

# **Review of Connection and Grid Access Policy: Initial Thinking and Proposed Transitional Arrangements**

**Consultation Response from**

**BORD NA MÓNA** 

**CER-15/094**

**January 2016**

## Introduction

Bord na Móna (BnM) welcomes the opportunity to respond to the CER's *Review of Connection and Grid Access Policy: Initial Thinking and Proposed Transitional Arrangements* (CER-15/284). BnM note the timeliness of this consultation, as policy at both National and European level is now unequivocal in driving towards a low carbon society. The role of electricity in delivering this paradigm shift is central, it is expected that the power sector will be, to all intent and purposes, effectively decarbonised by 2050. While such timescales are difficult for politicians to fathom, the CER, SOs and sectoral stakeholders must keep this ultimate endgame in mind when making decisions for the provision (and use) of infrastructure which will conceivably still be productive in 2050.

## Group Processing

The analysis contained in the paper would support the contention that there has been an element of speculative behaviour with grid applications/offers – there is an argument to suggest that the simple 'date order' process was a contributing factor in exacerbating these speculative applications. The lead time to deliver electricity generation projects, and any associated electricity infrastructure, is long and has many pitfalls so it is understandable that not every project that made an application for connection will be realised. While this may be understandable it is not desirable and improving the situation will place obligations on both applicants for connection to the system and the SOs in dealing with them.

While a high level analysis would indicate that there is sufficient contracted RE capacity to meet the near term 2020 targets – successful build out of this capacity is far from certain, some (but not all) of this uncertainty can be attributed to the current Gate process. The prudent approach would therefore be to remove as many bottlenecks as possible, focusing on constraints that are in the gift of the CER / SOs, namely connection policy – implying that a review of the current Gate process is warranted.

Bord na Móna supports the assertion *“that efficient new plant can enter the Single Electricity Market (SEM) and displace older, less efficient plant in the merit order”* as well as being aligned

with the tenet that connection policy should better accommodate flexible generation capacity that can increase SNSP.

In terms of the project build out of GPA applications, and accepting that policy should not discriminate against new entrants and smaller players, the design of any new ‘gate’ must be such that it minimises the incentive for speculative applications. Consideration should be given to further pre-qualification filters around deliverability of projects and efficient use of the Grid. The minded to position of the CER not to implement a ‘*simple* (emphasis added) gate order approach’ suggests that chronology may still be a determining factor in processing applications – if this is to be the case, the weight afforded to the date order should be such so as to avoid a ‘gold rush’ of applications into the new queue.

Finally, in respect of future GPA applications, Bord na Móna would propose that in a scenario where a developer is required to reapply for effectively the same project, and accepting revised pre-qualification criteria, it seems inequitable that costs already incurred in making the original application are not reflected in the costs associated in the making the new application under the proposed (and enduring) GPA.

### **Non Group Processing**

While the theory and intention underpinning the Non-Group Processing was ‘of its time’ and commendable – it is fair to say that nobody predicted that massive increase in volume of applications over the past 12 months. The Non-Group Processing Approach route is no longer fit for purpose and must be revised. Bord na Móna is not calling for the abolition of Non-GPA but believes instead that the rationale for qualification should not simply be the size of an individual project and its technology – system consideration must also input into this decision making process.

### Consultation Questions (Section 3.1)

**Do you agree with the policy objective for the Enduring Connection Policy? Are there other matters the CER should consider?**

Bord na Móna broadly supports the policy objectives, however the decarbonisation trajectory and our binding targets need to be brought more to the fore; it is therefore suggested that the following objective be also included:-

- Should seek to facilitate, or at least not jeopardise, national/EU targets for renewable energy and decarbonisation and associated objectives

**Do you agree with the application of the above underlying principles to the development of Enduring Connection Policy? Are there any other principles that the CER should consider?**

The enduring principles are generally fine, but care should be taken that they are self-consistent, and in line with overall energy policy. For example, the need to promote efficient use of resources and optimal grid connection will have to be balanced with the need for practicality and timely implementation, and the concept of favouring ‘viable’ projects will have to be consistent with policy supports for diversity in the generation mix, (where a range of different technologies are supported at different tariff levels).

Other principles to consider; as mentioned above, Policy objective on transitioning to low carbon economy and consistency with planning policy (including the recently published Strategic Environmental Assessment<sup>1</sup>)

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<sup>1</sup> The Draft Strategic Environmental Assessment Scoping Report for a Renewable Electricity Policy and Development Framework, retrieved from <http://www.dcenr.gov.ie/energy/en-ie/Pages/Consultation/Draft-Strategic-Environmental-Assessment-Scoping-Report-.aspx>

## Enduring Connection Policy: High Level Approach

### Consultation Questions (Section 3.2)

**What is your view on the high level processing approach outlined above? Are there other processing approaches the CER should consider?**

The proposed change to a more frequent round of offers where connection criteria have been met, see below, is welcomed. Obviously, transparency and regulatory certainty is served by clear guidelines / calendar / status on frequency and volume associated with each gate.

As mentioned earlier in this response, the key issue is the design of the pre-qualification criteria necessary to eliminate or minimise speculative applications, these criteria could include:-

- Status of planning consent (remaining cognisant of the *O’Grianna* constraints)
- Alignment with national Energy/Land use policy, in particular the expected, Strategic Environment Assessment (SEA) flowing from the *Renewable Electricity Policy and Development Framework*
- Landholder consent
- Proximity to grid, access to grid, (physical – wayleaving) – FAQ at nearest node

The consultation paper suggests that efficient access to the network will provide for market driven generation investment – however, this presupposes that there is no information asymmetry and developers can get market signals as to where the grid has the potential to connect capacity (it is accepted that this may be a topic in the next phase of the consultative process).

As noted previously in this response, it is premature and potentially rash for anybody with responsibility for delivering RES targets to take as a given that the 2020 obligations will be delivered – when one considers constraints associated with grid, planning, financing etc.

Finally, it is accepted (and welcomed) that a “process of open, ongoing qualified access to the networks will reduce the need for a secondary market”, however it is recommended that the new ruleset does not immediately proscribe secondary trading and while accepting it has the

potential to encourage speculation, if the additional pre-qualification criteria (see above) are implemented, then this risk is dramatically reduced while still providing legitimate developers with a degree of flexibility that exists today.

## Enduring Connection Policy: Key Policy Drivers

### Consultation Questions (Section 4.1)

**Do respondents agree that the CER should consider the connection of renewables as one of several drivers to be balanced in the development of an enduring connection policy?**

This submission has highlighted that focusing on 2020 targets is simply myopic, even the Commission's 2030 Climate & Energy Framework is short-sighted when examining the policy horizon for developing instruments and rulesets that must deliver a fully decarbonised and more flexible and versatile (delivering heating and transport) power system by 2050. It is therefore critical that the connection of renewables and assets that facilitate the penetration of renewables must remain one of the primary drivers in an enduring connection policy. It is also worth highlighting how the transitions towards renewables has additional collateral benefits in terms of becoming, as a nation, more self-sufficient by reducing our reliance on imported fossil fuels and enhancing our overall energy security of supply.

### Consultation Questions (Section 4.2)

**Should connection policy make explicit provision for interconnectors? If so, what issues should the CER take into consideration?**

While adequacy margins are, in the short term (up to 2020) acceptable, modifications to the enduring connection policy should be looking out over a longer time horizon and taking into consideration the stated policy ambition of decarbonising the power system by 2050.

In regards to making specific provisions for interconnectors – Bord na Móna's preference would be to ensure that the policies, principles and processes that will make up the enduring connection policy will have universal applicability. Notwithstanding this, it is accepted that Interconnectors differ from other assets connecting onto the power system and that bespoke

consideration may be required, however any special treatment should be underpinned that the provision of further Interconnection will contribute to the decarbonisation agenda and security of supply while not imposing excessive costs on the consumer.

### **Consultation Questions (Section 4.3)**

#### **Should the technologies and projects currently covered under the non-GPA process be processed under the GPA process when the new connection policy is implemented?**

On principle, Bord na Móna agrees with the current review of Non-GPA process and holds that in general technologies that are competing for support mechanisms should be processed through a common fate.

As mentioned previously in this response, Bord na Móna supports a more robust pre-qualification stage in the application process; technologies and projects currently covered in the non-GPA process should be included in the new process but with some caveats. Bord na Móna believes that there is still merit in retaining a degree of flexibility in the connection policy thus ensuring that there is scope for R&D or demonstration projects of appropriate scale and with minimal impact on other projects within the new enduring GPA structure.

#### **Should some categories of project be processed outside the GPA process when the new connection policy is implemented?**

Yes (see response above) - Bord na Móna believes that there is still merit in retaining a degree of flexibility in the connection policy thus ensuring that there is scope for R&D or demonstration projects of appropriate scale and with minimal impact on other projects within the new enduring GPA structure.

### **Consultation Questions (Section 4.4)**

#### **Do respondents agree that the CER should progress the development of the Enduring Connection Policy in advance of I-SEM go-live?**

Yes – the progressing of the Enduring Connection Policy should not be unduly delayed – apart

from resourcing issues in the RAs and SOs (and other stakeholder) there is no ‘market change’ rationale for not concluding the Enduring Connection Policy in an expeditious manner.

**Should connection policy facilitate a mix of generation and in particular facilitate providers of system services? Should connection policy focus on certain technology types or rely entirely on market signals?**

In response to this question, Bord na Móna offers a qualified ‘yes’; i.e. connection policy should facilitate a generation mix that is aligned with the primary policy objective of decarbonising the power system.

Unfortunately, for structural reasons, sufficient strong market signals may not arise (either in the SEM / I-SEM) that can trigger merchant investments in specific technologies – this reality is clearly manifest in the decision to retain the option of employing regulated tariffs for certain system services procured under the DS3 auctions. For this reason connection policy, informed by SO analysis, should be capable of facilitating specific technologies insofar as their connection to the network enables progressive decarbonisation of the power system.

**Should projects which make the most efficient use of the existing network be prioritised over projects driving more deep reinforcements?**

Again in the round, Bord na Móna can in principle support this proposal. The efficient use of the existing network should always be a priority, however it is difficult to be precise and definitive without having sight of where the spare capacity exists. It is therefore suggested that the SOs immediately (i.e. independent from the work-stream) commence a study to identify, quantify and publish capacity at each node on the system.

We would caution against any proposal where date order and utilisation of available capacity on the network were combined as selection criteria in processing applications (similar to that employed during Gate-2). With the background of resistance to electricity infrastructure development and projected rates of demand increase it makes sense in the short term to make efficient use of the existing network. However, in the medium term network capacity is likely to be fully absorbed and new works will need to be undertaken. Incrementally using



the available capacity may not lead to the optimal utilisation or development cost for the network, and as such it would be appropriate to consider a multi-gate horizon for Grid development planning.

There is merit in considering how Grid Development planning can be progressed to become the ‘signal’ over the longer timeframe (multi gate horizons) such that it allows the individual gates be optimised in terms of delivering the country’s RE potential.

**Should large demand connection which make the most efficient use of the existing network be encouraged through the Enduring Connection Policy?**

Demand customers should remain free to apply for grid connections regardless of geographical location; connection costs have always driven customers to seek the most efficient method of connection and in general such a policy should remain in place.

There may be merit in the SOs having a process for engaging and formally advising customers, above a certain MIC, of alternate and potentially more efficient connection locations available, this would enable the customer to make an informed choice.

**Are there any specific issues the CER should take into consideration regarding community based schemes?**

The proposal to underpin the Enduring Policy with pillars of *equal treatment* and *transparency* leads inextricably to a non-discriminatory approach in processing connection applications – this is supported by Bord na Móna. Community based schemes, welcomed by Bord na Móna, will not emerge as a result of special treatment in connecting a proposed project but rather is dependent on whether there is a support / incentive mechanism in place, a function within the bailiwick of government and not the CER. In addition, a community based project should in theory have a (relatively) more straight forward route through the planning consent process.

**Should the CER include planning permission in the criteria for receiving a connection offer?**

Yes – again this answer needs qualification. As mentioned previously, Bord na Móna supports robust pre-qualification criteria when assessing connection applications. Ideally planning consent should be included as a pre-qualification criterion for consideration in a round of grid connection application processing. However, this must be balanced with an obligation on the SOs to engage with project developers at an early stage to both identify what capacity is available at nodes, what connection methodology would be appropriate and communicate these albeit with their associated caveats to project developers. In conclusion, and following the *O’Grianna* decision, it is essential that planning and grid applications can essentially progress in parallel as information on either one may be essential for the other to secure consent. It should be noted however, that if planning consent is included as a criterion for grid connection application processing, it is vital that connection is delivered in a manner that enables the development to be completed within the timeframe of the planning consent secured without the developer taking on undue risk associated with non-delivery of the connection.

**Have we identified the correct policy issues? Are there policy issues which we have not accounted for?**

Bord na Móna broadly welcomes the general approach outlined in the consultation paper – and in particular the proposed move towards smaller & more frequent ‘gates’. Notwithstanding, comments and submission already detailed in this response, there are a number of areas that could have been formally included or given greater emphasis in the consultation paper:

- Greater prominence in the principles section in driving the ‘right’ generation portfolio to meet national and EU policy objectives, i.e. the endgame being the decarbonisation of the power system
- Early SOs engagement with project developers to provide detailed information on what capacity can be connected at various nodes (even with all the assumptions that apply). Early and good engagement of this kind, while requiring additional

resourcing, could make for a much more effective and efficient use of SOs time and resources particularly noting the advantage of including planning consent as a criterion in the new regime.

- The existing Non-GPA approach should be subsumed into new enduring regime in general, with exceptions as appropriate and detailed above.
- There is merit in considering how Grid Development planning can be progressed to become the ‘signal’ over the longer timeframe (multi gate horizons) such that it allows the individual gates be optimised in terms of delivering the country’s RE potential.

**Should the GPA process be retained? And should there be more frequent rounds of offer processing?**

Yes, the GPA with the suggested modifications should be retained into the future.

Yes, there should be “more frequent (and smaller) rounds of offer processing”.

**Should the non-GPA approach be revised?**

Yes, Bord na Móna believes however, that there is still merit in retaining a degree of flexibility in the connection policy thus ensuring that there is scope for R&D or demonstration projects of appropriate scale and with minimal impact on other projects within the new enduring GPA structure.

## **Transitional Arrangements**

### **Comments on Release of Existing Capacity (5.1)**

While the proposal for incentivising release of existing capacity is welcome, the reality may be such that there may not be much of an incentive (for existing and less viable) capacity holders to surrender this capacity where significant monies have been expended by the SO.

In the next stage of this consultative process, participants would benefit from further fleshing out of this option, particularly in terms of informing ex ante what refund would be due to holders surrendering capacity and the timelines/longstop dates for availing of this potential route.

### **Existing Connections (5.2)**

Fundamentally, the proposal to increase capacity by 10% of MEC in a non-discriminatory manner to all generators, notwithstanding this relates to firm capacity, is both positive & welcomed and should ultimately drive efficient use of the existing network.

Bord na Móna supports this proposal and the general qualification criteria outlined in the consultation paper – however, we believe that the proposal would also benefit from further investigation in the next phase of the consultation.

### **Units seeking to provide System Services required by the TSO (5.3)**

In keeping with earlier comments as well as the general tenor of this submission, Bord na Móna supports the principle of accommodating projects which provide System Services (delivering a higher SNSP). The criteria listed in Section 5.3 appear at first instance to be reasonable however the proposal would also benefit from further investigation in the next phase of the consultation.

## **Transitional Arrangements – Q&A**

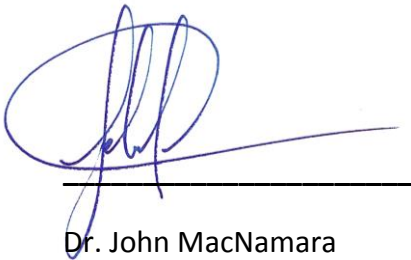
Bord na Móna would support these transitional measures being implemented ahead of the development and implementation of the Enduring Connection Policy, notwithstanding that

further fleshing out of the respective detail, in the next phase of this consultative process is required.

As regard proffering an opinion on the level of increase in capacity under policy measure (2), Bord na Móna feels that we are not currently in a position to give a definitive and quantitative answer to this question.

Should you require any clarification please do not hesitate to contact me.

Yours sincerely, for and on behalf of Bord na Móna PowerGen,



Dr. John MacNamara