



Commission for Energy Regulation

An Coimisiún um Rialáil Fuinnimh

**Decision Paper  
on  
Modification Requests to Connection Offers  
– Fees & Process**

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## 1.0 Executive Summary

The system operators developed a paper – **“Modification Fees for Connection Offers”** – which details their proposals for revising the process followed when dealing with applications for modifications to offers for connection to the electricity network.

Previously, when the SO’s received an application for a modification to an existing offer, their processes were broadly as follows:

- The distribution system operator processed modifications to offers whilst tracking the costs incurred in doing so and invoicing the customer based on outturn<sup>1</sup>
- The transmission system operator however used estimated fixed costs which are charged either up front or during the modification process

The SO’s developed joint proposals for consultation, in relation to an updated process to be followed by them when dealing with such requests. The consultation paper was published on 3<sup>rd</sup> November 2011 and the proposed decision on the matter was published on 21<sup>st</sup> September 2012. In brief, the proposed decision included a 14.7% reduction of the fees in the original consultation and introduced further fee levels.

The CER received five submissions in response to the proposed decision. The vast majority of the comments received relate to the processes undertaken by the SOs and the SOs have provided a response paper addressing the issues raised – this response paper is included in Appendix B to this document.

The CER’s responses to the submissions made to the proposed decision are included in section 4 hereunder.

As a result of the consultation process, and the review undertaken by CER’s consultant, the CER’s decision is to reduce the proposed charges by 14.7%.

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<sup>1</sup> Albeit this charge has in the past been capped at the level of the relevant fee for a new application

Table 1 below shows the proposed and final modification fee levels:

Level	Proposed Charge	Recommended Charge
Level 1	€1,000	€853
Level 1.5	€6,025	€5,143
Level 2	€11,050	€9,434
Level 2.5	€16,250	€13,873
Level 3	€21,450	€18,312
Level 3.5	€25,675	€21,919
Level 4	€29,900	€25,526

**Table 1 – Comparison of proposed and final fee levels**

The CER welcomes the SO's proposals to offer several modifications free of charge and for clarification given regarding charges for processing multiple modifications.

The CER also welcomes the SO's proposals that generators engage with them in relation to any further clarity not given in their guidelines paper (included in Appendix C of this decision).

The CER clarifies that when a sufficiently representative number of modifications are completed by the SO's, such that a meaningful assessment can be made, the CER may review the charges (and processes) to ensure that the principle of cost reflectivity is maintained. Appropriate adjustments can then be made, if necessary, to the charges.

The CER wishes to thank the SO's for the work it has put into reaching this final decision and for the feedback provided by respondents to the consultation process on the matter.

Finally, the CER stated in the consultation paper that it intended to have the final fee levels retrospectively applied to applicants who submitted a modification request in the interim period since the consultation was published (and/or customers who paid for a modification during this period). CER therefore requests the SO's now follow-up with any effected customers.

## 2.0 Purpose of this Paper

### 2.1 Purpose of this paper

The purpose of this paper is to give the CER's decision on the matter of the system operators' procedures and charges for processing applications for modifications to offers for connection to the electricity network, as consulted upon by CER in CER/11/194.

**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 system operators.

**Related Documents:**

- Connection Offer Policy & Process Decision (CER/11/093) available here: <http://www.cer.ie/en/electricity-distribution-network-decision-documents.aspx?article=f60275f5-1442-4330-93f3-895a68f861b3>

### 2.2 Structure of this paper

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

**Section 3** gives an overview of the consultation paper and proposals therein.

**Section 4** details the CER responses and views to the submissions made by industry to the proposed decision.

**Section 5** provides the CER's decision.

**Section 6** details the next steps.

**Appendix A** contains the responses received to the proposed decision.

**Appendix B** contains the SO response paper to the responses received to the proposed decision.

**Appendix C** contains the SOs guidelines paper.

### 3.0 Overview of the Consultation & Proposed Decision

The system operators developed a paper – **“Modification Fees for Connection Offers”** – which details their proposals for revising the process followed when dealing with applications for modifications to offers for connection to the electricity network.

Previously, when the SO’s received an application for a modification to an existing offer, their processes were broadly as follows:

- The distribution system operator processed modifications to offers whilst tracking the costs incurred in doing so and invoicing the customer based on outturn<sup>2</sup>
- The transmission system operator however used estimated fixed costs which are charged either up front or during the modification process

The SO’s developed joint proposals for consultation, in relation to an updated process to be followed by them when dealing with such requests.

The consultation paper was published on 3<sup>rd</sup> November 2011, to which nine responses were received. A proposed decision on the matter was published on 21<sup>st</sup> September 2012, to which five responses were received.

In brief, the proposed decision included a 14.7% reduction of the fees in the original consultation and introduced further fee levels. The proposed decision also included clarity by the SOs relating to offer modifications which would be undertaken free of charge, details regarding the modification application process and how such applications are dealt with, and processed, by the SOs.

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<sup>2</sup> Albeit this charge has in the past been capped at the level of the relevant fee for a new application

## 4.0 Responses/Views on Proposed Decision Submissions

The CER received five submissions in response to the proposed decision. The vast majority of the comments received relate to the processes undertaken by the SOs and the SOs have provided a response paper addressing the issues raised – this response paper is included in Appendix B to this document.

Hereunder the CER gives its responses to the issues raised.

### 4.1 Costs & Charges

#### ***Standardisation***

One respondent suggested that whilst it agreed with the principle of standardisation in general that it considered the principles of cost recovery and non-discrimination are breached when the charging methodology is consciously designed so that applications from some customers under-recover, and where that under-recovery is split amongst other modification applicants.

The CER notes that overall the respondent generally agrees with the principle of standard charges. The implications of standard charges were discussed in the proposed decision in section 4.1.3.

The CER considered the principle of standardisation, its application and why it is used. Among others, standard charges are currently used in application fees and connection charges. CER believes, that standard charges offer greater financial certainty for generators whilst allowing for faster and more efficient processing of applications. The alternative is to charge generators based on SO outturn costs however CER believes that this results in losses to efficiency and indeed would likely need to be additive resulting in higher charges. Standard charges are developed such that they reflect the reasonable costs incurred by the SOs in carrying out tasks, and thereby result in broadly cost reflective standard charges.

#### ***Inefficiencies***

One respondent suggested that should the scenario arise whereby the SO's under recover due to inefficiencies, that they should bear such costs themselves.

CER agrees with the principle of cost reflectivity and that only efficiently incurred costs should be allowed for recovery. It is CER's intention to review the costs and charges once a sufficient quantity of modifications have been processed in order to ensure the principle of cost reflectivity is maintained, however if there is a case for under recovery of reasonably incurred costs the CDR will consider the issue, and the manner and time frame over which the under recovery of costs can be recovered or addressed.

### ***Independent Review of Charges***

One respondent expressed disappointment that external consultants were required to ensure that a more equitable charging regime could be implemented for offer modifications.

The CER engaged external consultants to carry out a review of the costs and associated charging regime proposed by the SOs. The aim was to independently review the SO proposals to ensure that only reasonable costs are to be recovered by the SO's.

Independent reviews are important as they ensure protection from bearing unreasonable costs for both the end user and the system operators. It is prudent of CER to engage an external consultant to carry out such a review as CER does not have experience of modifying grid connection offers and therefore unlikely to reasonably estimate the associated costs. The CER selected a consultant with vast experience in the area of assessing engineering operating expenditure in other regulatory work such that a meaningful review could be undertaken.

### ***Modifications Free of Charge***

Some respondents suggested that there is further scope to offer certain modifications free of charge.

The CER welcomes the proposals by the SOs to offer further clarity on the issue of modifications without charge.

CER also notes that some responses suggested that modifications which should also be carried out free of charge are those which might arise as a result of the SO's not acting in a timely and efficient manner in relation to processing applications, planning, surveying or meeting certain milestones.

The CER notes the SO's responses on this matter which clarifies situations where works may be delayed or why works may not progress. CER suggests therefore that generators with concerns of this nature should bring them to the attention of the SO's for clarification and seek to obtain as much information as feasible from the SO's. The SO's should then act reasonably, practically and fairly in order to reduce such delays and charges while bearing in mind the need to develop the overall system in an economic and efficient manner.

## ***4.2 Level 5 & Multiple Modifications***

### ***Level 5 Modifications***

One respondent expressed concern that an uncapped Level 5 Modification existed.

CER welcomes the SO's proposal to remove the Level 5 Modification and instead, include a note in the modifications guideline document, to clarify what is

classified as a modification which would be considered chargeable as per a new capacity application (the situations under which it was intended a Level 5 modification would have arisen).

### ***Multiple Modifications***

Some respondents expressed concern at the principle of charging, where more than three modifications are requested, for the highest level modification plus one. One respondent expressed concern at the uncertainty of charges whereby this proposed charging principle could lead to modifications being charged at Level 5 which does not have a charge associated thereto.

CER welcomes the SO's proposal to remove the Level 5 modification as mentioned above. CER also welcomes the SO's proposal to engage with customers to discuss the issue of increasing the charge by one level for an application for three or more modifications. Finally, CER welcomes also the SO's confirmation that it does not envisage many cases where this charging principle, of an additional fee level, will be adopted.

### ***Merging & Splitting***

The CER welcomes the SO's proposals to process certain applications for merges and splits in a similar manner to a group of modifications i.e. one offer at the appropriate level of charging, with other applicants charged at level 1.5.

## ***4.3 Processing Modifications***

One respondent suggested that processing modifications to temporary connection offers should not have priority over other modifications.

The SO's sought CER guidance on the matter of the order in which modification requests should be dealt with. The CER has decided the order of priority and this decision is reflected in the SO's guideline paper thus:

*"In the event that it is necessary to prioritise modifications they should be done in the following order:*

- *Modifications to offers for permanent connections which have already been accepted*
- *Modifications to offers for temporary connection which have already been accepted*
- *Modifications to offers which have not yet been accepted*

*Where a choice is necessary between progressing modifications to offers which are accepted (permanent or temporary) then the SOs shall consider critical path projects to be priority i.e. the SOs shall have discretion in deciding what applications to progress based on perceived urgency."*

Furthermore the respondent suggested that the leadtimes for processing offer modification requests be monitored and reduced where possible.

The CER notes the SO's response to this suggestion and also wishes to state that when a review is undertaken in the future, the leadtimes for processing will also be considered at that time.

## 5.0 CER Decision

As a result of the consultation process and the review undertaken by CER's consultant, the CER's decision is to reduce the proposed charges by 14.7%.

Table 2 below shows the proposed and final modification fee levels:

Level	Proposed Charge	Recommended Charge
Level 1	€1,000	€853
Level 1.5	€6,025	€5,143
Level 2	€11,050	€9,434
Level 2.5	€16,250	€13,873
Level 3	€21,450	€18,312
Level 3.5	€25,675	€21,919
Level 4	€29,900	€25,526

**Table 2 – Comparison of proposed and recommended fee levels**

The CER welcomes the SO's proposals to offer several modifications free of charge and for clarification given regarding charges for processing multiple modifications.

The CER also welcomes the SO's proposals that generators engage with them in relation to any further clarity not given in their guidelines paper (included in Appendix C of this decision).

The CER encourages the SO's and generators to engage early in any modification process to ensure there is clarity on the modification request, its implications in terms of time and charges, and what is feasible for the generator's project and the SO's. In particular early engagement is prudent where modifications are potentially complicated and/or involve multiple modifications/multiple generators.

The CER clarifies that when a sufficiently representative number of modifications are completed by the SO's, such that a meaningful assessment can be made, the CER may review the charges (and processes) to ensure that the principle of cost reflectivity is maintained. Appropriate adjustments can then be made, if necessary, to the charges.

The CER wishes to thank the SO's for the work it has put into reaching this final decision and for the feedback provided by respondents to the consultation process on the matter.

Finally, the CER stated in the consultation paper that it intended to have the final fee levels retrospectively applied to applicants who submitted a modification request in the interim period since the consultation was published (and/or customers who paid for a modification during this period). CER therefore requests the SO's now follow-up with any effected customers.

## 6.0 Next Steps

CER requests the SO's publish on their own websites, the guidelines paper included in Appendix C herein.

Finally, generators who submitted application requests during the consultation period (and/or paid for a modification during this period), will now have the results of the final decision applied to them. This means that the decrease in charges in the CER final decision, compared with fees paid based on the consultation, will be retrospectively applied to those applications made during the consultation period. The CER highlights that allowing retrospective charging in this instance is exceptional – it has been allowed in this instance since the COPP decision in 2011 introduced flexibility whereby customers could apply for modifications (and have them processed) pre offer acceptance – however without standard, up front charging, this potentially exposes the SO's to under recover costs in cases where no offer has been accepted and therefore, no contract exists between the SO and its customer.

CER requests the SO's commence the process of settling outstanding refunds due. CER confirms its approval of the charges contained herein and reflected in the SO's guideline paper in Appendix C hereto.

## **Appendix A – Responses to the Proposed Decision**

The parties who responded to the proposed decision are listed below in alphabetical order – the responses are included under this decision paper on the CER website.

1. Art Generation
2. Irish Wind Energy Association
3. SSE Renewables
4. ESB Networks Ltd
5. EirGrid plc

## **Appendix B – SO Response Paper**

The SO's response paper to the proposed decision dated 7<sup>th</sup> March 2013 is included under this proposed decision paper on the CER website.

## **Appendix C – Modifications Guidelines Paper (by SO's)**

The guideline paper produced by the SO's is included under the decision document on the CER website.