



**ESB Networks Ltd
Networks Ltd**

Teach Osprey, Sráid na Canálach Móire Íochtarach
Baile átha Cliath 2, Éire

Fón: +353-1-6765831

Láithreán Gréasáin: www.esb.ie/esbnetworks

Brid O'Donovan
Commission for Energy Regulation
The Exchange
Belgard Square North
Tallaght
Dublin 24

Date 15 February 2012

RE: RESPONSES TO CONSULTATION ON MODIFICATION FEES AND PROCESS

Dear Brid

ESB Networks and EirGrid set out below our comments on the nine responses received to the consultation on Modification Fees (CER/11/194). For ease of reference we have summarised the responses in Section 1 below, and provide the SO's comments in the Section 2.

As a general note, and as specified in Section 2, there are a number of modifications which will be processed by the SO's without any charge. These modifications include

- Where the original offer was based on assumed data, and a modification has to be processed when project specific data is provided
- Modifications required to a subgroup connection due to a <100% offer take up.
- Modifications required to a connection method with a view to further optimising system development
- Obviously modifications required due to any error on the part of the System Operators

While there is a substantial amount of work required in most of the scenarios above, as this work is primarily (with the exception of the first scenario) to ensure that the costs borne by the End-User are minimised, it is not appropriate to charge the individual IPP's for this work.

Section 1 - Summary of Industry Comments

The table included by IWEA has been reproduced (where comments were made) in Appendix One with some additional comments by the SOs.

Charges and Costs

The majority of respondents commented that the fees were high and not reflective of the work required in processing the modifications. A number of respondents also requested more information on the build up of costs. Comments received included:

- Fees proposed are higher than those charged previously
- Fees assumed all customer engagement was being recouped as part of the modification fee whereas the cost of some engagement should be recovered via application fees and standard charges
- Fees are higher than the industry norm
- Staff processing modifications are also required to undertake other work including processing new non-GPA applications. It is not appropriate, therefore, to fully recover the cost of this staff from modification fees
- The charge for a level one modification is too high
- As network study models are already built, the time (and costs) for processing modifications should be greatly reduced
- Where the level of a modification is dependant on whether the change is 'significant', clarification is required as to where a change is considered to be significant.

In addition some respondents commented

- There should be no charge for changes in turbine types or internal network
- There should be no charge for a reduction in MEC
- NIE do not charge for modifications to offers

With regard to a future reviews of the fees, some respondents commented that – where there was deemed to be an over-recovery – that parties who had paid for modifications in the past should be rebated.

Process and Timelines

In general the industry commented that the timeline for producing modified offers was too long. A number of respondents also requested that the SO's set out a timeframe from receipt of a modification request and commencing processing a modification, with a timeframe of 5-10 business days being proposed as reasonable. Three respondents commented that a fast track option should be available – possibly at a higher charge – for parties for whom the modification is a critical path item

Standardising Fees

Many respondents did not comment on whether it was appropriate to standardise fees and/or apply a cap which would result in larger applicants to some extent covering the under-recovery from smaller applicants. Of the applicants who did comment on this issue three were in favour and two against. One of the respondents who was in favour of a cap on modification fees commented that the cap should be limited to 50% of the application fee. The respondent considered this appropriate as they were of the

view that much of the work for processing a modification was incremental to the work required in issuing the initial offer.

Of the respondents not in favour of balancing the costs across parties requesting modifications, one commented that any under-recovery from smaller applicants should be funded by the End-User rather than other parties requesting modifications. The other party suggested that any cross-subsidy was contrary to the RE directive

Consultation Process

In relation to the process itself comments were made by two respondents. One respondent commented that the CER should not have allowed the revised fees to be charged pre-decision. Another respondent commented that CER should have reviewed the fees (with their consultant) prior to the consultation and as a result requested that the CER issue a proposed decision on the fees and process.

The SO's do not intend to comment on the Consultation Process, as this is primarily a matter for the Commission, except to note that – even prior to a decision to consult - the SO's were always open to, and welcomed, comments from and engagement with the industry and this had been specifically stated at the Liaison Group presentations.

Section 2 - SO responses

General Comment

When considering the processing of modifications – primarily for Gate 3 - it is important also to reflect on the fact that there is now a much greater level of generation capacity connected, contracted or offered for connection than heretofore. This means that the complexity of modelling connections and changes to same is also greatly increased. In this context any change which may appear to be minor when considered in isolation, can become more significant when considered as part of the whole.

It is also worthwhile to consider some of the background to this revised approach for dealing with modifications. As previously set out to industry and CER the SO's adopted a different approach to processing Gate 3 offers. This was in acknowledgement of the scale of the capacity which was to be offered and the potential impact this additional generation might have on the electricity system if it was not accurately modelled and studied.

The approach for Gate 3 – whereby the SO's worked much more closely – was very effective and in addition to allowing approx 150 offers to be issued, provided a better understanding between the SO's of the challenges being managed by the other on the transmission and distribution systems.

The proposed approach to modifications is modelled on the Gate 3 offer process

Charges and Costs

This section of the response has been divided into two sections – one of which deals with the cost of processing modifications, and the second part of which deals with the charges for same. The SO's consider that this is an important distinction, especially in the context of a standardised approach to charging. .In addition some of the comments made by industry related more to how a charge is applied than the specific cost of undertaking the work.

Costs

As set out in the consultation and as presented to industry on a few occasions, the principle behind the levying of standardised fees is that the overall cost of processing modifications should be borne by the parties requesting same. While it is intended that the level of the fee would reflect the perceived difficulty of progressing a particular modification, it is not expected that a charge levied on a given project would exactly match the cost of processing the modification.

A number of respondents have expressed the view that the cost of processing modifications should be considerably less than the cost of processing initial offers due to the fact that models are already set up.

While it is correct to state that the cost overall of processing modifications is likely to be lower (and indeed the modification fees are also lower than the application fees) the following should also be borne in mind

- Application fees are of themselves not always reflective of the costs incurred in processing an application. This would be particularly the case for smaller applicants
- The majority of new applications are processed in batches (i.e. Gates) and as such there are economies of scale in this processing. Modifications are more likely to be processed singly. To some extent, therefore where there is a subgroup with 5 applicants, which in the Gate system would be processed all together, the SO's might be required to process 5 different modifications – all at different times – for this subgroup
- The interacting nature of projects, including indeed many of the small projects, means that great care and attention has to be taken for even small modifications. This is especially the case given the high level of capacity connected, contracted or offered.

- While it is correct to state that base models have been built, such models will need to be verified and updated for updated loads, any updated circuits and in some cases revised feeding arrangements

One respondent queried the need to cover the cost of customer engagement from modification fees as they assumed the cost of such engagement was already recovered under the application fee.

It should be noted that there is substantial customer engagement during the processing of the original offer. Some of this engagement is formal – via customer meetings – and some is less formal – emails and phones calls. The cost of this engagement is recovered via the application fee.

It should also be noted that in many cases there is substantial customer engagement – both formal and informal – with customers, prior to the customer requesting a specific modification. At present the cost of this engagement is not specifically covered by either the original application fee or the modification fee.

Charges and Fee Levels

A number of respondents felt that the charge for modifications is proposed to increase compared with what had been charged previously. The SO's would contend that there are a number of factors at play here:

- In some cases – as is the case with all standardised processes – there will indeed be an increase compared with what might be charged based on out-turn cost. However in other cases the charge will decrease
- The range of modifications being offered by the SO's has increased (as set out via COPP) to reflect a revised demand for modifications from the industry
- In the past, the charge levied for processing of a modification did not always reflect recovery of the costs incurred. Following a review of the workload involved in processing modifications the SO's have the view that the proposed fees are more cost-reflective
- There have been a number of policy changes implemented in recent years at industry request. These changes (in particular in the context of charging policy) – while overall of benefit to the industry – introduce a level of complexity to the processing of all offers including modifications.
- As stated at the beginning of this Section 2, the increased level of capacity being modelled on the system greatly increases the complexity involved in modelling.

Some respondents commented that it was incorrect to set the level of fees based on the resource which would need to be present to process an assumed level of modifications. Respondents also commented that the SO's had underestimated the number of modifications to be expected

In relation to this particular issue the SO's would comment as follows:

- While it is correct that the resource required to deliver a good service was part of the consideration when revising the process and associated fees for modifications, the fees charged also line up with the expected workload associated with processing a modified offer
- On a number of occasions pre-consultation, the SO's requested feedback from the industry and expected numbers of modifications. Prior to the consultation there was no indication that the numbers assumed by the SO's was incorrect. Based on the SO's experience from earlier Gates the level of modifications being suggested by some respondents appears to be very high
- To date the number of modifications requested has been low. While this is most likely due to the delay in the timeline for offer acceptance, it also means that the revenue from modifications to date is very much less than expected. The SO's have, however, committed to staff being available

to processing these modifications. To date, therefore, there is an under-recovery in this area. The SO's do not intend to modify the current fees table to correct this under-recovery.

A number of respondents set out specific types of modifications which they considered should not incur a charge. The modifications referenced included :

- Provision of specific turbine detail where an offer has been processed based on assumed data
 - **SO response** :*While it should be noted that there is additional work in accommodating this change in process compared with issuing an offer based on specific data, the SO's position as set out in the consultation paper is the provision of specific data - where an offer was originally based on assumed data - will not incur a charge*
- Change of specific turbine detail where an offer has been processed based on specific data
 - **SO response** *In acknowledgment of the fact that dynamic studies will typically not commence until 12 months pre-energisation, the SO's consider that – where a change in specific data is submitted at least 12 months in advance of energisation – this modification request would be processed as a level 2 modification*
- Reduction in MEC
 - **SO response** *A number of respondents commented that as there was an overall system benefit where a reduction in MEC is being processed, a charge should not be levied for such a modification. The SO's consider that a charge should be levied on the party requesting the change as it is not appropriate for the End-User to cover the cost of this work,.*

One respondent also commented that NIE do not charge for modifications. From our contact with NIE it is not our understanding that this is always the case. However as the charging model under which both ESB Networks and EirGrid operate requires costs to be collected from the IPP's, how other utilities operate is not necessarily relevant.

With regard to the comment that the charge for level one (typically a Change of Legal Entity) is too high, the SO's experience is that this is not the case. While the SO's accept that this is a charge for administration work only, there are also changes required to business software; verifying customer details on companies register; verifying of documentation provided¹; issuing a revised Connection Agreement. In addition, for DSO customers with an MEC>5MW, a revised TUoS agreement will have to be issued. Furthermore given the scarcity of capacity, the value of offers, or even submitted applications which are being processed, is high and therefore there is a high level of rigour involved in ensuring that any Change in Legal Entity is processed correctly and only when requested by parties entitled to do so.

In relation to the comment that the steps between levels are too high and that a level should be set at the average cost for that level rather than the most costly job at the level. Firstly the SO's agree that the fee associated with a given level would not reflect the cost associated with the most difficult job to be processed at that level, and that is not how the levels are currently priced. The SO's are happy to discuss further with CER whether additional levels might be more appropriate in order to reduce the size of the steps between levels. However it should be noted that this would reflect a rebalancing of costs such that in some cases parties would pay more than they would on the current system and in some cases less.

¹ In some cases application forms provided have included changes to other details such as site co-ordinates or even MEC

In relation to the comment that parties who had paid for modifications should be rebated where a review noted that there was an over-recovery, the SO's are happy to discuss this further with the Commission. However this process would have to be matched by approval to revert to those who had paid for modifications, and request an additional payment, should there be an under-recovery. Were such a principle adopted, this would undermine the certainty which standardising of fees is intended to offer. In addition it should be noted, that any such exercise would only be done based on the bulk of modifications – i.e any over- or under-recovery would not be on a project specific basis. Finally it should be noted that (as set out in the consultation paper) the SO's do intend to review the fees on a regular basis, but with a view to adjusting fees for future modifications – rather than those already complete.

Some parties commented that the SO's need to specify what is meant by a 'significant' change – leading to a higher level modification. While an effort has been made in the table provided in the consultation to identify the levels which might apply to different types of modifications, each modification must be assessed prior to assigning a level, and as such it is hard to identify in the general what scenario might drive a change to be significant. However where a modification is being charged at the higher level, the SO's would propose – when advising the customer of their fee – to identify why the change is deemed to be significant.

Process and Timelines

As set out above, many respondents commented that the timeline for progressing modifications was too long. The SO's are conscious of the need to provide modified offers as quickly as possible, but are also conscious of the need to ensure that those modified offers are accurate. It is also important – given that both SO's are licensed SO's with a mandate to treat all parties fairly and equally - that the modified offers are processed in line with current connection policy and that there is a clear audit trail documenting the changes from the original offer. To aid in the understanding of the work involved in processing a modification, Appendix 2 sets out the typical work areas involved in processing a modification, much of which is sequential.

It should also be noted that – in acknowledgment of the possible delay in progressing connections due to the delays in the Gate 3 acceptance process - the SO's have offered to IPP's the option of progressing their modifications pre-offer acceptance where to do so is not seen to disadvantage other parties or otherwise cause problems in progressing. It is hoped that – by offering this option –

- The flood of modification requests on offer acceptance will be reduced
- The time required to progress a modification will not be in the critical path of project development

In addition, while the timelines given are considered to be typical timelines, the SO's intend to advise parties prior to payment of the modification fee, of the timeline for processing their modification once all customer requirements have been fulfilled.

In summary, while the SO's appreciate the urgency in processing modifications, we do not consider it possible to offer a shorter 'standard' timeframe than that published in the consultation paper. In addition – as there is a need to have trained personnel processing these modifications,, the speed of processing modifications will depend on the level of requests at any one point in time.

A number of respondents also requested that the SO's advise a timeline from modification request to progressing a modification and suggested that 5-10 business days would be appropriate. Experience to date of modification requests received is that there is often a lack of clarity from the customer as to

exactly what changes are required. In addition, where a detailed application form is required, clarification of the details provided on the form can take some time. It is not possible, therefore, for the SO's to commit to a timeframe for this element of the process much of which is outside the control of the SO's.

However the SO's are aware that in some cases the timeframe from modification request to commencing processing the modification has been long and as such are exploring ways in which this time can be shortened. The introduction of a clear form – such as that proposed in the appendix of the consultation – is one such way of providing clarity as to what changes are requested². The SO's are also considering whether most modifications are best progressed using the short form³.

In relation to the suggestion that the SO's offer a fast tracked service to those parties who are prepared to pay an additional fee, the SO's do not consider that this is appropriate. As stated above the SO's will always endeavour to process modifications as quickly as possible. In addition where there is a particular urgency with a modification the SO's will try to expedite the modification. However any such effort to expedite a modification should not be at the expense of another party who has submitted a request at an earlier date.

The SO's would request that a basic priority rule set be included within the proposed decision with a request for industry comment. Having considered this matter the SO's would suggest the following – where work needs to be prioritised :

1. Modifications to offers which have been accepted should be first priority on the basis that the modification is likely to be in the critical path of project delivery. Within this group, the SO's would further consider that a modification request to progress a temporary connection is of highest priority albeit only once a window is closed and/or capacity exhausted
2. Where a modification within a sub-group has been requested then a subsequent modification request within that group can only progressed where it can be done so independently. Where the 2nd modification request may impact on the first (or vica versa) the second modification can be progressed :
 - a. When the first modification has been issued and under the assumption that the modification will be accepted. In the event that this assumption fails, the offer would be re-issued or
 - b. When the first modification is accepted⁴

Standardisation

Given previous engagement with the industry and the limited response of industry to this particular aspect of the consultation, the SO's would assume that – with the exception of the parties who specifically stated that they were not in favour – the general industry response is to favour standardisation. In relation to the comment that standardisation is contrary to the RE Directive, the SO'S do not agree with this interpretation, however we further consider that this is primarily a matter for CER to consider.

Standardisation of modification fees (including payment prior to processing):

- Allows modifications to be processed prior to offer acceptance where appropriate

² Although one respondent commented that such a form was not required

³ With the exception, obviously, of modification specifically being submitted to change specific data

⁴ As modifications will remain live for the same timeline as the original offer, this might have the effect of 'stalling' progress on modifications

- Provides a clear marker as to when the modification has commenced
- Gives certainty to an IPP – prior to finally committing to a modification request – as to the cost of processing the modification
- Is in line with other policy's such as application fees and standard prices for connection costs

The SO's would further clarify – in relation to a query received post consultation – that even in the case of several changes being processed as part of a single modification request, the fee would be capped at the application fee.

Additional Information

As set out above, Appendix One sets out (part of) the table included in the IWEA response and where IWEA commented, the SO's have commented further

Appendix Two provides additional detail as to the work involved in processing modifications with a view to highlighting to the industry the background to the costs and timelines

We trust this response is to your satisfaction. Should you have any other queries on this matter please contact Fiona at 01-7027078 or Mark at 2370288

Regards

Fiona O'Donnell

Transmission and Renewable Regulation Manager

ESB Networks Ltd.

Mark Needham

Commercial and Pricing

EirGrid.

Basic Type	Level	Main Driver	IWEA Comment	SO Comment
Name Change	1	Commercial	Recently cost only €200 in one case	IWEA is correct in stating that in the past a change of name has been processed by ESB Networks for €200 +VAT. However recent experience has indicated that there is a high level of rigour required in checking and verifying details where such a change is requested. This thoroughness is required to ensure that transfers are not facilitated without the full agreement of the party to whom the project is currently assigned, and is for the protection of industry.
Merger	2	Tech Studies	Where assets are simply removed is there a need for tech studies. 2 projects connecting at a node via 2 separate 38kV connections merged into 1.	This can be topology dependent. At a minimum, it would need to be verified that the new arrangement will be within standards and this will require a loadflow study. For some cases, where there are no other relocations involved and where the remote windfarm was originally looped on from the nearest one, one would not expect any issues. However the effects of the removal of the original SO network network to the remote windfarm still needs to be assessed..
	4	All	“Significant” must be defined	The SO’s will identify on a case by case basis why a specific modification has been identified at the higher level
MEC Change	2	Commercial	There should be no charge for this as it frees up capacity and is of benefit to the system.	The SO’s have commented on this issue
Offer Validity Period	1	Commercial	This request should take no longer than 3-4 hours and the cost should reflect this.	Any request to extend the offer validity period will involve an assessment by both SO’s of whether other applicants are affected and also customer engagement

Basic Type	Level	Main Driver	IWEA Comment	SO Comment
Change to generation unit(s)	3	Tech Studies	If tech studies have not been completed there should be no charge.	Such modifications could impact on deep reinforcement works and this would have to be studied and verified.
Change to generation unit(s)	3	Tech Studies	If tech studies have not been completed there should be no charge.	It should be noted, however, that where the offer has been processed based on assumed data and specific data has yet to be provided, there will be no charge for this work. Also, where there is a change to specific data, but this is advised within 12 months of expected energisation, a level 2 charge will apply.
Reactive Power Devices	2	Tech Studies	If tech studies have not been completed there should be no charge. Any device will be added to ensure grid code compliance so there should not be any risk to having increased or decreased.	
Change to internal network	1	Commercial	It is not clear why there should be additional costs due to internal network changes. Internal network is subject to change until it is actually installed and as built drawing issued. IPPs have never been asked to provide as built after projects are completed.	The main costs here are checking the details to make sure that the network changes are insignificant. However, typically a change to internal network will be driven by another mod – for example change of turbines, mergers, splitting. Where a change of internal network is submitted by itself, it will often be – as set out by industry – in the context of providing final as built information. As it is important – for the purpose of future planning – that information provided is as up to date as possible, the so’s consider that this work will be undertaken free of charge
Phasing	3	Construction and Commercial	There may be no change in shallow Works	This will typically involve analysis and short circuit studies.

Basic Type	Level	Main Driver	IWEA Comment	SO Comment
Transformer Changes	3	Tech Studies	All transformer data is in draft form until factory acceptance testing is complete. There should be no charge for this.	Such modifications could impact on deep reinforcement works and this would have to be studied and verified.
	4	All	There should be no cost where there is a reduction in no. of traffos. It is not clear why a full reworking charge should be levied against this small change.	It should be noted, however, that where the offer has been processed based on assumed data and specific data has yet to be provided, there will be no charge for this work. Also, where there is a change to specific data, but this is advised within 12 months of expected energisation, a level 2 charge will apply.

Appendix 2 – Work involved in progressing a modification

Activities

Application Checking, files set up and initial administration

Review Shallow Connection Method

Technical Studies

Operational Review

Power Quality Assessment

Construction and Leadtimes Review

Pricing Policy and Charging Application

Contract Preparation and Development

Customer Engagement

Quality Control and Oversight

Project Management

IT Development & Support