

## **IWEA response to the Consultation on TSO and TAO Transmission Revenue for 2016 to 2020**

**14<sup>th</sup> September 2015**

IWEA welcomes the opportunity to comment on the Consultation on TSO and TAO Transmission Revenue for 2016 to 2020 and we have a number of comments outlined below.

The consultation paper highlights the need for the delivery of infrastructure in order to ensure our 2020 targets for renewables can be efficiently delivered. This is obviously of critical importance to the wind industry, however we would also like to highlight that the development of infrastructure is also essential for the increasing levels of demand that we are starting to see on the electricity system, in particular with a large number of data centres locating to Ireland. This is a testament to the secure operation of the grid and the reputation that the Irish electricity system has. It is critical that this reputation is maintained to ensure that these high standards continue to attract investment which brings significant employment and is driving our economic recovery. We agree that the cost to the consumer is an essential component in this price review period, however we feel it is important to highlight some of the benefits that a strong and resilient electricity system brings to the economy as a whole.

In this revenue review it is essential to ensure that there is sufficient revenue available for planned and strategic development of the grid infrastructure. EirGrid has developed the Grid 25 strategy, which outlines the infrastructure developments required to meet the 2020 targets and beyond. Sufficient revenue needs to be made available to ensure that these developments can take place. While the consultation paper outlines the developments required to meet the renewables targets for 2020, the electricity system also needs to be developed for the years beyond 2020, as well as for increasing levels of demand and strengthening of the network. By just focusing on what is required for 2020, there is a risk that there will be substantial developments required at a later date which may increase the cost to the consumer in the long run, rather than implementing a steady build-out rate based on a long term plan.

IWEA is of the firm belief that an incentive mechanism is required to ensure that the TSO and TAO deliver on dates and timelines. It is essential that the incentives are closely related to actual business lost so that developers don't have to manage all the risk and can have some comfort over build-out rate, constraints and connection dates.

IWEA welcomes the proposed introduction of a revised annual Capex monitoring program, ex-ante reviews of capital expenditure not sufficiently defined at the beginning of PR4, and a cost benefit analysis (CBA) template for all transmission projects over a certain level of expenditure. We would urge that this be carried out in a timely manner and that the requirements associated with this do not add considerable delays to projects.

IWEA notes that the additional costs incurred as a result of planning or other requirements will be assessed and allowed where they are efficiently incurred. Again we request that this reassessment can take place in a timely manner.

IWEA welcomes the comments in relation to concerns around potential inefficiencies in aspects of the transmission development programme during PR3 and considers that challenging efficiency targets for the companies can ensure that any ground potentially lost in PR3 as a result of these inefficiencies can be made up in PR4.

It is essential that meaningful incentives on the TSO and TAO to deliver on dates and timelines are implemented now. We look forward to engaging on the upcoming CER consultation on the incentives to apply for the PR4 period.

IWEA notes that there was significant underspend in the PR3 period and that the full underspend for the PR3 period appears largely due to the slower than expected delivery of the transmission capital programme. IWEA urges that the forthcoming consultation includes incentives to ensure that the capital programme required is delivered. An underspend in infrastructure can result in increased costs elsewhere and this needs to be taken into proper consideration.

IWEA has concerns in relation to the reduced allowance for shallow connections. It is expected that there will be significant level of connection of new projects in the coming years, which will be required to meet our 2020 renewable energy targets. While generators pay for their connections through the staged payments associated with the Gate Processing Approach, it is critical that the resources required are available. While the Jacobs report outlines the levels of connections expected (see figure 5.6 from the report below), noting that most of this falls within PR3, it should be noted that delays to many connections will mean that PR4 will also have significant levels of connections.

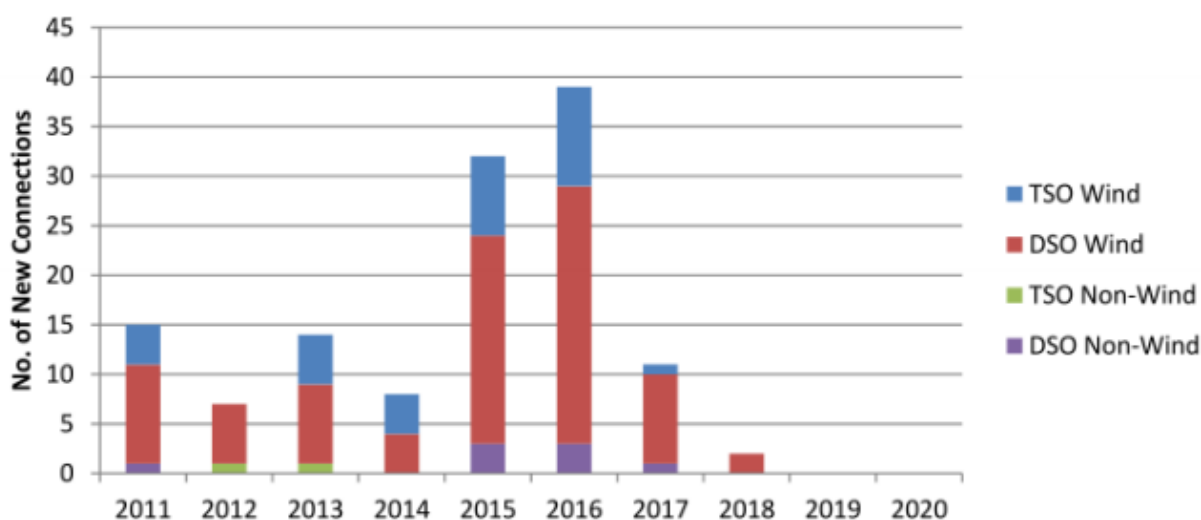


Figure 5.6 : Growth in Generator Connections (Historic and Projected)

IWEA believe that the connections for 2015 are overestimated, and that there will be a higher level of connections in 2017 and 2018 in comparison to the graph shown above. The REFIT 2 deadline noted in the report is a significant factor for the timelines for delivery for a number of projects, however it is expected that there will be a follow on support scheme in place in 2016, and further generator connections can be expected out to 2020.

IWEA welcomes the opportunity to respond to this consultation and highlight some areas of importance to the industry.