

2nd December 2011

Re: Consultation on Modification Requests to Connection Offers – Fees and Process (CER/11/194)

Endesa Ireland welcomes the opportunity to respond to the *Consultation on Modification Requests to Connection Offers – Fees and Process*. Endesa Ireland believes that the CER is correct to consult on this issue under the Electricity Regulation Act 1999 and is pleased that it has decided to do so.

Development and level of the proposed fees

Endesa Ireland considers that the level of cost imposed for level 1 is excessive given that minor amendments that do not have any system implications exist, and do not impose a cost of €1000 on the SOs. For example, changes to names or dates on the offer or connection agreement do not justify a fee of €1000. In addition, the gap between fees in different categories is too large; it is proposed that anything other than a basic modification is to cost €11,050, it must be that there are many applications which would impose costs between €1,000 and €11,000; a significant difference.

Endesa Ireland considers that the minimum fee should be €0, on the basis that some changes to connection offers will create very little work for the SO. Endesa Ireland does not accept that the individualised cost for a level 1 modification is always above €1000 as stated in the SOs' paper. Endesa Ireland has recently been asked to pay a modification fee of €2,900 to reflect the actual consents issue date in the timeline set out in the appendix of its Connection Agreement *before it has been signed*. Endesa Ireland does not believe that such an amount can be justified in these circumstances. Endesa Ireland strongly objects to the contention that including correct, up-to-date information in the offer/contract qualifies as a modification and would ask the CER to clarify the question of what does constitute a modification.

Endesa Ireland submits that it would be preferable that the CER or its consultants had reviewed the charges proposed by the SOs before issuing this consultation, rather than doing so after participants' responses are received. As proposed, participants will not have an opportunity to comment on the view taken by CER's consultants on charges. Endesa Ireland requests that in this instance, CER issue a draft determination, giving market participants an opportunity to comment on these views.

Endesa Ireland requests that the SOs provide a more detailed breakdown of the costs incurred in processing typical modification requests as part of the current consultation in the interests of transparency. In particular, the SOs state in the paper that costs include technical studies and charging calculation; Endesa Ireland argues that in circumstances where technical studies have still to be completed or where connection methodology is being revisited in any case (perhaps due to a member of a sub-group not accepting an offer), that the modification applicant should not pay for these elements. Where a technical study can be shared between modification applicants, this should be done.

Cost reflectivity

Endesa Ireland considers that under section 35(4) of the Electricity Regulation Act 1999 any costs charged to customers must be based on the actual costs incurred by the TSO.

Endesa Ireland questions the consistency of the general message in the paper that modification fees are cost-reflective and the statement that in case of multiple modifications customers will be charged on the basis of one level of modification, i.e. the fee is not additive. Furthermore, in calculating fees Endesa Ireland does not accept the principle that some account should be given to smaller applications so that the fee is reduced to be less than fully cost reflective, as set out in Section 3, or that where the price cap is less than the costs of a modification that under-recovery will be balanced across the categories. Endesa Ireland is generally against the sharing of this under-recovery but if it is to be shared, argues that this should be recovered by way of TUoS/DUoS charges, not from other modification applicants. Endesa Ireland would point to the SO's duty of non-discrimination under the TSO and DSO licences in this regard.

It is stated in section 4 of the consultation paper that the SOs will keep the fees under review and if there is under-recovery of costs the SOs reserve the right to remedy the situation; it is submitted that equally, if there is over-recovery then this should be returned to those requesting modifications. For this reason it is important to keep an accurate record of the costs incurred by the SOs in processing modifications.

Development of five modification levels and their structures

Endesa Ireland considers that given the variety of possible modification requests, five grades of modification categories are not sufficient to capture all possible requests. Endesa Ireland is concerned that the categories outlined are broad and quite vague; it is accepted that it is difficult to design categories to definitively capture every possible modification, but feels that as proposed, the SOs are left too much discretion to assign a category to a modification application. This applies particularly where the category is dependent on whether change to shallow works is 'expected' or not, it is not clear what criteria are to be applied in forming this expectation.

As stated above, Endesa Ireland would welcome a more detailed breakdown of the work and costs involved in typical modification applications. Endesa Ireland submits that the SOs should provide a reasoned opinion on its decision to an applicant in each modification request, including expected costs of the modification. In the event of a disagreement, this should be decided by CER.

Endesa Ireland is comfortable with standard fees where the modification requested is itself standard; where this is not the case then Endesa Ireland would propose that if the applicant and SO do not agree that the requested modification is analogous to one of the standard fee categories or agree on a specific fee (based on costs) that the CER would determine the issue.

On the proposed categories themselves, Endesa Ireland makes the following points:

- Categories involving increase and decrease of MEC seem to be at odds with COPP paper. If an increase in MEC is to constitute a new application then it should not incur a modification fee, similarly the COPP paper set out a charge for decrease in MEC, it is not considered that an additional modification fee should be charged.

- Although Endesa Ireland is keen to see offers processed as quickly as possible, it is not considered that extending an offer validity period or extension to term of contract should incur a fee as these do not impose additional costs on the SOs.
- It is not clear why a change to a contestability decision would impose a cost on the SOs, the costs of an uncontested connection are set out elsewhere.
- It seems that automatic level 2 for a change to metering arrangements is excessive.

Endesa Ireland also considers that if a modification application involves changes significant enough to justify a charge equal to the initial application fee, then this should be classified as a new application and re-join the end of the queue.

Concept of paying standardised up-front fees for modification requests, capped at the level of the application fee, rather than paying based on outturn costs.

Endesa Ireland agrees with the proposal to pay the fee, or part of, up front in order to discourage spurious modification requests. It is considered that an upfront fee of €1000 is excessive where the costs incurred by the SOs will be less than this amount. Endesa Ireland also disagrees that this fee would be non-refundable; where a customer opts not to proceed with a modification then only the amount of the fee necessary to cover the expenses incurred by the SOs in part-processing the application should be retained.