



Commission for Energy Regulation

An Coimisiún um Rialáil Fuinnimh

Connection Offer Policy & Process (COPP)

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CER – Information Page

Target Audience:

This paper will be of interest to parties involved or concerned with connection to the electricity system at distribution and transmission level, and the SOs.

Related Documents:

- Gate 3 Direction – Criteria for Gate 3 Renewable Generator Offers & Related Matters, CER/08/260
 - Note – in 2008 CER opened a window for 20% increase/decrease in MEC to maximum of 4MW for G3 applicants
 - System Operator GPA Pricing Principles Decision Paper, CER/10/085
 - Decision on Electricity Network Connection Policy, CER/09/138
 - Decision on Distribution Connection Contracts, CER/09/198
 - Treatment of Small, Renewable and Low Carbon Generators outside the Gate Processing Approach, CER 09/099
 - Decision on Relocation of Generation Capacity, CER/10/211
 - Decision on First Stage Payments on Acceptance of a Connection Offer to the Electricity Network, CER/10/233
 - Forthcoming Decision following consultation on Financing of the SO Preferred Connection Method in Contestable Builds, CER/11/027
 - Forthcoming decision following consultation on Transmission Connection Agreements & Use of System Agreements
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Executive Summary

In autumn 2010, the System Operators (“SOs”) developed and submitted to the Commission for Energy Regulation (“CER”), a paper – the Connection Offer Policy and Process (COPP) paper – which detailed their proposals and procedures for processing offers and subsequent offer modification requests, for generator connections to the electricity network. The proposals intended to offer further clarity, transparency and flexibility to the current system for processing generator applications for connection to the electricity network in Ireland.

In December 2010 the CER published the paper for consultation (CER/10/237). Twenty five parties responded to the consultation and a workshop was held in January 2011 to discuss further the proposals and queries from respondents.

This decision paper includes discussions on the original consultation issues, the responses submitted thereto and finally the CER’s decision for each topic covered. Where appropriate, the SOs have modified the COPP paper and the final approved version of COPP is included in Appendix A of this decision paper.

The CER has approved the general proposals in the initial COPP consultation paper with minor changes where it was appropriate to do so, balancing the responses received from industry with the desire for introducing further flexibility to the current group processing approach (GPA).

Temporary Connections

Temporary connections is an extremely complex issue and as such merits careful consideration before reaching decisions on the multi-faceted issues which result from a decision to allow them. For this reason, the CER highlighted the matter specifically in the consultation paper with the intention of garnering informed responses from industry such that CER is then best positioned to make decisions on the matters arising from temporary connections.

Fourteen respondents submitted views on the issue, with the general theme being supportive of the concept but with some concerns in relation to constraints issues. Following further consultation with the SOs, the CER has now decided to permit temporary connections for Gate 3 projects – the availability of temporary capacity will be based on spare capacity in the existing network and will be allocated to applicants on the basis of project readiness. The issue of constraints has also been dealt with in the interim such that pre Gate 3 generators are protected as much as possible from enduring higher constraints than would otherwise have been the case had temporary connections not been permitted. Going forward, the intention of the CER is to re-examine the issue following conclusion of the Scheduling & Dispatch consultation.

The CER wishes extend its thanks to the SOs for their work in developing COPP and to those who responded to the consultation – informed responses from

industry are significant, feeding directly to the consideration undertaken by the CER when reaching decisions.

This is a decision paper and the CER and the system operators have now made the appropriate amendments to COPP as a result of the decisions within this paper.

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1. Introduction

1.1. The Commission for Energy Regulation

The Commission for Energy Regulation ('the CER') is the independent body responsible for overseeing the regulation of Ireland's electricity and gas sectors. The CER was initially established and granted regulatory powers over the electricity market under the Electricity Regulation Act, 1999 (the "Act"). The enactment of the Gas (Interim) (Regulation) Act, 2002 expanded the CER's jurisdiction to include regulation of the natural gas market, while the Energy (Miscellaneous Provisions) Act 2006 granted the CER additional powers in relation to gas and electricity safety. The Electricity Regulation Amendment (SEM) Act 2007 outlined the CER's functions in relation to the Single Electricity Market (SEM) for the island of Ireland. This market is regulated jointly by the CER and the Northern Ireland Authority for Utility Regulation (NIAUR). The CER is working to ensure that consumers benefit from regulation and the introduction of competition in the energy sector.

1.2 Purpose of this paper

The purpose of this paper is to provide the CER's decision in relation to the policy proposals made by the SOs relating to the connection of generators to the electricity network in Ireland. Amongst other topics, the most salient covered in this paper are those of temporary connections, installed capacity and reductions in MEC.

1.3 Background

In autumn 2010, the SOs ("SOs") developed and submitted to the CER, a paper – the Connection Offer Policy & Process (COPP) paper – which detailed their proposals and procedures for processing offers and subsequent offer modification requests, for generator connections to the electricity network. The proposals intended to offer further clarity, transparency and flexibility to the current system for processing generator applications for connection to the electricity network in Ireland.

In December 2010 the CER published a consultation paper (CER/10/237). Twenty five parties responded to the consultation and a workshop was held in January 2011 to discuss further the proposals made in the consultation and to respond to queries from respondents on the issues discussed. Meetings were then held with some respondents to discuss their specific submissions. This paper now discusses the original consultation issues, together with the responses submitted and finally the CER's decision for each topic covered. Where appropriate, the SOs have modified the COPP paper and the final approved version of COPP is included in Appendix A of this decision paper.

1.4 Structure of this paper

The remainder of this paper is structured in the following manner:

Section 2.0 lists the topics covered in COPP and the responses received.

Section 3.0 outlines the proposals made by the SOs and discusses each topic in COPP, in turn, detailing the responses received and follow-up comments by the SOs, finishing with the CER view and decision in each case.

Section 4.0 provides a summary of the decisions made by the CER.

Appendix A comprises the final approved COPP procedures and rulesets.

Appendix B comprises the responses received to the consultation.

2.0 Topics Covered by COPP & Responses Received

2.1 Introduction

The COPP paper details the SOs procedures for processing offers and subsequent offer modification requests, for generator connections to the electricity network - specific scenarios covered, include applications for merging and splitting of projects, for phasing of connections, reductions in MEC and applications for temporary connections.

The proposed adjustment from current procedures intends to offer further clarity, transparency and flexibility to the current system for processing generator applications for connection to the electricity network in Ireland.

The COPP consultation paper was split into two parts – Section 1 covered topics for which procedures and rulesets had not yet been established, before the consultation, in relation to how connection policy is applied to applications – these were the key consultation points of COPP. Section 2 discussed procedures already established and as such these topics were not included for consultation, rather they were included for completion and clarity.

During the consultation process, the CER updated the Gate 3 Liaison group at their regular meetings regarding progress of the COPP consultation and decision process.

The final approved COPP paper is included in Appendix A of this decision paper.

2.2 Consultation Responses/Process

The CER received twenty five responses to the consultation – twenty four of these responses are included in Appendix B of this document (*one respondent requested their response not be published*). The CER also met with the following respondents:

- Bord Gais Energy
- Bioverda
- Irish Wind Energy Association
- Irish Grid Solutions
- Aeolus (Windfarms) Ltd
- Black Lough Wind Farm
- ESBI
- Viridian Power & Energy

3.0 Discussions & CER Decisions

This section discusses each topic within the COPP consultation paper, in turn, under two sub headings:

- 3.1 COPP Section 1 (topics for consultation)
- 3.2 COPP Section 2 (topics included for clarity/completeness)

For each topic, a brief overview of the proposals made is given, followed by the responses received from industry and the SOs, and finally, the CER view and decision in each case.

3.1 COPP Section 1 (topics for consultation)

3.1.1. Changes in Installed Capacity

The SOs sought to balance the potential impact of increased constraints due to increased installed capacities at generating facilities. In doing so the SOs also sought to allow for some flexibility in consideration of the practical difficulties facing customers (whilst appreciating that it is not always possible for a particular MEC to exactly equal or be just above the installed generation capacity of a facility).

The SOs proposed therefore to adopt a 'nearest value' approach in relation to allowable installed capacity at a generating facility and offered an example of the proposed approach whilst noting it is primarily designed to consider the issues associated with wind turbines in particular but may be applicable to other types of generation (to be determined by the SOs on a case by case basis).

Responses Received

14 respondents submitted views on this issue.

In general, respondents believed that there was no requirement for an additional rule to limit installed capacity above MEC's. A synopsis of the comments received is included hereunder.

From a **financial** perspective, some respondents stated the issue of installing capacity above the MEC is self regulated by the economics of windfarm design – others also commented that since developers pay for shallow connections to cater for their MECs, then they should be able to make use of this full capacity

From a **technical** perspective, some respondents cited figures in relation to the current network, stating 50% of transmission connected projects and 27% of distribution connected projects have over installed by an average of 2% and

1.8% respectively. Some highlighted that the system overall total MEC is greater than the installed capacity. Another stated that allowing projects to optimise their MEC allocation should be supported by the SOs as it leads to the most efficient use of the network. Some respondents stated that based on the current connected wind generators, there is no evidence of material harm to other connected users and indeed there are cases where thermal generators have ratings above their MEC.

In relation to **windfarm design**, respondents commented that over installing capacity can be driven by internal losses and the maintenance programme for windfarms – others supported the concept stating that this can be prudent design. Others stated that the proposed ruleset discriminates against larger projects as they can only over-install by a lower percentage than smaller projects. Some respondents stated also that the specific number of turbines installed at a facility can be dictated by planning permission.

In relation to renewable energy targets, some respondents suggested that the proposals would be counter to the objective to reaching these targets.

In relation to changes in MEC resulting from increased installed capacity, some respondents stated that:

- The SOs should allow a reasonable increase or decrease in installed capacity which should be reflected similarly by a change in MEC;
- Where an increase in MEC would not impact on others in the connection offer process or add costs to others, then an application for revised MEC should be allowed when the project has installed its generation capacity and is connected; and
- The rules regarding relocation of capacity have indirectly allowed increases and decreases in MEC with no net change – this flexibility would be unfair if the flexibility for installed capacity is removed.

Finally, some of the more general comments received stated that the proposals were an attempt by the SOs to address a problem which did not exist and indeed that with current regulatory policy and market rules in place, no incentive exists for generators to ‘spill’ onto the network.

One respondent was supportive of the SOs’ proposals.

Further comments from meetings held

In a meeting held with respondents, it was suggested that any concerns the SOs had with respect to the potential for constraints as a result of ‘over installing’ capacity would be balanced by the individual load factors of specific generating facilities.

The respondents also suggested that should a final CER decision be taken to allow a cap on the installed capacity at generating facilities, the level of such a cap should be consulted upon.

System Operators' Responses to Comments Received

In their response to the comments received, the SOs stated that one of the assumptions underpinning transmission network planning is that MECs are broadly the same as ICs.

Where ICs are greater than MECs, this could result in material increases in curtailment and constraints (*the estimated level of constraints is subject to a number of assumptions but the actual level of constraint/curtailment will increase as load factor increases*). Also, varying ICs leads to varying load factors and consequently constraints in an area, affecting not only the windfarm whose IC is varying, but other windfarms in the vicinity.

The SO's acknowledged that allowing increased installed capacity may allow for greater take-up of offers and increased output from renewable generators thereby contributing towards the meeting or exceeding of the 40% renewable target (set by government).

The proposal in COPP was an attempt to offer flexibility to assist with alleviating the problem of planning issues but once the above impacts were understood the SOs were open to facilitating additional flexibility.

It is normal for thermal generating units to have ratings above their MECs (as their installed capacity varies with ambient temperature and pressure) however this does not convey any material advantage to them as the SOs understand that they cannot increase their load factor with increased installed capacity on any particular unit (since the whole unit would need to shut down for maintenance at the same time).

The SOs had no comment on the issue of windfarm economics.

Finally, the SOs also stated that allowing increased installed capacity at generating facilities could potentially be unfair to subsequent gates as this would lead to reduced available capacity on the system.

CER Position

The CER agrees that intuitively, increasing installed capacity leads to increased constraints/curtailment across the electricity network, as a whole and at some point, over installed capacity at generating facilities may in the future, materially harm other connected/contracted generation.

However, the CER also agrees that generators should be permitted to install capacity above their MEC to cater for house load and losses on the generators

network on the wind farm site. Together with this, the CER supports the concept that since generators pay for their connection on the basis of a specific MEC, then they should be in a position (in as far as their generating facility allows), to export at their MEC level.

In relation to the comments made suggesting that imposing a cap based on turbine rating leads to discrimination towards larger wind farms (as the percentage over installed is much smaller than that which could be achieved by smaller wind farms). The CER understands the views of respondents in relation to the potential discrimination weighted towards larger generators were the nearest value approach alone, proposed in COPP, adopted.

The CER believes that on this basis, the level of cap should be based on a percentage of a generating facility's MEC (rather than a particular number of turbines) - the 'nearest value' approach should thereafter be applied to determine the actual number of turbines permitted (the percentage of installed capacity above the MEC being the maximum). This means that a percentage of capacity, above the MEC is calculated - this figure being the maximum allowable installed capacity – and the number of turbines therefore determined on this basis.

Whilst this would not completely eradicate the difference in allowable installed capacity between smaller and larger generators, it does minimise the effect of potential discrimination against larger generators.

On the basis of a submission made by the SO's on the issue, the CER has now set this percentage as 5% - this being a level which should be high enough to cover the aforementioned house load and losses a generator may experience on its internal network/windfarm site, whilst still allowing a connecting party to export to up their MEC.

3.1.2. Mergers & Splitting

Mergers

The SOs stated that broad rules on mergers have been in practice and separately agreed with the CER previously and so requests for mergers will be processed on that basis. The SOs synopsised the procedures followed for processing mergers.

Responses Received on Mergers

16 respondents submitted views on the issue of merging/splitting projects.

In general, respondents supported and welcomed the proposals regarding merging of wind farm projects. A synopsis of the comments received is included hereunder.

Respondents stated that where projects with later application dates merge with projects of earlier application dates, **no advantage** should be gained by the merged project where date order decisions are then made.

One respondent suggested that further flexibility should be added to the proposal whereby merging can be available to projects which may have been assigned to different **connection nodes** but may be geographically close.

A respondent suggested that CER is creating inequity by not allowing projects outside of the GPA to merge – in particular the respondent referred to projects with MECs of <500kW.

In relation to **FAQs**, one respondent suggested that rather than the FAQ date for the combined unit being used for the entire FAQ, that the original FAQ date as applicable to each project be maintained.

With respect to the requirement a new **legal entity** forming as a result of a merger, clarity was requested regarding whether a **new** legal entity needs to be formed, or, if one of the already existing legal entities, can be used.

System Operators' Responses to Comments Received

The SOs stated that where date order is a criterion for eligibility, or awarding of advantage, it is typically possible to award this advantage on a split basis. However when a scenario arises where only a single date can be used, the SO's would propose that the later of the dates be used.

In relation to the suggestion that mergers should be allowed between projects assigned to differing nodes, the SOs state that the capacity relocation rules, which would apply in such a case, allow in certain exceptional cases, a change in connection node on the basis that it will not materially disadvantage other parties.

With regard to issue of not allowing non-GPA projects to merge, the SOs stated should mergers be extended to non-GPA projects including those of <500kW, then subsequent applications to merge would circumvent the rules which exclude windfarms >500kW from applying for a non-GPA offer in the first place. However where no unfair advantage is gained by a merger, an application for it can be processed subject to the usual rules.

The SOs also confirmed that there is no underlying principle which would prohibit mergers between gates.

In relation to the legal entity being formed by a merger, the system operator confirmed that the new legal entity can be a new entity or one of the original entities who owned one of the original projects being merged.

CER Position & Decision

The CER agrees with the system operator's views in relation to date order advantage and mergers between gates. The CER therefore has no further comment on these issues.

In relation to changing of connection nodes for splitting or merging of projects, this issue has been considered separately as part of the recent consultation and resultant decision "CER/10/211 CER Decision on Relocation of Generation Capacity – 7th December 2010" which allows changes in connection nodes in exceptional circumstances.

In relation to non-GPA windfarms being excluded from the process of merging – the CER agrees with the SOs position on this issue – wind generators (up and including 0.5MW) and other renewable generators (up to and including 5MW) are afforded the opportunity of applying outside of the GPA process for their connection. Allowing these projects to merge therefore would be unfair to projects processed under the GPA rules.

With respect to the issue of maintaining individual FAQ dates for projects which have merged – given that partial firm capacity is provided for, the incremental increase in a merged projects' firm capacity will be consistent with the firm capacity allocations specified for the individual projects prior to being merged. Generators should consult the Trading & Settlement Code in relation to implications in the context of the operation of the electricity market in this regard.

The CER agrees with the system operator's views in relation to mergers between gates, that is, they are allowed under the proposed rules. The CER therefore has no further comment on these issues.

Splitting

Currently, no facility to split the MEC at a generating facility exists – the SOs defined splitting as occurring where a project, which had applied for a certain level of export capacity, subsequently requests for the original MEC to be accommodated over two or more connections.

Responses Received on Splitting

16 respondents submitted views on the issue of merging/splitting of projects.

In general, respondents supported the concept of splitting of wind farm projects, however there was concern in relation to the level of security required to cover potential stranded assets resulting from project splitting. Respondents requested further clarity in relation to the exact level of bonding which would be required – clarity was also sought in relation to whether or not bonds would be returned prior to construction (where splitting occurred), such that shared assets could be reduced or eliminated – following also from this, clarity was sought in relation to what any encashed bond would be used to fund.

Another respondent stated that there should be flexibility such that the need for **bonding** could be assessed on a case by case basis with a view to waiving it where it can be demonstrated that there is no intention to game.

In relation to the connection agreements resulting from splitting of projects, respondents requested that some consideration be given to cases where an extension to an existing project or 2nd phase of a project wishes to request a separate connection agreement, thus resulting in two separate connection agreements for a project with a single connection point – this flexibility could lead to significant savings on connection equipment where legal and financial constraints require separate connection agreements.

One respondent commented that where an applicant desires a split, the requirement for written unconditional consent from all members of a subgroup if the modification impacts on the timing of completion of their connection method, may need to be relaxed depending on the length of delay, and at what stage in the process the delay occurs.

One respondent expressed rejection in relation to the proposed rule that a split could not result in a change of connection node – the respondent stated that in some cases a changed connection node could lead to optimal connections for projects e.g. in situations where applicants have dropped out, leading also to a reduction in stranded assets.

One respondent stated that projects should not be prohibited from merging or splitting on the basis that a change in voltage level and/or a change to the system operator from which the offer is issued from, would occur.

One respondent requested CER to give splitting priority consideration and to instruct the SOs to begin processing applications at the nearest opportunity.

System Operators' Responses to Comments Received

The SOs clarified that the level of security required for each project (as a result of a split) would be such that it reflected the potential stranded assets based on the connection methods post the split. Also, to ease the financial burden, generators may request the level of security to be reduced as projects progress and stage payments are made.

Also with respect to the proposal in COPP whereby bonds would be placed by either party for the biggest share, for assets which were potentially stranded, the SOs consider now that it is likely that there would be issues in relation to drawing down a bond put in place by one party, as a result of actions/inactions of another party. The SOs therefore proposed three options for mitigating the risk to the UoS customer:

- first, that each party place a bond equal to the amount of shared assets that may to be stranded;
- second, that a 'market monitor' type unit could be established to monitor generators who act in a manner that could be to their advantage at the cost of the use of system customer; and
- third, that either party pays for the potential stranded assets

In relation to the suggestion that more than one connection agreement at a single connection point be permitted – the SO's envisage a number of practical and legal difficulties, an example being where the need to terminate a connection agreement arises, leading to the de-energising of another party.

On the issue of consents, the SOs reiterated that unconditional consent from parties affected by a project splitting must be maintained since disadvantaging other parties as a result of a split would be unfair.

CER Position & Decision

With respect to the options proposed by the SOs for mitigating the risk to the use of system customer associated with potential stranded assets, the CER agrees that the original proposal would have been difficult to implement.

The CER understands the SOs' requirement for security is to protect the final customer from paying for stranded assets that might arise if one or more of the projects resulting from the split did not proceed. Given the comments and the SOs' responses, the CER believes the most effective of the options posed is either:

- each party placing financial security equal to the amount of the shared assets likely to be stranded – this protects against the possibility that either project does not progress; or

- either party pays in full, up front, for the shared assets with the potential to be stranded.

The CER therefore supports and requests the SOs to progress on this basis.

In relation to connection agreements, whilst the CER appreciates the generators views and the purpose for the proposal, it cannot see how this would work in practice in relation to energising/de-energising of a connection point and agrees with the difficulties outlined by the SOs. The CER therefore requests the SOs to continue with the current process of one connection agreement for each connection point.

On the issue of consents, it is imperative that parties affected by the actions or inactions of other projects are given the opportunity to proceed with their project as per their original connection offer/agreement. The rights of these parties must be protected and to that end, full unconditional consent must be given where it is anticipated that a possible delay to the connection timeline could result.

This leads also to the question of timing for requesting splitting of projects. The CER has decided that it would not be prudent to allow splitting beyond the construction commencement stage – this cut off point has been imposed to discourage hoarding of capacity and to incentivise generators to request splits or capacity reductions at earlier stages.

Finally, in relation to changing of connection nodes for splitting or merging of projects, this issue has been considered separately as part of the recent consultation and resultant decision “CER/10/211 CER Decision on Relocation of Generation Capacity – 7th December 2010” which allows changes in connection nodes in exceptional circumstances.

3.1.3. Temporary Connections

The SOs stated that a number of Gate 3 applicants have expressed a strong interest in temporary connections as they were facilitated during the Gate 2 process. The SOs are in favour of allowing temporary connections where possible and outlined a proposed ruleset for applicants.

Broadly, a temporary connection is defined as a connection to the electricity network which is completed in advance of the permanent shallow connection for a generator.

There are many issues for consideration when examining the possibility of allowing temporary connections, these issues are generally broken into three areas, namely (i) the level of temporary capacity available and how this can be assigned to applicants (ii) the additional level of constraints resulting from temporary connections, and (iii) the issue of stranded assets and the impact this has on wider system planning.

At an early stage following close of the consultation, the CER informed the SOs of its intention to make the decision that temporary connections would only be permitted where no material adverse effects would be borne by other contracted/connected generation in the local area.

Responses Received

14 respondents submitted views on the issue of temporary connections.

In general, respondents supported and welcomed the proposals regarding facilitating temporary connections. A synopsis of the comments received is included hereunder.

Level of capacity available

One respondent stated that a cumulative constraint loss of up to the equivalent of half a year's output could be sustainable by projects and suggested that the SO's incorporate this maximum cumulative half year lost output figure into their calculations for deriving values for available temporary capacity.

Another commented that there is a level of constraint that would be acceptable to developers which could be used to identify the capacity that could be offered for temporary connection e.g. 5-10%.

Allocation of Temporary Capacity

Several respondents suggested that temporary capacity be allocated on a date order basis – one suggesting per node of original application (stating that this is in line with the primary principles behind Gate 3), another suggesting on a first come first served basis, whilst another still suggested that temporary capacity

should be applied for in its own right and allocation on date order of this application.

Another respondent stated temporary capacity should not be spread proportionately at a node rather it should be allocated to the first applicant in the queue.

However one respondent stated that allocating temporary capacity on date order basis could result in projects hoarding capacity.

Another measure suggested was that of project readiness – some respondents stated that only projects with consents, planning and finance should be offered temporary capacity first – one respondent also stated that where there is a practical limit to the number of connections at a node, project readiness (in the form of full planning) should be factored.

The final suggestion made was that of FAQ dates – one respondent suggested that temporary connections within subgroups be offered to projects with the earliest FAQ dates first while another respondent stated that where firm access has been identified for part of a project ahead of the full final connection method, then temporary capacity should be made available to the extent of that firm access.

Some suggestions were also made in relation to the speed of temporary capacity uptake - one respondent stated that generators in receipt of offers for temporary capacity should have a limited time for take-up of the offer – others stated that generators in receipt of executed offers be given a limited timeframe to commence construction, and where the timeframe is exceeded, the offer be terminated and the capacity reallocated to another applicant.

Another respondent suggested that the SOs should conduct further investigations regarding which subgroups would be suitable for temporary connections, prior to issuing offers for same.

Constraints

Nine respondents commented on the issue of constraints.

A number of respondents stated that generators with temporary connections should be constrained before those with permanent connections with some respondents stating that temporary connections should only be permitted where they would not negatively impact generators with permanent connections.

Two respondents referred to the fact that in Gate 2, generators with temporary connections accepted that they would be constrained before generators with permanent connections while one respondent further stated that in Gate 3 it

would be possible to ensure that generators requesting temporary connections are constrained down before projects with permanent connections.

Some respondents stated that it should be possible to identify the binding constraints between the transmission nodes where the generator is temporarily connected and the permanent connection node – the respondents suggested that special dispatch rules could be developed to allocate any overloading of these circuits to the temporarily connected generators first.

One respondent also suggested that where projects suffer constraints due to the existence of their temporary connection (post FAQ date); they should continue to be ineligible to receive constraint payments.

Other comments received included the suggestion that ‘smart grid devices’ for special protection schemes be used to overcome local constraint issues with temporary connections.

One respondent suggested that the issue of constraints should be dealt with as part of the Dispatch and Scheduling work being undertaken by RAs.

Defining ‘Material Difference’ regarding Eligibility for Application for Temporary Connection

The SOs proposed that in order to request a temporary connection, a material difference between the permanent connection and the temporary connection completion would need to exist (a period of six months being suggested).

Two respondents commented on this proposal, the first stating that there may be exceptional circumstances when a last minute request for a temporary connection is made and the flexibility to adopt such an arrangement should not be foreclosed whilst the other commented that the proposed approach was pragmatic however requested quantification of what a material difference would be.

Bonding

Some respondents commented on the proposal by the SOs, that that some form of bond be put in place for any remaining connection charges relating to a generator’s permanent connection, when receiving an offer for a temporary connection.

Respondents highlighted the issues of finance and bonding levels stating that consideration should be given to the fact that developers will already have put finance in place for contestably built connections, with another respondent stating that the bonding levels should be significant enough to prevent hoarding but not so big as to make the temporary connection unfeasible for the generator - suggested levels of €10-25k/MW and €50-100k/MW

Principals & Rulesets

In general, respondents suggested that rather than a stringent ruleset, a generic set of principles be developed with applications for temporary connections then being considered on a case by case basis, taking account of the unique set of circumstances for each project and the negative impact it would have on others.

System Operators' Responses to Comments Received

Level of temporary capacity available

With respect to the comment regarding the level of capacity available being a function of a constraint level which could be borne by projects, the SOs state that the methodology described by the respondent would be complex and difficult to model and is therefore not considered a feasible solution.

However, considering that temporarily connected parties should not impact materially on already connected or contracted generators, by reference to transmission constraints including those from previous Gates, the SOs have now proposed a method for calculating the level of temporary capacity available on local networks, and for clarity, have defined and detailed what is considered the local network.

Broadly, the method for calculating the available temporary capacity, resulting in minimised local constraint on a local network, is:

- Capacity of the limiting circuit consider N-1 contingency
- + (plus) allowable emergency overload capability
- + (plus) summer valley load
- (minus) pre-Gate 3 generation
- (minus) Gate 3 generation with permanent shallow connections

Allocation of Temporary Capacity

The SOs had no comment on this issue, referring instead to the CER for a decision on same.

Constraints

The SOs state that as with any new generation, temporary connections will involve increased local constraints and system wide constraints and/or curtailment than would otherwise have been the case. The SOs also reiterate that industry should be aware that there may be operational and financial implications for existing connected and connecting generation in allowing temporary access, particularly in relation to constraint costs and curtailment.

Defining 'Material Difference' regarding Eligibility for Application for Temporary Connection

As set out in the original consultation, the SOs considered that for practical reasons, temporary connections would only be offered where a material difference between the lead-time for permanent and temporary works existed. A minimum of six months was suggested as a rule of thumb.

CER Position & Decision

Temporary connections is an extremely complex issue and as such merits careful consideration before reaching decisions on the multi-faceted issues which result from a decision to allow temporary connections.

This is the reason that CER highlighted the matter specifically in the consultation paper with the intention of garnering informed responses from industry such that CER is then best positioned to make informed decisions on the matters arising from temporary connections. CER is pleased with the response level from industry on temporary connections – the knowledge and experience gained by industry is an important factor for consideration by CER.

The main theme of the responses is that temporary connections should be allowed as they will facilitate the faster connection of renewable generation to the system. However respondents also underlined that pre Gate 3 generators, connected or contracted, should not face significantly higher constraints due to the temporary connection of others.

However, the CER agrees that temporary connections should be facilitated by the SOs in a manner that does not have a significant adverse impact on those that are already connected or are about to connect.

It should be noted that while proposals to eliminate constraints on the local network driven by temporary connections, connecting additional non-firm generation to the network will tend to increase wider constraints and also the likelihood of curtailment. The allocation of constraints is currently being considered by the Single Electricity Market Committee (SEMC) under the Scheduling and Dispatch consultation. One of the options being considered is that constraints are allocated on a pro-rata basis to all generation where the price is indistinguishable. If this is ultimately the decision of the SEMC then adding non-firm generation faster to the network may lead to additional constraints either to those already connected or costs on end users depending on whether the existing generators are firm or not. The CER believes that this may be an unavoidable consequence but should not be material and this drawback is outweighed by the benefits of increased connection of renewable generation over the period.

On this basis the CER has decided to permit temporary connections for Gate 3 generators.

Hereunder, the CER outlines its thinking on the process for the allocation of temporary capacity. The fundamental purpose of allowing temporary connections from a system perspective is to connect generation to the system sooner than would otherwise be the case, thus aiding achievement of renewable energy targets. Therefore the CER has decided that only projects which can

prove readiness to proceed, be allowed to apply and receive an offer for a temporary connection - the CER has decided that currently, the best indicator of project readiness is the achievement of planning permission.

Level of temporary capacity available

The CER has decided that temporary connections will only be permitted where they do not adversely affect other generators on the local network (as defined by the SOs).

The CER has made this decision following consideration of the responses received from industry – from these responses, CER firmly believes that there are pre Gate 3 projects which would be adversely affected (and potentially risk failure) where temporary connections may lead to intolerable constraint levels (for pre Gate 3 projects on the local network). The CER believes that it would be unfair for pre Gate 3 projects to endure such constraint levels as a result of the development of temporary connections for Gate 3 projects.

The SOs have made a proposal to determine the level of temporary capacity available on the system as being that which already exists and is currently unused. This means to offer temporary connections should not lead to excessive constraint levels for pre Gate 3 projects which would not have otherwise arisen. This is discussed further below under the heading of Constraints.

Constraints

The CER agrees with respondents suggesting that those with temporary connections should be constrained such that other pre Gate 3 generators on the local network are not impacted negatively, suffering local constraints due to the temporary connection. In particular, this is prominent in areas where pre Gate 3 permanent contracted or connected generators could endure unacceptable constraint levels as a result of local temporary connections.

IWEA provided a detailed proposal on how constraints could be managed and allow for increased temporary capacity. However, the TSO has responded that this proposal is impractical to implement. The CER has discussed the matter further with TSO in relation to why the IWEA proposed solution was considered impractical. The TSO have confirmed that detailed discussions are progressing as part of the SEM Scheduling and Dispatch consultation and the related issues will be addressed as part of that workstream.

The CER believes that the issues being considered under the Scheduling and Dispatch consultation are complex and have wide reaching consequences. While the management of local constraints touches on the some of the issues being considered under that consultation paper, temporary connections were not specifically addressed and it would be expected that the level of complexity associated with managing local constraint is orders of magnitude less than the issues being considered as part of the Scheduling and Dispatch consultation.

This issue primarily impacts on the level of available temporary capacity. The TSO in conjunction with the DSO has proposed a methodology which should largely result in the desired outcome of protecting pre Gate 3 generation to some appreciable level but may not deliver the level of capacity that may be achievable under other methodologies including the IWEA proposal.

Ideally a clear and definitive answer on the issues and possible solutions to managing local constraints associated with temporary connections would be provided by the SOs as part of this consultation. Seeing as this is not possible, the CER will, for now, accept the SOs alternative proposal. However, we will re-open this issue again once the Scheduling and Dispatch consultation has concluded.

Allocation of Temporary Capacity

Parties seeking a temporary connection will need to apply for that connection. In order to apply for the connection, the party must already have an executed connection offer for their permanent connection, together with achievement of planning permission for the works associated with their proposed temporary connection.

The purpose of offering temporary connections is to connect generation to the system quicker and so it is not in the interest of the system to reserve temporary capacity for projects which are not ready to proceed. As a result, the CER has decided that only projects which can prove project readiness, be allowed to apply and receive an offer for a temporary connection - the CER has decided that currently, the best indicator of project readiness is the achievement of planning permission by the generator for the generation facility for which the temporary connection is sought (and/or permanent connection works).

To clarify, parties wishing to avail of a temporary connection must apply for it – the application must be accompanied by valid planning (a letter of decision of notification to grant planning permission from the relevant planning authority) for the generating facility up to the capacity being requested for temporary connection. Allocation of the available capacity will be on a first come first serve basis, based on date order of application for the temporary connection. The process to be adopted is given in the overview below.

The detailed ruleset for allocation of temporary capacity is given in the system operator COPP paper, included in Appendix A of this decision paper.

Defining ‘Material Difference’ regarding Eligibility for Application for Temporary Connection

In the SOs proposals, a material difference was defined as being unlikely to be less than six months between the lead times for temporary and permanent connections – the CER agrees with this broad definition. This does not however preclude generators from applying for temporary connections – notwithstanding

this the CER anticipates that a pragmatic approach will be taken by both generators and SOs where cases which fall within the six month broad definition arise.

Financial Security

The CER agrees that a form of security should be put in place at offer acceptance by generators wishing to connect temporarily – the level of this security should be such that it covers that generator’s portion of the shared asset costs associated with their permanent connection.

The CER also agrees that a form of security should be put in place prior to energisation of a generator’s temporary connection – the level of which should be such that it covers that generator’s remaining permanent connection costs.

Overview

A broad overview of the process for applying for a temporary connection is as follows:

- A window for submitting applications for temporary connections will be open for a period of 3 months, commencing no earlier than the 50th business day after the issue of the last connection offer issue to the relevant group. To clarify, constraint reports will not be considered a requirement for those seeking temporary connections.
- A temporary connection application can only be submitted once a generator has executed the permanent connection offer.
- The temporary connection application must be accompanied by full and valid planning permission for the project up to the capacity being applied for in the temporary connection application.
- Temporary capacity will be allocated on a first come first serve basis, based on date order of application received for the temporary connection. Where more than one application for temporary access is received on the same day, priority will be assigned according to the original ‘initial application received’¹ date.
- The temporary connection offer once issued will be valid for a period of 1 month.
- Financial security to the level mentioned above will be required upon accepting a temporary connection offer.
- Where temporary connection offers are not accepted within this timeframe, the capacity will then be allocated to the next applicant in the queue for temporary connection (i.e. being the next applicant based on date order of temporary connection application accompanied by full planning permission).

The only exception with respect to the ruleset regarding application for temporary connection will be projects which are defined as being in the public interest. The CER reserves the right to prioritise a project for connection where it believes it is in the public interest.

¹ As defined in CER/09/169

3.1.4. Combination of Offers

The SOs state that there is an increasing trend whereby submissions are being received for multiple combinations of applications from one developer. The SOs intend to issue an offer for each individual application – and as per the group processing philosophy, the associated connection methods will be designed assuming that all offers are accepted/progressed. *In the past the SOs would engage with the developer in such a scenario to ascertain the precise combinations required, however this has now become impractical.*

As combinations of applications/offers lends itself to potential gaming of the GPA system (potentially giving rise to significant costs to the UoS customer), the SOs proposed that the customer who submitted the multiple applications be liable for any costs associated with stranded assets as a result of one or more of the offers being rejected or later not progressed – this liability to take the form of a bond to cover the potential shared stranded assets associated with the other projects sharing those assets, should the initial offer not be accepted. Also, should the first ‘phase’ offer not be accepted, the per MW share of the original connection charge will be recalculated for the remaining valid offers.

Responses Received

7 respondents submitted views on the issue of combination of offers.

In general, respondents were concerned in relation to the timing of this proposal citing that those who have already paid multiple application fees are entitled to have their applications treated separately.

System Operators’ Responses to Comments Received

The SOs state that they accept that this proposal is mid-gate however they have identified cases where there is strong potential for stranded assets and have asked for CER advice on the risk burden associated with potential gaming.

Also, the SOs stated that from the responses received, it appears that there is no significant demand for the option of combination offers into the future and so this facility will not be made available going forward.

CER Position & Decision

The CER recognises that the system operator proposals are intended to incentivise generators to make realistic applications at an early stage thus reducing the potential for reserving capacity which may not, at a later date, be fulfilled.

The CER accepts that this is a mid-gate proposal where applicants have applied for several configuration options and the point made by respondents that those who have paid for these offers are indeed entitled to receive them. The CER

therefore requests that the SOs issue offers in the usual manner in relation to applications received under the GPA system for connections within Gate 3.

The CER accepts that one of the fundamental assumptions underpinning the processing of offers for connection to the system, is that all offers will be accepted with the use of system customer underwriting the risk of stranded assets. The CER also accepts that a level of risk is associated with this process and the potential to game the system is very real. However, the CER believes also that to impose bonding arrangements at this point in the Gate 3 process would be unfair to developers.

The CER is mindful of the need to discourage any potential gaming of the system or hoarding of potential network capacity and as always, intends to intervene where such evidence of this exists.

Notwithstanding the above, in light of the fact that the SOs state that they have identified strong potential for stranded assets causes concern for the CER - the CER therefore requests the SOs to keep the CER informed in relation to developments on this issue and to bring to the CER's attention situations where the level of stranded assets becomes significant such that the use of system customer is put at unreasonable risk and/or where gaming of the system appears to be occurring. The CER intends thereafter, to deal with each case highlighted by the SOs, on a case by case basis.

3.1.5. Hybrid Plant

The SOs state that they are beginning to receive applications for two or more different types of technology within a project site whereby the different types of generator are connecting via the project's internal network to a single connection point on the distribution or transmission system. In view of this emerging trend, the SOs propose that such applications be facilitated.

For clarity, the SOs have defined a hybrid project as being a single generator which utilises multiple primary energy sources or technology types in generating power.

In relation to applications for hybrid projects, the SOs propose that projects wishing to be considered/processed outside of the GPA would need to have all technologies within their hybrid project eligible for such treatment - the default being that in cases where one or more of the technologies within a hybrid project comprises renewable generation, which would normally be treated within the GPA, then that project will be treated as per the normal GPA.

Responses Received

7 respondents submitted views on the issue of hybrid plant and in general, respondents welcomed the proposal to facilitate hybrid applications. A synopsis of the comments received is included hereunder.

In relation to the proposal regarding projects being treated outside of GPA respondents suggested that projects be considered on a case by case basis, citing an example such as wind generation being combined with storage or interconnectors, whilst another respondent stated that the right balance needs to be struck such as not to stifle innovation and new technology.

One respondent stated that difficulties arise with projects which utilise a combination of renewable and conventional/fossil energy sources – at present such projects or generators would not fit readily within either the conventional or the renewable queues.

Another respondent suggested that a clear preference for creating hybrid plant at existing projects whereby connection assets are already in place, should be adopted.

Two respondents supported the proposal that all technologies in hybrids have to be eligible to be treated outside GPA.

Finally, one respondent stated that the transposition of the Renewable Energy Directive 2008/28/EC into Irish law needs to provide a firm legal basis for the definition of Hybrid Plants and for their priority of access and dispatch – stating

that this would provide guidance to the regulatory authorities and the SOs on how such hybrid plants should be accommodated in the future.

System Operators' Responses to Comments Received

The SOs stated that any further flexibility than that which has already been proposed would be subject to a legislative definition of a hybrid plant and accompanying ruleset, as well as government targets in the area.

CER Position & Decision

The CER also agrees with the SOs working definition of hybrid and their proposals regarding the treatment of such applications.

In terms of projects qualifying for treatment outside of the GPA, the CER agrees with the SOs proposal in this regard, in that all technologies would need to qualify for such treatment.

Also, in terms of a legal definition of hybrid, Section 8 of the SEM Committee Proposed Position Paper (SEM/10/060) deals with the issue of priority dispatch in relation to hybrid plant and indeed states that there is considerable legal uncertainty over the status of hybrid plant for priority dispatch purposes – in this context, the paper goes on to state that the SEM Committee will keep the situation under review in terms of how the 2009 Directive (2009/28/EC of the European Parliament and of the Council of 23 April 2009 on the promotion of the use of energy from renewable sources) is transposed into domestic law.

The CER assumes this is the same definition to which the SOs refer to in their proposal. The CER understands however that any legislative definition forthcoming would be in relation to the levels of priority dispatch of generation and will be concerned mainly with the fuel/fuel mix at a given plant and not with the generating technologies utilised. In this regard, the CER believes that the legislative definition, as yet awaited, is unlikely to impact on the definition used in the context of COPP. However, the CER reserves full judgement on the matter until such legislation is published.

3.1.6. Changes in MEC

Current rules for the gate processing approach means that applications for changes in MEC can only be made following execution of a connection offer. However, the SOs now propose to relax this rule, allowing processing of requests for reductions in MEC prior to offer execution, as follows:

- Application for reduction pre inclusion in a gate, pre offer and commencement of studies – proposal is to process such applications without a refund of application fees
- Decrease in MEC post inclusion in a gate, pre offer and post commencement of studies – proposal is to process such applications without a refund and subject to a charge of €5,000/MW

To clarify, the SOs intend to continue with the current regime of processing applications for reductions in MEC post offer issue and pre-capacity bond posting (up to commencement of construction) as per CER/09/138 (at €10,000/MW) and applications for increases in MEC as new applications.

Responses Received

11 respondents submitted views on the issue of changes in MEC - a synopsis of the comments received is included hereunder.

Reducing MEC

While the general response received, agreed in principal with having an increasing scale of penalties for reductions in MEC, they disagreed with the proposed 'new' charge, requesting therefore that CER not retrospectively apply this charge to current applicants. Some of the comments made stated:

- it is late (in the Gate 3 process) to introduce the proposed charge
- it is unreasonable on the basis that developers were unaware at the time of application that such charges could be imposed
- it is unreasonable that projects reducing their MECs at an early stage be penalised for doing so (when it is clear that projects reducing their capacity during the offer process had no intention to hoard or sell capacity - the twofold reason given in CER/09/138 for capacity bond/penalty for reducing MEC after offer issue) - such projects have freed up capacity and minimised the impact of their project on deep reinforcements
- a price signal at this stage does not provide any meaningful function and is effectively imposing a penalty on developers who freed up capacity at an early stage in the gate process

MEC Refinements

Some respondents suggested that flexibility in relation to increases and decreases in MEC should be allowed without financial penalties, citing delays in

the connection process leaving generators with no choice but to provide 'best estimate data.

For reductions in MEC, suggestions included:

- where MEC reductions result in benefits to other projects or the system as a whole, there should be leeway on the 5% left above capacity bond (95%) without penalty
- no charge should apply where a more optimal connection method resulted

Also, for increases in MEC, it was suggested that increases should be allowed by 5-10% - advantageous for developers by allowing greater scope for project development and procurement (*the respondent stated that such increases should be allowed where the capacity is available and takeup by the party does not require further upgrades to the grid beyond that identified in Gate 3*).

Another respondent suggested that increases/decreases should be allowed (by modification) where it is due to the final technology selection – citing this fits with the proposal to increase installed capacity. Also, technical upgrades during the lifetime of generating units, which result in increased capacity, should be allowed to avail of increased MEC thus providing benefits to customers as it provides a low cost increase in capacity to the system.

In relation to the takeup of available capacity, a respondent suggested that such capacity, left as a result of a project falling out of a subgroup, could be used by another member of the subgroup provided the party can show that no additional planning was required.

In the same vein, another respondent suggested that small increases in MEC should be considered outside of the GPA – where shallow and firm access is available – and suggested that to prevent gaming, a project would have to prove that no additional planning is required – the party stated that this would attempt to maximise the value to all of existing assets.

Clarifications Required

One respondent expressed concern that developers could pay the €5k/MW (under scenario b above) and still face a drawdown of their capacity bond for the same MEC reduction (could arise if MEC capacity bond was placed before construction commenced - pre CER09/138 capacity bonds were placed at offer execution stage).

Another respondent commented that it should have been made clearer (in the consultation paper) that generators would still remain liable for their full per MW share costs of shallow assets (based on the original MEC), where such assets are shared in a subgroup.

System Operators' Responses to Comments Received

Reduced MEC (once included in Gate, pre offer, post offer commencement)

With respect to the scenario outlined above, and specifically the proposed introduction of a €5K/MW charge, the SOs state that existing policy does not allow pre offer reductions in MEC. Currently charges of €10K/MW for reductions up to pre-construction phase and €25k/MW (via the capacity bond) post construction commencement are applicable and so the SO's do not consider the proposed payment of €5k/MW a new payment, rather an additional facility being offered to applicants.

MEC Refinements

The SOs state that this is a matter to be decided upon by the CER whilst highlighting that increases in MEC will have material impacts on constraint and possibly curtailment for other parties.

Clarifications

The SOs state that where a reduction in MEC took place prior to placing the capacity bond then the capacity bond will be based on the reduced MEC.

CER Position & Decision

Reducing MEC

In the responses received from industry on this issue, it appears that the introduction of a charge of €5k/MW was interpreted as a penalty of sorts for reducing MEC – however since a reduction in MEC was not permitted prior to offer issue before now, at which point the cost of reducing MEC would be €10k/MW, the CER does not view this as a penalty, rather it is an incentive on applicants to submit applications for connection that are well considered.

The intention is to facilitate generators making decisions regarding their MEC at an early stage – indeed the reduced cost will also act to incentivise generators in this regard.

The CER therefore requests the SOs allow such reductions in MEC. For Gate 3 generators, a cost reflective fee will be charged to cover the costs of processing the MEC reduction. For generators in subsequent gates a cost reflective fee and a charge of €5k/MW will apply.

MEC Refinements

The CER believes it would be unfair to allow increases in MEC to those already connected or contracted to connect, ahead of those seeking connection in the queue. The CER also agrees with the SOs' response which highlighted that such increases would have material impacts on constraints and possible curtailment for other parties.

3.1.7. Phasing of Connections

The SOs propose that where customers wish to defer connection of part of their capacity, and, where there are relatively long lead times to achieve firm access, such requests are reasonable. Also, provided all phases of the project are complete prior to achieving firm access, there would be no negative impact on other customers awaiting offers for connection to the system. Currently, in accordance with CER/09/138, this phasing of connections would be prohibited - the SOs now propose that phasing be facilitated.

Responses Received

13 respondents submitted views on the issue of phasing of connections.

In general, respondents welcomed the proposal to facilitate phasing of connections. A synopsis of the comments received is included hereunder.

Several respondents expressed concern in relation to the proposal by the SOs to maintain the **one year² time limit** in relation to CER/09/138 decision to apply a **'use it or lose it policy'** and associated capacity bond drawdown one year post energisation, citing that this time limit is too short - the general consensus being that the limit should be extended to three years and extensions beyond this should be on a case by case basis (where CER is satisfied that developers have demonstrated commitment to progressing projects and are not hoarding capacity). One respondent suggested that extending the limit to 3 years would have minimal effect on the final customer.

Several respondents also referred to the proposed three year time limit between energising the phases of a project and requested that the CER rule on a case by case basis to extend this timeline where commitment to progressing/completing the project and not hoarding of capacity can be demonstrated.

Another respondent stated that in the case of temporary connections, there may be the need to construct in phases as sufficient temporary capacity may not be available and that in such circumstances, timelines between connecting phases should not be limited to 3 years or firm access date - instead the timeline should allow for the construction of the permanent connection method.

Another respondent commented that projects should not be expected to complete in advance of their FAQ regardless of when the first connection took place.

Another respondent expressed concern at the proposal to apply the use or lose it rule and draw down of capacity bond for the entire project one year after

² Refers to CER/09/138 - within one year of energisation MEC 'use it or lose it' policy and capacity bond drawdown apply

energisation of the first phase and firm access being made available – the respondent proposed a window of three years be given to complete all stages after first energisation and firm access being made available – additional flexibility should be afforded to developers in the event that they are unable to complete construction within this three year time limit where commitment to project completion and that no intention to hoard capacity can be demonstrated.

One respondent stated that the requirement that the final connection method for the project must be built in full before any MEC bond release adds an extra penalty on the developer for any delay that may be in the control of the SOs rather than any fault of the project developer.

Finally, one respondent stated that MEC bonds should be returned if the delay in the final connection method is as a result of SO's or other delays in delivering FAQ's.

System Operators' Responses to Comments Received

In their response the SOs reiterated that the proposal for phasing offers is a relaxation of the current policy – current policy being that generators are afforded a one year window, commencing at energisation, to achieve 95% of their full MEC allowed – should this not be achieved, the 'use it or lose it' policy in relation to MEC and capacity bond drawdown applies.

The relaxation of this policy is in recognition of the long connection periods for transmission access in Gate 3 however once firm access is achieved, a project not meeting its MEC prevents other parties from utilising available capacity on the system.

In an effort to overcome some of the issues cited by respondents in relation to uncertainty in connection to timelines and difficulties co-ordinating project elements, the SOs have proposed a collaborative approach whereby they can delay works where a developer's timelines are delayed. It is on this basis that the SOs see no reason for extending the timeline for implementation in general of the 'use it or lose it' policy to the suggested three years by respondents.

CER Position & Decision

The CER agrees with the broad principles proposed by the SOs in relation to phasing of connections.

The CER agrees with the SOs that extending the timeline for the application of the 'use it or lose it' rule and the drawdown of the capacity bond would be unfair to other users – it could be used as a mechanism to hoard capacity for which the capacity bond is designed to avoid in the first place.

The SOs have outlined their willingness to engage with generators in order to form a collaborative approach to developing projects where they may pace their

work to suit generators – the CER believes this is a fair and pragmatic approach to developing projects.

Furthermore, the CER believes that 3 years is a reasonable period of time between connecting phases of a project.

3.1.8. Change in Generation Type

The SOs stated that on occasion requests are submitted to replace generation type on which an original application or offer was based, or to supplement a facility with generation plant of a different technology (for example conventional with onsite wind), without an increase in MEC. The SOs made proposals for facilitating such applications with specific rulesets applying, depending upon whether or not the application for change in generation type was made pre or post energisation.

In general, the SOs propose that where there are no undue adverse impacts on either system, or on other users, changes in generation type be facilitated – however the SOs propose to assess the suitability of applications for change in generation type based on several factors.

For any application to change generation type, there can be no significant rise in anticipated constraint levels for other non-firm connected or contracted generation.

Also, in the case of applications made **pre-energisation**:

- there can be no material advantage over other similar applications (based on original application) where change is for renewable to non-renewable generation (or vice versa)
- there can be no change in priority dispatch status
- there can be no appreciable anticipated increase in load factor which is expected to lead to significant or material additional network requirements being identified

And, in the case of applications made **post-energisation**:

- there can be no increase in the MW capacity already contracted
- notice must be given to the appropriate system operator regarding transfer of rights
- there can be no significant or material additional network requirements

Responses Received

11 respondents submitted views on the issue changing generation type.

In general, respondents welcomed the proposals outlined in the consultation - a synopsis of the comments received is included hereunder.

One respondent suggested that the ruleset for changing generation type **prior** to energisation may be too prescriptive, particularly the criteria on material advantage over other applicants citing that that to look back at prior standards may not be appropriate.

Another respondent urged the SOs to carefully vet applications for change of generation type whilst allowing discretion when taking account of individual circumstances.

One respondent, whilst welcoming the flexibility stated however that changing generation type should only be permitted when it does not negatively impact other generators in the area.

Another respondent stated that there are some instances where benefits are associated with supplementing a facility with a generation plant of a different technology e.g. storage or interconnection on wind energy facilities – the load factor may increase but the outcome is beneficial in the increased energy from renewable (sources).

One respondent stated also that an increase in MW (due to the change in generation type) should not be an automatic bar to allowing the change. The respondent also stated the view that where a **post** energisation change in generation is requested, and where the MEC does not increase, changes in constraints should not be taken into consideration (as the generator TUOS charges are based on MEC which should guarantee an MEC regardless of load factor).

Another respondent supported the concept of changing generation type **post** energisation stating that on landfill sites where the rate of gas generation is in decline, leading to a corresponding decrease in generator output, the load factor can be maintained by complementing the existing generation with a different technology such as a wind generator – resulting in improved load factor, increased utilisation of grid infrastructure and as a risk mitigation factor in landfill gas development investments.

Two respondents requested confirmation with respect to whether or not a move from offshore wind generation to onshore wind generation would be considered a change in generation type.

One respondent suggested that since the SOs propose to reserve the right to process changes in generation type if deemed appropriate to do so, it would be helpful if some examples could be provided.

Finally, one respondent stated that a change in generation type will have adverse impacts to constraints and should not be permitted.

System Operators' Responses to Comments Received

The SO's had no issues with the response set out, but advised that the final ruleset will include a list of different generation types.

CER Position & Decision

In general, the responses received on this issue were positive and welcoming. Suggestions in relation to the vetting of applicants and the examination of impacts to others had already been encompassed within the rulesets developed by the SOs.

In relation to the query regarding relocation from offshore to onshore – the CER agrees with the SOs view on this issue - a move from offshore to onshore (and vice versa) would not constitute a change in generation type. Applicants therefore should refer to the rulesets in this respect to determine their eligibility for such a move. Obviously the applicant should also contact DSO/TSO to discuss their individual circumstances.

The CER supports the SOs' proposal to facilitate changes in generation type.

3.2 COPP Section 2 (topics for clarity/completeness)

3.1.9. Reprocessing Subgroups (Due to Non-Acceptance of Offer or Termination of Connection Agreement)

The SOs detailed the procedures undertaken by them when making decisions to, and subsequently re-processing subgroup connection methods and offers, in situations where one or more subgroup members does not proceed with their project.

The SOs detailed the procedures undertaken by them when this situation arises:

- prior to offer issuance;
- post offer issuance (but pre execution); and
- post offer execution

The SOs further detailed the procedures undertaken when re-processing offers based on:

- The impact on charges for remaining subgroup members;
- Where least cost connection method was offered;
- Where system operator preferred connection method was offered; and
- Where customer requested connection method was offered

Finally, the SOs outlined the procedures where customers request redesigns which lead to stranded assets

Responses Received

Two respondents submitted views on the issue of reprocessing offers. A synopsis of the comments is as follows:

One respondent stated that they would welcome a limit on the amount of iterations of the connection method the SO's would allow, where developers withdraw at differing stages – reprocessing could seriously impact on the build out of projects within a node.

Another respondent stated that reprocessing of subgroups should occur in instances of merging and splitting also and not just where applicants drop out (as proposed in the paper). Also flexibility should be available to generators seeking to change connection node citing that redesign should not only consider the connection node where a project is currently assigned but also the neighbouring nodes.

System Operators' Responses to Comments Received

In relation to the comment regarding limiting design iterations, the SOs stated their intention to balance the costs associated with redesign with those incurred on the proposed connection method – the SOs further state that there will be a natural limit on the number of redesigns which may be appropriate - with the subgroup having the right to stay with a connection method where they are prepared to take on additional costs to, and cover the end user risk. Section 10.4 of COPP ruleset also refers.

In relation to the issue of reprocessing groups for instances outside of withdrawing parties, the SOs state that they intend to reprocess subgroups (to minimise stranded assets) where the reprocessing is driven by modification requests from members of a subgroup. This issue is dealt with in Section 10.5 of COPP.

CER Position & Decision

In relation to the number of design iterations which are undertaken by the SOs, the CER appreciates the SOs position in that a balance needs to be struck between the costs associated with redesign and those of the connection method cost, whilst protecting the end user from unnecessary risk. The CER therefore supports the SOs' view on this matter.

In relation to reprocessing offers for situations other than withdrawing parties – the CER's view would be that where modification requests (including merging and splitting etc) occurs, then reprocessing is appropriate up to the limitations set by the SOs – to reprocess beyond the 20 business day time limit outlined by the SO's (Section 11.8 of COPP) would be impractical and could potentially lead to numerous ongoing design iterations, ultimately slowing the offer and connection process for generators. The CER therefore supports the SO's proposal on this issue.

The SOs commented that any consideration with regard to node changes as a result of re-processing offers would be part of the normal planning processes designed to minimise costs to the End-User.

3.1.10. *Firm Connections to the Transmission System*

The SOs offered a detailed explanation of what is meant by 'firm' and 'non firm' access to the electricity network.

Responses Received

1 respondent welcomed the clarification offered by the SOs.

3.1.11. Term

The SOs offered a detailed explanation of the procedures for extending the standard 20 year term of connection contracts.

Responses Received

2 respondents submitted views on this issue – one respondent welcomed the proposal to include an automatic roll over facility to the term of a transmission connection agreement however considered that the actual term period with the connection offer should be increased from twenty to twenty-five years for wind generation stating that it is industry standard to assess and finance a wind generation project on the basis of a twenty five year life cycle. The respondent also suggested that the connection offer should commence from the date of energisation and not the date of offer acceptance (execution).

Another respondent proposed an increase in the term of connection agreements from 20 years to 25 years from the date of energisation to align the connection contract to the typical lifespan of a wind farm project stating also that where major modifications, such as additional generators installed to a project, the term should be extended to 25 years from the date of energisation of the extension.

System Operators' Responses to Comments Received

The SOs confirmed their preference that a 20 year standard contract be placed with the automatic roll-over facility proposed in COPP stating that this would allow for the term to be customised as appropriate in any case.

CER Position & Decision

The CER believes that the position proposed by the SOs is reasonable and supports the proposal to offer a 20 year contract with 1 year automatic rollover thereafter. While the CER acknowledges that one of the conditions for the automatic rollover is that either party may terminate the contract based on individual contractual arrangements, the CER suggests that the SOs put some thought and rationale behind why they might terminate following the initial 20 year period.

3.1.12. *Extension of Offer Validity Period*

The SOs proposed that extensions to offer validity periods be given only where the request does not delay the start of a gate or other process for assessing new capacity applications, and does not delay the commencement of work for other parties.

Responses Received

Three respondents submitted views on this issue - all supporting the proposal to grant extensions to offer validity periods which would typically not exceed 35 consecutive business days.

System Operators' Responses to Comments Received

The SOs did not comment on the responses received.

CER Position & Decision

On the basis of the response received from industry, the CER supports the SOs proposals.

3.1.13. Non LCCM Planning Related Charging Issues

The SOs detailed their proposals in relation to the charges associated with the planning and construction process of constructing a connection method which is either system operator, or customer preferred method.

Responses Received

Two respondents submitted views on this issue.

Both respondents felt it unreasonable when SOs suffer planning difficulties with their preferred method, that developers should have to pay above their LCCM charge, where planning leads ultimately to the need to use cabling instead of overhead line). Furthermore, the respondent stated that it is unfair of the system operator to then assume that the LCCM would have had to be cabled anyway.

In relation to timing, the respondent stated that the additional time associated with the SO preferred method beyond the LCCM needs to be considered (since SO preferred methods usually require greater infrastructure).

Also, the respondent stated that in relation to the timing of decisions to change from LCCM to SO preferred method or cable, that a definitive program to pursue a particular connection should be followed with decisions to change connection method occurring promptly to avoid delays to projects.

Finally, the respondent stated that the SOs should formally set out their reasoning when a decision to proceed with a non-LCCM connection method is made.

System Operators' Responses to Comments Received

In their response, the SOs reiterated the position outlined by them in COPP, stating that they have outlined the rationale behind a move away from an LCCM and the requirement in certain cases to use cable.

CER Position & Decision

The CER understands the views submitted by industry on this matter.

Firstly, where the LCCM does not achieve planning permission (in the case of the LCCM initially being an overhead line), then a decision to cable the route may be taken by either the SOs, the customer(s) or indeed, both. The need however to protect the use of system customer (who underwrites various other scenarios such as fall outs of projects failing to proceed within subgroups etc) must be met.

Where the overhead LCCM fails to meet planning criteria and is ultimately changed to cabling, this is a cost which must be met by those pursuing a connection – ultimately the generators. The CER has a legislative remit to

protect the Use of System Customer and in doing so, could not feasibly allow this customer to cover the cost of changing from overhead line to cabling where this is deemed necessary by planning conditions.

The alternative would be for the initial offer to customer to be priced for the cabled route (presumably more expensive) such that the system operator either pursues an overhead line and if successful, over recovers costs from generators which is then passed through, and socialised, to the Use of System Customer. Or, where the offer has been priced in accordance with a cabled route and overhead line planning fails, the cost remains the same for the generators in that they have already executed offers with such costs already committed.

In relation to the time taken to pursue and construct system operator preferred methods rather than LCCM – the SOs remit includes the planning and development of the electricity network to meet the needs of its customers – where the system operator pursues a preferred method other than the identified LCCM, it is with this need in mind. The fact however that such preferred methods may take more time to construct, due to the need for extra infrastructure as noted by the respondent, is an unfortunate side effect – however, is not always the case.

In relation to the suggestion that the SOs should follow a defined program in order to make decisions in relation to pursuing connection methods other than the originally specified method within offers – the CER agrees that such decisions should indeed be taken in a timely fashion such as not to adversely delay projects – the CER therefore requests the SOs to be mindful of the need to make any such decisions at an early stage.

In relation to the suggestion that the SOs formally set out their reasoning to proceed with a non LCCM connection method – again the CER agrees and requests the SOs to continue to communicate clearly and concisely with generators in relation to the specific reasons and rationale for deviating from an LCCM connection method.

3.1.14. Internal Network

The SOs detailed their proposals for requests by generators to develop internal network, in particular, which traverses areas where demand customers or other generators already exist and are likely to emerge in the future.

Responses Received

One respondent submitted views on this issue, welcoming the clarification offered by the SOs and suggesting that future network development in a given area be outlined by the SOs to ensure developers are aware of same.

System Operators' Responses to Comments Received

The SOs stated that in the case of the transmission system, the plans are published as part of the annual forecast statement and the transmission development plan - however by nature, such plans are not fixed therefore the SOs propose to process each request for internal network on a case by case basis. Should the number of requests for internal network assessments become excessive then the SOs would consider if an alternative approach might be more effective.

CER Position & Decision

The CER supports the SOs position on this issue and requests they keep the CER informed of any change necessary.

3.1.15. Remaining Topics

The remaining topics in COPP were:

- Section 17 MEC Capacity Bond
- Section 18 Capacity Relocation
- Section 19 Alternative Connection Method
- Section 20 Change in Application Details
- Section 21 Modifications Requests

The CER received no comments in relation to these topics specifically however one respondent suggested that to apply for modification(s), a single application form be used with a number of sections therein for completion, depending on the type of modification being requested – the respondent believed this would be a pragmatic approach where several modifications could lead to several application forms being required.

System Operators' Responses to Comments Received

The SOs stated that it was not the intention that several forms would be completed by applicants (and indeed some modifications would not be captured in the present forms in any case) and agreed therefore that there may be some merit to the suggestion and intend to consider same.

CER Position & Decision

The CER supports increasing efficiencies and therefore looks forward to the outcome of any which could be gained by reducing the paperwork and administrative activities associated with multiple modification applications.

3.0 Conclusion

The CER has approved the final COPP ruleset developed and completed by the SOs and included in Appendix A of this decision.

Temporary connections will be facilitated for Gate 3 projects. Respondents on the issue from industry whilst supportive of temporary connections, were concerned in relation to how constraints could be managed, and in particular, how pre Gate 3 projects could be protected from material increased constraints as a result of temporary connections. The SOs therefore proposed a solution which should result largely in protecting pre Gate 3 generation to some level although may not deliver the level of capacity possibly achievable under other methodologies including the IWEA proposal. The CER accepts the SOs' solution for now however intends to re-open this issue once the Scheduling & Dispatch consultation has concluded.

On the issue of installed capacity and the responses received thereto, the CER has decided that a cap should be placed and based on further information from the SOs, the cap has been calculated as being 5% above the MEC for a given generator – the 'nearest value' approach thereafter applied to determine the actual number of turbines permitted (the percentage of installed capacity above the MEC being the maximum) – the final figure being the maximum allowable installed capacity – and the number of turbines therefore determined on this basis.

On the issue of combination of offers, the CER appreciates the SOs concerns in this regard and therefore is satisfied that combination of offers will not be facilitated going forward. Therefore, the CER asks that the SOs keep it informed where they are concerned that such instances may be occurring.

Other flexibilities introduced by the SOs including proposals to allow merging and splitting of projects, reductions in MEC pre offer, options to phase connections, change generation type and to connect hybrid projects are welcomed and supported by the CER.

Appendix A

'Connection Offer Policy & Process Paper (COPP) – May 2011'

Appendix B

Consultation Responses – 24 of 25 responses