



**Response by Energia to CER, Consultation,
CER/15/284**

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

5th February 2016

1. Introduction

Energia welcomes the opportunity to respond to the Commission for Energy Regulation's CER Review of Connection and Grid Access Policy: Initial Thinking and Proposed Transitional Arrangements. Energia is one of the largest contributors to the achievement of Ireland's renewable targets, this has been met through our investment, development, contracting and trading activities with policy support from the government.

The increase in renewable generation over the past number of years has been achieved by significant investment from both public and private sectors, this has taken place against the backdrop of a stable policy environment that has given financial institutions and investors the confidence to invest in the sector. While we acknowledge that changes are required to the grid connection policy, the CER should be cognisant of the fact that material changes to grid connection and access rules may impact existing projects ability to maintain funding or to achieve financial close. This could have a negative impact on Ireland's ability to achieve its' 2020 target as well as potentially damaging future investment.

There are a number of significant regulatory/statutory changes which are being progressed which will have a material impact on the demand for grid access in Ireland. These changes include: ISEM Capacity Reliability Options; ISEM Energy Trading Arrangements (balancing risks); DS3 Arrangements; Renewable Support Schemes; European Network Codes; and The Planning and the draft Development (Amendment) Regulations 2016. The modification to the Planning Regulations, which was unexpectedly issued, after the publication of this consultation. The modifications will have a material impact on developments which have not included the grid connection in their planning application. It will also have significant implications for the future Grid Access Policy as developers will need to know the proposed connection route prior to applying for planning permission for the development. This response is drafted in the context of appropriate legislation and the grid access policy being compatible with the planning requirements. However, we reserve the right to alter our positions outlined within this paper depending on the outcome of the legislative process.

There is currently 25,400MW in the queue for the Group Processing Approach. The existing queue must therefore be addressed in a fair and transparent manner. Energia would support the IWEA proposal:

- Planning consent should be a first order criterion for grid access (further detail to be developed on the exact requirements/interactions).

- Date order of application is used as second order criterion e.g for tie break and/or for firm access for the first round of offers only under the enduring policy
- Date order of planning consent is used as second order criterion, e.g. for tie break and/or for firm access for all following rounds of

2. Consultation Questions

Enduring Connection Policy: Objective, Principles and Approach

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

The CER's policy objective for the Enduring Connection Policy is to provide a fair opportunity for generation to receive offers of connection to the network taking account of system needs, efficiency, national and EU policy and the consumer interest.

Energia believes that a holistic view of the needs of the system needs to be taken into account, including generation and demand side. It is important to ensure that we make the best use of the resources available to us.

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?

Energia believes that the policy should reflect the transition to a low carbon generation mix. Energia would support the proposed amended recommended by IWEA:

"Equity of Treatment: Fair treatment for all those applicants wishing to connect and between different technologies of plant, taking into account the National policy objective to decarbonize the energy system significantly by 2050 and completely by 2100"

Energia would also stress the importance of assessing the impact on the consumer over differing time periods (short to long) when considering the End User Impact.

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

Energia welcomes the approach to move to more frequent, smaller rounds of offers, where the connection criteria have been met. There should be clear

sight of when the rounds of offers will take place. Further consultation is required on determining the correct frequency of rounds of offers.

These more frequent rounds will enable an element of group processing to be maintained, which will ensure that some of the efficiencies of group processing can be kept.

More frequent rounds of allocation of capacity will allow the level of connections to adjust based on policy developments, and on changes in demand.

Efficient access to the grid is fundamental to the success of the Grid Access Policy. It is imperative that the Enduring Connection Policy provides regulatory certainty with an enduring set of connection principles. The new I-SEM arrangements present considerable risks for investors which were not an issue in SEM. The introduction of auctions for Reliability Options and DS3 products results in investors having to incur considerable costs before they have any revenue certainty under these market mechanisms (in SEM investors could rely on regulated tariffs). CER needs to ensure the overall arrangements for investing in Ireland do not present a material barrier to entry.

The modification to the Planning Regulations will have a material impact on developments which have not included the connection in their planning application and will have an impact on clustering applications.

Enduring Connection Policy: Key Policy Drivers to determining Appropriate Connection Criteria

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?

The connection of renewables, and other enabling technologies, still remains one of the main drivers of enduring connection policy as we move to a more sustainable energy system which relies less on imported fossil fuels. The following policy drivers emphasise the continued importance of connection policy for renewables and enabling technologies, and should be taken into consideration. Policy decisions made now will impact the generation mix for a significant number of years to come.

- The Government White Paper, published in December 2015, outlines the policy pathway to 2050 and 2100:

“Our vision of a low carbon energy system means that greenhouse gas (GHG) emissions from the energy sector will be reduced by between

80% and 95%, compared to 1990 levels, by 2050, and will fall to zero or below by 2100.”

- According to the EU Commission, the Energy Union Paper restates the Union’s message on renewables that *“The European Union is committed to becoming the world leader in renewable energy, the global hub for developing the next generation of technically advanced and competitive renewable energies. The EU has also set an EU target of at least 27% for the share of renewable energy consumed in the EU in 2030.”*

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

Energia believes that the Enduring Connection Policy should consider interconnectors. It is important that the system is designed in a holistic manner in order to protect the interest of the End User.

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?

Energia supports the retention of a non-GPA process. However the thresholds and technologies should be reviewed.

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

See response to the previous question.

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

Energia strongly believes that the Enduring Connection Policy should be advanced in as short a timeframe as possible and should not wait until after I-SEM go-live. However there should the development of the policy must take cognizance of the decisions relating: ISEM Capacity Reliability Options; ISEM Energy Trading Arrangements (balancing risks); DS3 Arrangements; Renewable Support Schemes; and European Network Codes as these will influence the success of the Enduring Connection Policy. For example, the pre-qualification requirements for the ISEM Reliability Option and DS3 auctions have not been decided which will influence the development of projects.

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?

Connection policy should facilitate a mix of generation including those which can provide system services where they are required. Connection policy should be aligned with Government policy which is focused on a move to more sustainable energy system and decarbonisation.

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

There should be a prioritization of projects which can make use of the existing network, in particular in light of the difficulties associated with infrastructure development. The Planning and Development (Amendment) Regulations 2016 will be a key driver in locating projects at or near existing grid infrastructure.

There must be recognition that the network should not be considered as a static piece of infrastructure and will continually need to change as use of the system changes. The location of the existing electricity network will not be the only factor which drives the location of demand. Data Centers, for example, require broadband connectivity. With focus on electrification of transport and heating the demand on the system could grow in locations which will require reinforcement of the network. In terms of generation the primary driver for locating generating facilities will be the fuel supply chain (wind, tidal, gas, biomass, hydro) therefore the development of the network must not be limiting factor in terms of new connections.

Energia has a number of additional comments in relation to making the most efficient use of the existing network:

- It will take considerable time to identify where network capacity is available. Energia suggests that this analysis be carried out in parallel with the consultation process to ensure any delays associated with it are minimized. This study should be commenced upon closure of the deadline for releasing grid capacity on 30th June 2016.
- The assumptions associated with the ITC run should be revisited to ensure the most efficient operation of the network. There are certain aspects that should be revisited such as the n-1 criterion or operating the system more dynamically. Further engagement is required with stakeholders in relation to this and we propose a stakeholder forum be held to determine the appropriate assumptions.
- The Gate 3 process identified many associations with deep reinforcements which have now been deemed as not required. Energia believes that better use of the infrastructure should be considered. Co-

Location, for example, solar and wind could improve the utilization of existing infrastructure.

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

The Enduring Connection Policy should take a holistic view of all connections to the system, however further discussion and clarification is required in relation to what is envisaged for demand connection policy. System Planning is optimized if generation and demand are located in close proximity – obviously taking into consideration other important factors and restrictions such as: fuel supply chain (gas, wind, hydro) and planning. However it is important that decisions relating to large demand should not delay the implementation of the Enduring Connection Policy for generation or system services.

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

The consultation paper notes the legal obligations of non-discrimination between users seeking to connect to the system and believes this is the appropriate approach for CER to take in determining connection policy. A well designed connection policy should not need to discriminate based on ownership criteria. Any development with planning permission should be assured of a grid connection within a reasonable timeframe and at a reasonable cost.

There are more appropriate mechanisms, other than the Enduring Connection Policy, to promote community based schemes

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

Energia believes that any new access regime must aim to ensure that speculative grid applications are not promoted. We believe that planning consent must be a fundamental component to receiving a grid connection offer in any new regime. If grid access is allocated to real projects that are at an advanced stage of development this will remove the need to modify and relocate grid offers.

The Planning and Development (Amendment) Regulations 2016 may have a material impact on developments which have not included the grid connection in their planning application. It will also have significant implications for the future Grid Access Policy as developers will need to know the proposed

connection route prior to applying for planning permission for the development.

It is imperative that the grid and planning application processes can operate in parallel.

The ISEM introduces considerable risks for investors because an investor is not guaranteed to be successful in either the capacity and system service auctions. The planning and grid processes therefore need to work together and be designed to provide an efficient process for developers.

Have we identified the correct policy issues? Are there policy issues which we have not accounted for? Should the GPA process be retained? And should there be more frequent rounds of offer processing?

Energia welcomes the approach to move to more frequent, smaller rounds of offers, where the connection criteria have been met. There should be clear sight of when the rounds of offers will take place.

These more frequent rounds will enable an element of group processing to be maintained, which will ensure that some of the efficiencies of group processing can be kept, while also providing certainty that further offers will issue, however there are a number of issues that would need to be addressed to ensure that projects can be delivered under this type of policy using the criteria outlined.

Energia notes that the size of Gate 3 was very large and made it difficult to progress all of the projects. Reasonably regular rounds of offers will be more manageable. By having additional criteria for the application, developers will have to pass a higher bar before a grid application can be achieved, which will control the number of applications in a given period.

There are a number of important questions that need to be answered before the correct policy can be determined.

- The appropriate timing and/or size of auctions.
- How should network capacity drive connection policy?
- How much should it be grid led?
- How will group processing work?
- How does planning for grid connection work?

Energia supports the IWEA proposal that a workshop is held to identify and resolve these issues. This is particularly important with the impact of the Planning and Development (Amendment) Regulations 2016.

Should the non-GPA approach be revised?

Energia supports the retention of the non-GPA process. However the thresholds and criteria for connection outside the GPA process should be reviewed as part of the Enduring Connection Policy implementation.

Transitional Arrangements

Comments are requested on the above proposed transitional arrangements, specifically:

Whether these transitional measures should be implemented ahead of the development and implementation of the Enduring Connection Policy;

The timing of such arrangements (30th June 2016 for policy measure (1) and (2));

The appropriate level of increase in capacity under policy measure (2) to deliver most final customer benefit.

Energia welcomes the introduction of transitional arrangements ahead of the development of the Enduring Connection Policy. The date of 30th June 2016 appears to be appropriate.

Addressing Unused Grid

Energia supports the introduction of an incentive for projects which are unlikely to become operational to release their capacity before the termination of their connection agreement, and to refund 100% of a project's first stage payment, net of monies spent by the SOs, until 30th June 2016.

Energia also believes there is a role for having additional flexibility in the COPP rules for a time limited period. For example, there may be cases where capacity could be relocated to another site (not at the same node), or projects which have paid 2nd stage payments which are seeking to split, however this is not currently permitted under the COPP rules. If this were to be permitted it would further the objectives of more efficient use of the network and increasing the levels of renewables on the system. Energia supports the following IWEA proposal:

- Increased flexibility in COPP rules for a time limited period.
- Capacity must be moved to a site with planning permission.

- Modification to connection agreement must be deemed complete by 30th June 2016. This will allow those unlikely to progress to return capacity if the mod cannot be processed.
- If capacity is released, it should be offered to adjacent projects with PP in the Grid queue, based on date order.
- No re-run of the ITC would be expected under this flexibility, and it may be the case that these projects will be connecting on a non-firm basis.

This allows more efficient use of the electricity network and ensures that projects will be able to deliver in a shorter timeframe. Many of these projects in new locations are likely to qualify under the enduring regime as they have already fulfilled the requirement for planning permission.

Existing Connections - 10% increase in MEC

Energia supports the increase in MEC by 10% so long as it is available to all generators with a particular focus on supporting the decarbonisation objective. Clarification is required that the extra 10% does not have to be installed by 30th June 2016.

An increase in MEC will allow for much more efficient use of the grid infrastructure and will enable a significant increase in the availability of renewable electricity.

There are also a number of other aspects that would have to be addressed in relation to this to ensure the best use can be made of the extra capacity including modification of existing connection agreements, regulatory and market issues, Grid Code, controllability, new units, etc. A workshop could be held to identify these requirements.

In the absence of these changes to criteria, Energia would be **strongly opposed** to the measure being introduced if it is contrary to the objective of decarbonisation of the electricity system.

Shared Connection Agreements

An amendment is required to connection agreement conditions to permit continued development of extension projects. Currently grid connection arrangements do not allow the sharing of connection points by separate legal entities, affecting extension and co-location projects.

DS3 System Services

Energia supports the promotion of projects which can help deliver the required DS3 System Services. It is imperative that the correct arrangements are put in place to help increase the SNSP limit and lower the curtailment levels on the system.

System Service provision could be provided by participants which are not traditional generators and therefore there may not be existing obligations within grid code.

Users should be entitled to export up to their MEC 100% of the time. If the installed capacity is greater than the maximum export capacity this should be managed with controllers at the Facility. There should be an economic incentive for all stakeholders (system service providers, network owners and operators, customers) to provide system services at locations where there is an existing grid connection.

Conclusion

There are a number of significant regulatory/statutory changes which are being progressed which will have a material impact on the demand for grid access in Ireland. These changes include: ISEM Capacity Reliability Options; ISEM Energy Trading Arrangements (balancing risks); DS3 Arrangements; Renewable Support Schemes; European Network Codes; and The Planning and the draft Development (Amendment) Regulations 2016.

The modification to the Planning Regulations, will have a material impact on developments which have not included the connection in their planning application. It will also have significant implications for the future Grid Access Policy as developers will need to know the proposed connection route prior to applying for planning permission for the development. As such, we reserve the right to alter our positions outlined within this paper depending on the outcome of the legislative process. Our main points are as follows:

Enduring Arrangements

- Energia welcomes the approach to move to more frequent, smaller rounds of offers, where the connection criteria have been met.
- Connection policy should facilitate a mix of generation including those which can provide system services where they are required.
- Energia strongly believes that the Enduring Connection Policy should be advanced in as short a timeframe as possible and should not wait until after I-SEM go-live.
- In the short term consideration should be given to prioritizing projects which can make use of the existing network, in particular in light of the difficulties associated with infrastructure development. However, the network should not be considered as a static piece of infrastructure and will continually need to change as our use of the system changes.
- Planning consent should be a first order criterion for grid access (further detail to be developed on the exact requirements/interactions).

- Date order of application is used as second order criterion e.g. for tie break and/or for firm access for the first round of offers only under the enduring policy
- Date order of planning consent is used as second order criterion, e.g. for tie break and/or for firm access for all following rounds of

Transitional Arrangements

Energia welcomes the introduction of transitional arrangements ahead of the development of the Enduring Connection Policy and supports the following actions:

- Advocates the provision of an incentive for projects which are unlikely to become operational to release their capacity before the termination of their connection agreement.
- Calls a review of the non GPA process as the number of applications, in particular solar, now appears to be unmanageable. We are calling for solar applications to be treated in the same way as wind.
- Energia supports the increase in MEC by 10% so long as it is available to all generators with a particular focus on supporting the decarbonisation objective. Clarification is required that the extra 10% does not have to be installed by 30th June 2016.
- In the absence of these changes to criteria, Energia would be **strongly opposed** to the measure being introduced if it is contrary to the objective of decarbonisation of the electricity system.
- Supports the promotion of projects which can help deliver the required DS3 System Services.