

Windsor Source Response to Modification Fees for Connection Offers

2nd December 2011

Windsor Source welcomes the opportunity to comment on the CER consultation on modification fees. Windsor Source supports the detailed response provided by IWEA but would also like to take this opportunity to make some additional comments as part of the consultation process.

Windsor Source is developing a portfolio of wind farms including projects in Gate 3 and in the queue for Gate 4.

Industry has been lobbying for improvements to the modification process, in particular the timelines for processing modifications. Windsor Source is disappointed that the consultation proposes both increased costs and timelines for future modifications. The modification process can be the critical path for a project and developers are frustrated that some relatively straight forward modifications can take a timeline of 4 to 6 months.

Windsor Source would make the following comments in relation to the System Operators proposals:

1. There is not sufficient information provided on how the modification fees and timelines were calculated. The System Operators should provide this information to Industry and the Regulator so that a thorough evaluation of the proposal can be made.
2. The consultation seems to propose that the new modification fees reflect the amount of modification fees expected over time. If the System Operators have determined the fixed costs required to process modifications and spread this cost over the number of modifications expected, the result would most likely be an overinflated cost as the assumptions are probably conservative. To date up to 150 modifications have been processed by the System Operators, however the system operators do not appear to use this costing information in the calculation of fees going forward. Windsor Source suggests that a review of these applications is completed and used to formulate modification fees that are reflective of the actual work involved. Furthermore, the paper states that after a number of modifications have been processed the fees will be reviewed for under or over recovery. We would prefer to see a fixed system which is more in line with the costs charged to date and if under-recovery does occur after the first review this could then be addressed with actual modification data.

3. There are currently 249 wind farms being processed by the System Operators. It is reasonable to assume that each of these projects could require 1 or 2 modifications, netting the System Operators up to €6.5M in revenue. This figure seems excessive considering the majority of the modifications would be minor and involve a name change or minor technical assessment resulting in amendment to the offer.
4. Analysis of actual modification fees over the period 2007-2010 indicates a substantial difference in cost between the existing and proposed fee structure. For example in 2010 Windsource submitted a modification application to include a change of wind turbine type, substation location and a reduction in MEC to 4.99MW. The total cost of this modification was €828 indicating the amount of work actually involved in processing this type of modification. Under the new process Windsource would be required to pay a modification fee of €21,450. This extreme difference in cost highlights how the new process will only result in overcharging for developers. Furthermore, analysis of a number of modifications shows that the new process would result in at least a 50% increase in cost for the developer.
5. While we welcome the statement that some account should be given to smaller applications we believe that the capping of fees at application level does not go far enough. An example was given where a 499kw project would only pay a maximum of €1482 or the indexed equivalent; however this is not representative across the scale of projects. For example if we compare a 10MW and a 100MW project and the charges involved in a medium level of technical reassessment e.g. turbine change, number of turbines, material changes to internal network, with no or minor Connection Method change. The 10MW project (current application fee with no shallow works €31,057) typically involving 4 to 5 turbines would pay the same fee, €21,450, as a 100MW project typically involving 40 to 50 turbines. We propose that the maximum amount paid per modification should be a 50% percentage of the original fee in light of the fact that a vast quantity of the work such as the creation of the power system models, the collection of the information and the compilation of the commercial documents etc. has already been completed. This would be a more reflective and fair arrangement in terms of the smaller projects.
6. The consultation proposes that there is an efficiency that comes with standardisation which results in less administration in calculating individual fees. A robust review of the modification process should result in efficiencies that lower costs and timelines, not just avoid some administration.

7. The timeline for a modification can be the critical path for the project so it is crucial that the timeline for these works is minimised where possible. In the past the time taken to process modifications has been disproportionate and it is disappointing that this consultation proposes increased timelines in some cases. Windsource suggests that the timelines reflect the amount of work involved. A level 1 modification should take no longer than 10 business days. A level 2-3 modification that would include tasks such as minor application changes or a medium level of technical reassessment should take no longer than 45 business days. Confirmation of the timeline from when the modification is submitted to when the invoice has been issued should also be published. A timeline of 5 to 10 business days would be reasonable.
8. A large number of applicants provided connection application data prior to the introduction of the NC5A shortened version of the application form. Prior to this, full data was requested by the DSO even though they were aware that the projects were not due to be connected for a long period. When the NC5A form was introduced generators were not made aware that the submission of a NC5A form at that stage would mean that they could firm up their design and equipment at a later more appropriate stage without incurring a modification charge. We propose, in the interests of fairness, that any project who provided information using the standard NC5 form before the introduction of the NC5A form would be allowed to submit specific application data, including turbine type, transformer and internal network information etc. as long as it is submitted once only within the 12 month prior to the energisation deadline. This would be in line with the option provided to customers who had the opportunity to use assumed data.

Windsource requests that the System Operators complete a detailed review of the historical modification fees and timelines with the aim of devising a modification process that reflects the work involved in processing the application. The new fee and timeline should be proportionate to the level of work and/or inconvenience involved in the modification in order to ensure that inequitable situations do not occur such as small scale developers paying multiples of thousands of euros for something as simple as a name change rather than the few hundred euro that it should cost.

The consultation is an opportunity for the System Operators to introduce greater efficiency in their process and provide increased value to their customers through reduced costs and timelines.