29th January 2010

John O’Connell
The Commission for Energy Regulation
The Exchange
Belgard Square North
Tallaght
Dublin 22

Dear John

RE: Contestability for Distribution and Transmission Level Connections to the Electricity System.

Bord Gáis Energy (BG Energy) very much welcomes the Commission for Energy Regulation’s (CER) consultation facilitating the implementation of a contestable regime for the connection of distribution connections to the electricity system. Although generally supportive of the proposed regime, BG Energy wishes to highlight some concerns with and recommend amendments to the proposals put forward by the CER and the Distribution System Operator (DSO) as part of this consultation.

1. Open-Book Pricing

BG Energy agrees with the assertion that it would be preferable to see contestability work effectively and would prefer the allocation of resources on this initiative ahead of an open-book regime. However, this preference is premised on the ability of all parties to implement a workable and effective contestable regime. In the event that contestability does not function adequately or give rise to the expected benefits, BG Energy would ask that the open-book option be re-examined as an alternate option in delivering transparency to the connection of renewable generation.

2. Under-Writing by the Final Customer

BG Energy accepts and endorses the CER’s position in relation to the placing of unwarranted costs and risks on the general Transmission or Distribution Use of
System (TUoS/DUoS) customer. However, BG Energy does not understand how the interim costs of a party withdrawing from a contestable group will be realistically financed and shared by the remainder of the group. This will add another level of complexity to the agreements between parties in a group and may again act as a barrier to achieving unanimity, particularly for smaller connecting parties with limited financing resources. BG Energy would therefore suggest that the cost be paid by the Transmission System Operator (TSO) or DSO in the interim. However, should the costs become excessive or significant then potentially an alternative agreement should be reached between the TSO/DSO and all of the members in that specific group.

3. Ownership of the Shallow Connection

The criteria proposed by the CER for the transfer of contestable assets to the Transmission Asset Owner (TAO) or Distribution Asset Owner (DAO) appear reasonable. BG Energy seeks clarification on whether a generator who transfers contestable assets to the TAO/DAO (either voluntarily or under direction of the CER) will be liable for ongoing TUoS/DUoS charges for the use of that asset or operation and maintenance costs for the upkeep of the asset?

4. Hybrid Option

The benefits of contestable development are many-fold, however two significant advantages are in accelerating the connection of renewable developments (and therefore the achievement of our renewable targets) and reducing the costs levied on the TUoS/DUoS customer. The hybrid option will greatly improve the operation and effectiveness of a contestable regime and its general viability for groups of connecting generators (In fact BG Energy would argue that the 3 month limitation currently proposed for contestable connection offers would actually act as a barrier for group developments seeking to connect to the system contestably and would only be viable for lone connecting projects).

BG Energy understands that there may be legal and resource implications associated with the hybrid option, however given its implications for the success and take-up of the contestable regime it warrants further credible examination by and resources from the system operators and asset owners.
5. DSO’s Key Principles and Processes

BG Energy accepts and agrees with the DSOs principle that all contestable assets will be built in compliance with the distribution standards provided by the DSO. However, BG Energy does not understand why this provision cannot be extended to the provision of other assets required to connect to the system, such as communication systems and metering equipment. Providing that the assets used and connection standards (including parties installing the assets) comply with the standards set by the system operators, all aspects of building a connection to the system at distribution and transmission level should be contestable.

The DSO provides that a “developer may be required to post a Performance Bond with the DSO in respect of the connection works for shared assets being undertaken”, yet the bond may not be required where all parties sharing the assets agree. BG Energy fails to understand the role of this performance bond and its merits in either protecting the DSO or other parties in a connecting group. As suggested by EirGrid, more information on its role and when it would be drawn down is needed.

I hope you find the above comments useful in finalising your decision. Please do not hesitate in contacting me should you wish to discuss any of the points further.

Yours sincerely,

Jill Murray
Commercial Regulation
Bord Gáis Energy

{by e-mail}