stamped by the relevant system operator, up to and including 16th November 2007, are “pre-selected” for inclusion in Gate 3. If the application is not initially deemed complete due to an incomplete application, then the receipt date is recorded as the date that the necessary information has been provided to the system operator...”

- 3.2 This “receipt date” definition for the inclusion of applicants in Gate 3 means that if a *complete* renewable connection application was submitted to the system operators by or on 16/11/07, it would be included in the Gate. It also means that if an application was submitted by or on 16/11/07 and it was incomplete, and the remaining necessary information was not submitted to the system operator until 17/11/07 or later, its receipt date would be such that it would be recorded at this later date and it would therefore not be included in the Gate. Necessary information is understood to mean information required for an applicant to submit a complete and accurate application. This requirement for a complete application is to ensure that all renewable applicants included in Gate 3 by the application cut-off have provided the required information to the TSO or DSO.

Date Order in ITC Programme

- 3.3 The allocation of scheduled deep/firm capacity in the ITC Programme also involves an application date order methodology, as referred to in section 5.18 of our direction as follows:

“In any given year from 2010 through to 2025, where the firm capacity of applicants connecting into a node is greater than the node’s capacity, the firm capacity provided (within the ITC Programme) to applicants for each year will be rationed on the basis of the received date of the application.”

- 3.4 The system operators have recently brought to the attention of the Commission that an applicant in Gate 3 has recently queried the date order basis on which its scheduled firm access is to be awarded. The system operators have stated to the Commission that since the running of the ITC Programme commenced earlier this year, they have used the “initial application received” (i.e. regardless of whether all necessary information was provided) dates for Gate 3 renewables in the ITC Programme. This is rather than the “receipt date” (i.e. the date all

necessary information was provided to the system operators) in deciding which applicants would be included in the Gate. Having reviewed the direction the system operators believe that there “may be some perceived ambiguity” between the section of the direction referring to the inclusion of renewable applicants in the Gate by date order (5.13) and the section referencing the date order allocation of firm access (5.18). For more detail please see in Appendix 1 the system operators’ response on this issue.

Commission Position on Gate 3 Direction

- 3.5 The Commission restated to the system operators that the term application “receipt date” as used in its Gate 3 direction (with reference to the ITC programme) is the date all necessary information is provided to the system operator.
- 3.6 This is because taking sections 5.13 and 5.18 together as part of the one Gate 3 direction, *received date* in section 5.18 (used for the ITC Programme) applies the same definition as is used to determine which renewable applicants are included in the Gate. The reasoning for adopting this approach in the ITC Programme is the same as for that deciding on the Gate 3 inclusion cut-off (as explained in section 3.2 above).
- 3.7 If the Commission had intended a different approach to be applied between the date order definitions to be used to decide who is in Gate 3 and the allocation of firm capacity to Gate 3 renewables in the ITC programme, this would have been clearly stated in the direction. Section 5.15 of the Gate 3 direction stated that the full list of projects included in Gate 3 - i.e. as per our cut-off definition in section 5.13 - was provided in Appendix 1 to the direction. As per this definition, it is clear that the Commission understood the dates in Appendix 1 to be “receipt dates” (i.e. the dates all necessary information was provided to the system operators) and therefore these would also be used as the application received dates applied in the ITC Programme.

System Operator Practice Since Gate 3 Direction

- 3.8 The Commission now understands from the system operators that the dates in Appendix 1 are the applicants’ “initial application received” dates and not “receipt dates” (i.e. the dates all necessary information was provided to the system operators) as per the direction - and that these are the dates that have been used in the ITC Programme. For clarity, the system operators have confirmed that they did use “receipt dates” (i.e. the dates all necessary information was provided to the system operators) for deciding which applicants would be included in the Gate, as per the direction.
- 3.9 This use by the system operators of the “initial application received” dates rather than the Commission’s intended “receipt dates” (i.e. the

dates all necessary information was provided to the system operators) for Gate 3 renewables in the ITC Programme has implications for the allocation of scheduled firm capacity to projects as it means that, where transmission capacity at a node is scarce in any given year from 2010 to 2025, priority will be given in allocating that capacity to applicants based on when their applications were submitted, even if the applications were incomplete. While this is not necessarily a first order issue in its allocation of scarce transmission capacity among projects as date order is still respected *overall* among connection applicants, it could re-arrange scheduled firm capacity allocated among applicants located in a similar area that applied at a similar time.

Policy Considerations on Issue

- 3.10 As discussed above, the Commission believes that the use of “receipt dates” (i.e. the dates all necessary information was provided to the system operators) for Gate 3 renewables in the ITC Programme was clear in the direction.
- 3.11 However, there are now special circumstances which need to be considered. Firstly, having considered the matter the system operators have now advised the Commission that the use of “receipt dates” as intended in the Gate 3 direction (in relation to the ITC Programme) is not reasonable as the use of such “receipt dates” could result in inconsistency in the treatment of applicants between mid 2004 (i.e. for the first applicants included in Gate 3) and 16th November 2007 (i.e. for the last applicants included in Gate 3). This is because over this circa 3.5 year timeframe different levels of information were required from applicants at different times, with different application forms used. As an example, an incomplete application submitted in mid 2004 could have required different information (and therefore taken a different length of time) to have registered as “all necessary information was provided” than one submitted in 2007. Therefore, the system operators suggest it would not be feasible to come up with a single, verifiable and consistent system for checking for “receipt dates” over this period. This is in contrast to the “initial application received” date, which is simple and consistently verifiable.
- 3.12 For clarity, while “all necessary information received” dates would not be robust, for system operator administration reasons, in allocating transmission capacity to renewable projects within Gate 3, it is considered by the system operators to be robust in deciding which applicants are included in Gate 3. This is because a consistent approach was applied in verifying applications dates as “all necessary information was provided” around the time of the Gate 3 cut-off (late 2007).
- 3.13 The Commission has considered the views of the system operators and the following facts in developing its proposal:

- The Gate 3 direction included in the Appendix, as stated earlier, the “initial application received” dates for Gate 3 projects. No responses or queries were received from such renewable projects on this issue, until the one recently received to the system operators. There were no responses to the “initial application received” dates that were included in the Appendix to the original Gate 3 direction. Therefore the Commission had no reason to believe that these dates cause any significant issue for projects included in the Gate and indeed, to change the list in the Appendix now could be against their legitimate expectations, given that the direction was published last December; and,
- The ITC Programme is that the Programme has now been running for a few months. Were the Programme to be re-run using the (originally intended) dates for Gate 3 renewable projects, several months of work would be lost and the Gate 3 offer roll-out programme would be severely delayed. This could have negative consequences for both the Gate 3 projects themselves and would adversely impact on the timely connection of more renewable generation onto the network.

Commission’s Proposal

3.14 The Commission’s objectives for Gate 3, as stated in our Gate 3 direction, were among other things to be:

- “fair and reasonable to individual generator applicants”,
- “simple and transparent as possible”; and,
- “practical and timely to implement”.

Clearly, based on system operator correspondence and for reasons alluded to above, these objectives for the Gate cannot now be met based on the previously directed date order approach. Rather, the objectives of fairness, simplicity, transparency and timeliness for implementation of the Gate can only be met by the use of “initial application received” dates for renewable projects.

3.15 In view of the above, and that date order is still respected *overall* with “initial application received” dates, the Commission proposes to direct the system operators to continue using the “initial application received” dates in the ITC Programme for renewables in Gate 3. Following this public consultation, and subject to the outcome of it, a Commission direction on this matter will be issued to the system operators.

4. Same Date Applications in ITC Programme

4.1 The system operators have also recently raised another query regarding the allocation of scheduled firm capacity in the ITC Programme from applications with the same application date, where the capacity is deemed to be interchangeable between them. (Where capacity is not interchangeable no issue arises under the ITC Programme methodology). The Commission agrees with the system operators that clarity on this issue is required. Having reflected on this the Commission now presents below its proposals.

4.2 There are three scenarios relate to where renewable or conventional applicants in the ITC Programme have the same “initial application received” date and are deemed by EirGrid to be interchangeable in terms of the allocation of scheduled firm capacity, shown below. Please note that for all scenarios, the same application date is taken to mean the same “initial application received” date by the system operator.

- Applications for “MW phases” for the *same site from the same applicant* should have scheduled firm capacity allocated in the ITC Programme in line with the order of the phased developments. For example “Project X Phase 1” will receive its full scheduled firm quantity before any capacity is provided to “Project X Phase 2”, and so on. For such applications where it is not already stated which relates to what phase, the system operator will ask the applicant to clarify this and it will allocate scheduled firm capacity on that basis. This allows the developer to decide which of its phased applications receives priority.
- Applications for *different sites from the same applicant* - i.e. they are from the same applicant but not for phases for the same sites as in the first scenario - should have available scheduled capacity in the ITC Programme shared, either equally or pro-rata between them, up to their full capacity applied for. Whether the equal or pro-rata approach would apply would be decided on by the applicant, which is to inform the system operator of its preferred approach within **one week** of this paper so as not to delay the running of the ITC Programme. Please note that in the absence of correspondence from an applicant on this issue - within one week of this paper - the system operator will use the pro-rata approach as a default. As an example, if there were two projects at differing sites from the same applicant of 100 and 150 MW each, where only 90 MW of scheduled firm capacity is available in a given year in total, depending on the applicant’s choice, in that year either each project would receive 45 MW of scheduled firm capacity (equal sharing) or the larger one would receive 60 MW and the smaller one 30 MW (pro-rata). Allowing applicants such a choice is on the assumption that no other applicants in the Gate are impacted on and is made on customer service grounds. If the application for different sites was initially from

different applicants or is now from different applicants, then the 3rd scenario below applies.

- Applications (for the same or different sites) *from different applicants* should have available scheduled firm capacity allocated in the ITC Programme on a pro-rata basis. As an example, if there were two projects at differing sites from different applicants of 100 and 150 MW each, where only 90 MW of scheduled firm capacity is available in a given year in total, then the larger one would receive 60 MW and the smaller one 30 MW. This is on the grounds of fairness and equity to applicants with the same “initial application received” date.

4.3 Following this public consultation, and subject to the outcome of it, a Commission direction on this matter will be issued to the system operators. In the meantime, the system operators will apply the above approaches, pending the Commission’s final direction. For clarity, the general criteria for deciding which conventional applicants will receive an offer with Gate 3 (see CER/09/114 for proposals) will be separately decided on and published by the Commission in November.

Appendix 1: System Operators' Response on Date Order Definition

See attached with this paper.