Saorgus Energy Ltd comment on CER-09-127

Saorgus Energy Ltd welcomes the extension of contestability to distribution level and makes the following comments on CER-09-127 and the accompanying DSO paper.

CER-09-127
Section 3.1; defaulting members of contestable sub-group. The choice should be given to the remaining members of a sub-group (where one or more members do not proceed) to pay the defaulting members’ costs and thereby claim their capacity. This would facilitate the construction (by the remaining members) of the defaulting members’ capacity. It would also protect the final customer against having to cover the cost of defaulting members.

Accompanying DSO paper
Section 4.0; Non-contestable Activities, Determination of the Connection Method. It should not be possible for the SO to specify a preferred method that transfers construction risk or cost risk from the SO to the generator. Situations are easily envisaged where the SO would specify a connection method that would make further system development more convenient but which would make the construction of the shallow asset more risky. We are involved in one such current case involving the TSO. Clearly, a principled approach is needed to this issue. We suggest that this principle simply be that there can be no imposition of non-LCTA construction risk on the generator. This may have a cost implication for the SO. However, to allow such transfers would be counter to the aims of the group processing approach and may well be in conflict with EU law.

Section 4.0; Non-contestable Activities, Any Associated System Reinforcements. There is no apparent practical reason why system reinforcements, if required for the firm connection of the generator, should not also be contestable. For example, the volume of deep reinforcements required for Grid25 will make the deployment of contractor resources both necessary and desirable. This was the case for the renewal of the LV network in recent years. However, there is no practical reason to require that the necessary contractors work directly for the DSO if the work can be done to specification and more cost effectively by competent contractors and be signed off by the DSO. This alternative approach would save time and money.

Section 4.0; Non-contestable Activities, Determination of Assets to be Transferred to ESB Networks. There needs to be a principled approach to deciding if assets built contestably must be transferred to the DSO. We suggest that, unless prevented by law, no right of transfer to the DSO should exist unless multiple connecting parties cannot agree on the ownership of the shared asset. This approach is consistent with other provision of CER-09-127. As it stands,
the DSO proposal could be interpreted simply as a desire to obtain a reliable source of revenue from O&M charges and this perception needs to be guarded against.  

Section 5.0; Financial Arrangements. It would be better if the text “This bond is required to cover the scenario where” was replaced by “This bond will be required where”. As it stands, it reads that the bond is required in every situation. In many cases, such a bond would be a completely unnecessary financial imposition on the constructing generator.

Aidan Forde
Director

Friday, 18 September 2009