



Ms Bríd O'Donovan,  
Commission for Energy Regulation,  
The Exchange,  
Belgard Square North,  
Tallaght,  
Dublin 24.

February 4<sup>th</sup> 2011

Re: CER/10/237 Connection Offer Policy Principles Paper

Dear Bríd,

ESB Wind Development (ESBWD) welcome the opportunity to respond to the "Connection Offer Policy Principles" (COPP) paper issued by the CER and the System Operators (SO). We recognise the efforts which the SOs and the CER are making in terms of the clarification of all areas regarding connection policy and in allowing additional flexibility where possible, and both these initiatives are very beneficial for industry participants. We are concerned however with the time that it is taking to make decisions on the important issues covered in the paper. It is imperative that there are no further delays and that final decisions are published on all items contained in the consultation in May as per the CERs timeline.

Responses to the specific areas raised in the consultation paper are given overleaf.

Yours sincerely,

A handwritten signature in black ink that reads 'Aine Dorran'.

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Áine Dorran  
ESB Wind Development

By email

### **3 – Changes in Installed Capacity**

ESBWD accept that the Maximum Export Capacity (MEC) of a particular project cannot increase, however there should not be a limit on the installed generation capacity associated with a wind farm project. For various reasons it may be advantageous for a developer to install generation capacity to a higher level than the MEC for the site. For example, a higher installed capacity might ensure an economic load factor on a relatively low wind site or also to cover maintenance outages of turbines on a large wind farm. From a system point of view this new configuration would in many ways just be analogous to a windy year in terms of the site output and so should not have any significant negative impacts.

Given the associated costs, it is unlikely that installing additional capacity without a corresponding increase in MEC is a decision any developer will take lightly. Economics will effectively regulate take up of this facility and ensure that it is unlikely that there will be many situations when a developer will choose to install capacity in excess of the MEC. In light of this, ESBWD consider that additional flexibility should be given to developers who wish to increase the installed capacity on their sites above the MEC.

### **4 – Mergers and Splitting**

ESBWD believe that the SOs need to ensure that a merged project cannot gain an unfair date order advantage as a result of merging. For example if allocation of capacity for temporary connections was to be given out on a date order basis, a merged project should not be able to skip the queue on the basis that a portion of its project originally had an early date.

ESBWD consider that projects should not be prohibited from merging or splitting on the basis that this would mean a change in voltage level and/or a change to the SO from which the offer is issued from. It is our understanding that this is the SOs intention and this flexibility is welcome.

### **5 – Temporary Connections**

ESBWD welcome the CER and SO proposal to allow temporary connections. The facilitation of temporary connections has many advantages. It will allow projects commence earlier than would otherwise have been possible, thereby allowing a steadier progress toward the 2020 renewable targets. Temporary connections will also simplify the overall development of a group of projects at a node. By fast tracking some projects the complexity associated with groups with large numbers will be diminished.

All the items in the proposed rule-set as set out in the paper seem reasonable. However there are three key areas which still need to be addressed. These are the method for assigning temporary capacity, the level of capacity which is made available and also the methods which are used to discourage hoarding of temporary capacity. Comments on these points are given below. It is also important that a final decision is made on temporary connections in May and that this issue is not separated from other items in the COPP consultation and further debated and consulted on.

#### 5.1 Method for assigning temporary capacity

The CER paper lists four possible criteria which could be used as a means for assigning temporary capacity. Of these, ESBWD consider that date order per node of original connection application is the most fair and transparent. Assigning one project greater “public benefit” over another would be subjective and difficult to justify. Using a date order of temporary connection application would also seem unfair since the rules and procedures around this topic are still being consulted on. In theory the project readiness criteria seems a reasonable methodology, however the detail around the implementation may prove difficult in terms of transparency. There would also be resource requirements for this methodology in terms of its administration. Allocation of temporary capacity on the basis of date order per node of original application is in line with the primary principles behind Gate 3 and is the fairest, most transparent and easiest methodology to implement.

It is important also that apportionment of temporary capacity should not be done on the basis that all applicants should receive a “share”. Allowing each applicant connect a portion of their project may mean that none of the temporary projects are then feasible as the level of capacity allocated to each is too small. The earliest date order applicant should receive the minimum of the total temporary capacity available or their total MEC. If after allocating this block of temporary capacity there is still a surplus available, then the next date order applicant should be allocated capacity in the same way, and so on.

#### 5.2 Level of capacity available

ESBWD note that no proposals were given in the paper regarding the method the SOs would use to calculate the available network capacity for temporary connections. It is important however that appropriate limits are placed on the amount of temporary connection which will be facilitated at each node. Allowing temporary connections ad infinitum at a node will be of no benefit to anyone if the constraint level facing generators rises to such a level that a project becomes economically unviable. We understand that the SOs are looking for input from industry as to what constraint level would be acceptable.

ESBWD consider that it is the combined effect of the duration of the constraint as well as the quantum of the constraint itself that will dictate the actual effect on a project. For example a constraint level of 12% for a two year period would have approximately the same impact on project return as a 3% constraint level for eight years, as roughly the same amount of energy will be lost under both scenarios. Both the level and the duration of the constraint should therefore be taken into account when setting a limit for available temporary capacity. From analysis of our financial models we are of the opinion that a cumulative constraint loss of up to the equivalent of half a years output could be sustainable by a project. We therefore suggest that the SOs incorporate this maximum cumulative half year lost output figure into their calculations for deriving values for available temporary capacity.

In their calculations of network capacity and subsequent operation every effort should be made by the SOs to ensure that the network is being used to its best potential. The use of active network management techniques and tools such as dynamic line rating and advanced protection / control schemes should be used in order to facilitate an optimum amount of temporary connection capacity albeit limited by the same principle above whereby any associated cumulative constraints are limited to half a years output.

### 5.3 Financial commitments and hoarding of temporary capacity

As is the case for all network capacity, temporary capacity is a limited and valuable resource. As such the hoarding of such capacity should be discouraged as much as possible. It is important that a developer is required to show financial commitment when an offer of temporary connection is accepted. Equally it is important that a rule-set is put in place such that if a developer who has been awarded temporary connection does not subsequently receive planning permission for their project and/or construction does not commence in a timely fashion, that the temporary connection offer to that developer is terminated and the capacity offered to the next applicant in the queue.

To this end, ESBWD suggest that a bond of in the region of €50-100k/MW is required on acceptance of a temporary connection offer. Also, on acceptance of a temporary connection offer a developer should have a two year period within which to clearly show his intent to build out the project either by having begun construction works or by having placed an order for turbines. Or, in the absence of planning permission at time of temporary offer acceptance, the developer should have a one year window in which to obtain the relevant consents. If these milestones are not achieved then the temporary connection offer should be terminated, the capacity bond drawn down and the capacity offered to next date order applicant in the queue.

## **6 – Combination of Offers**

ESBWD understand the intention behind the SO's proposal to protect the UoS customer from having to pay stranded asset costs which have arisen as a result of a developer intentionally trying to game the system by submitting superfluous applications at a particular node with the express intent of driving down his connection cost while never proceeding with some of these applications.

However we are concerned that it is unfair to introduce the new penalties retrospectively to applicants who were not aware of these consequences at time of application submission. The proposed ruleset should not be applied to Gate 3 or earlier projects.

## **7 – Hybrid Plant**

ESBWD welcome the more stringent rule-set outlined by the SOs with regard to ensuring that a Hybrid project will only be entitled to be treated outside the Gate process where both technologies are eligible.

## **8 – Changes in MEC**

ESBWD welcome the facility to be able to reduce MEC at an earlier stage than was previously possible. By allowing developers the ability to do this, clarity as to the real figure for total planned capacity at a node will then be visible earlier than was previously possible.

We are concerned however that the situation could arise where a developer will have to pay this penalty for reducing MEC and still face a draw down on their capacity bond for the same reduction in MEC. This situation could arise if the MEC capacity bond was placed before construction commenced. It is our understanding that it is not the intention of the SOs to penalise a developer twice. ESBWD therefore request that the rule-set be amended to reflect this.

## **9 – Phasing of Connections**

ESBWD welcome the flexibility that the proposals on Phasing of Connections will bring to developers. However we are still concerned that the "use-it-or-lose-it" rule, and subsequent draw down of capacity bond, will still apply for the entire project one year after energisation of the first phase and firm access being made available.

It is notoriously difficult to predict with any accuracy the completion date for large pieces of infrastructure which are often required to be completed in order for projects to become firm. As is frequently the case it will not be economically viable for a developer to proceed with the later stages or phases of a project until the deep works are complete. The developer is then left in a difficult situation where they are unsure

of when the deep works will be complete and yet face the “use-it-or-lose-it” rule if their full capacity is not built within one year of this happening.

To counter this, ESBWD propose that a window of approximately three years be given in which a developer must have completed all stages of his project after first energisation and firm access being made available. Three years represents an industry standard timeframe for projects with approximately eighteen months each on business development and construction. We further suggest that additional flexibility be afforded to developers in the event that they are unable to complete construction within this three year time period. Such flexibility should only be given if the developer can prove their intention and commitment to complete the project and the CER is satisfied that they are not hoarding capacity.

#### **10 – Change of Generation Type**

ESBWD welcomes the flexibility to be able to change generation type at a site as long as it does not negatively impact on any other generators in the area.

#### **11 – Reprocessing Subgroups Due to Non-acceptance of Offer or Termination of Connection Agreement**

ESBWD would welcome a limit on the amount of iterations of the connection method the SOs would allow if developers pull out at differing stages. We understand that this limit may be difficult to set, however unlimited reprocessing, and the associated time delays, could seriously impact on the build out of projects within a node.

#### **12 – Firm Connections to the Transmission System**

ESBWD welcomes the clarity provided by the SOs regarding the differentiation between firm and non-firm connections.

#### **13 – Term**

ESBWD welcome the proposal to include an automatic roll over facility to the term in a connection offer. However, we consider that the actual term period with the connection offer should be increased from twenty to twenty-five years for wind generation. This longer timeframe would reflect the technologies improvements that have occurred over recent years in the life cycle of wind turbines. It is now industry standard to assess and finance a wind generation project on the basis of a twenty-five year life cycle. The Connection Offer should reflect this. Furthermore the term of a connection offer should only commence from the date of energisation and not on offer acceptance.

#### **14 – Extension of Offer Validity Period**

ESBWD welcome the extension of the offer validity period up to a maximum of thirty-five business days in exceptional circumstances only.

#### **15 – Non-LCCM Planning Related Charging Issues**

ESBWD acknowledge that given the complexity and site specific factors associated with the planning process it is not possible to provide a comprehensive rule-set for when the use of cable is to be considered as the least cost solution for network works. However ESBWD consider that it is unreasonable that a developer should be obliged to pay anything above the LCCM charge in situations where the SOs have run into planning difficulties with their 'preferred method' and so have to use cable instead of overhead line. It is unfair to assume that the original LCCM method would also have had to be cabled, particularly if the LCCM connection is shorter and travelling in a different direction compared with the SO's preferred connection method.

Finally we would request that the SOs, as a matter of course, formally set out their reasoning to the sub-group involved if they are proceeding with a connection method other than the LCCM.

#### **16 – Internal Network**

ESBWD welcome the clarification of the rule-set for internal networks. ESBWD request that all relevant future network development in an area be outlined to the developers in that area to ensure that they are aware of any potential line routes which may impact them.

#### **17 – MEC Capacity Bond**

Please see earlier comments relating to the MEC Capacity Bond in Section 8 "Changes in MEC" and Section 9 "Phasing of Connections".

#### **18 – Capacity Relocation**

ESBWD acknowledge that this issue has previously been consulted and ruled on and make no further comment.

#### **19 – Alternative Connection Method**

ESBWD acknowledge this clarification and offer no comment.

#### **20 – Change in Application Details**

ESBWD acknowledge this clarification and offer no comment.

**21 – Modifications Request**

ESBWD acknowledge this clarification and offer no comment.