



CER/15/284
CONSULTATION ON CONNECTION AND GRID ACCESS
POLICY

SSE RESPONSE

FEBRUARY 2016

INTRODUCTION

SSE welcomes the opportunity to respond to the CER's consultation on initial thinking and proposed transitional arrangements for connection and grid access policy. SSE has been engaged in generation in Ireland since 2008 and currently has over 1800MW of connection to the grid which includes both renewable and conventional generation. Within this context, the policy proposals have considerable impact for SSE with respect to existing and future development in Ireland.

SSE supports the CER's intention to introduce an enduring connection policy that will address all technologies on an equitable basis and maximise the use of grid. We also support a number of the transitional measures proposed. However, there are a number of considerations that we believe need to be taken into account prior to a decision being issued. Our full response is set out below.

COMMENTS PART 1: INITIAL THINKING ON ENDURING CONNECTION POLICY

Section 2

SSE fully supports the CER proposal to develop an enduring connection policy. We note that the current consultation is only addressing the issue at a high level with a more detailed consultation due in 2016. These comments represent SSE's initial thinking on enduring policy; however these may be subject to change when the detailed consultation is issued.

In its paper, the CER has set out an assessment of current connection policy, an overview of connection offer status and the level of system requirements. That assessment indicates that the requirement for new generation to meet renewable targets or security of supply needs no longer exists, although a need to replace older plant is recognised.

In this context consideration should be given to the fact that new EU targets have been set for 2030, allocation discussion at MS level is ongoing any resulting target may require Ireland to further deploy renewable electricity. Any enduring policy should provide for the long term pathway to decarbonisation as outlined in the recently published government white paper on energy.

The CER has also reviewed the group processing approach, with respect to the high number of GPA applications built up. SSE would like the CER to confirm whether or not the new enduring policy will apply to all connection applications that currently exist and did not receive an offer through the Gate 3 process. We believe this is the

appropriate method of addressing all outstanding connection applications. In addition, SSE supports the inclusion of all application types into one overall process. The continued operation of a separate non GPA process is considered impractical given the volume of applications being processed under that policy. SSE's view is that any separate process should be limited to new untested technologies or innovative practices on a small scale basis (below an appropriate MW threshold). Where such a process is put in place, with developers being allocated capacity to progress projects which satisfy a 'public interest' criteria, SSE would consider it appropriate that the result of studies are published on the CER website. This would support innovative technology development for the industry as a whole and justify the receipt of more favourable terms for connection.

Classification of new technologies – SSE believes there is a need for set criteria that enables projects that provide innovative solutions to progress in a way that doesn't overload the system. SSE does not believe established technologies should be considered new or innovative under this process regardless of whether they have achieved penetration in Ireland at this time.

Section 3.1

Do you agree with the policy objective for the Enduring Connection Policy? Do you agree with the application of the above underlying principles to the development of Enduring Connection Policy?

SSE supports the approach being taken by the CER to developing its enduring policy. In light of the issues with Gate 3 in relation to 'hoarding', SSE is keen to ensure that the next connection policy supports the periodic removal of projects 'hoarding' capacity on the network. This would support the CER's proposed underlying principles. This practice was a clear deficit in current policy and is ultimately to the detriment of consumers and the overall industry.

SSE notes the CER has determined the basis for the new enduring policy will be driven by 'system need'. Discussion on how this will be established is not forthcoming in this consultation paper, it is therefore unclear how the needs of the system will be established and tested. This should be addressed in the enduring connection policy consultation paper later this year. This is critical as it will have considerable impact on the technology and scale of new generation and requires clear definition under the enduring policy.

Optimal grid development is also included as one of the principles for the enduring policy. SSE supports this principle and would welcome

further detail on how 'optimal' usage will be determined. Cost should not be the sole consideration in the context of optimal use of the grid. Where there is a precedent for use of the system, this should be considered, particularly where the need for new infrastructure is minimised.

Overall the principles represent a balanced, proportionate and transparent approach to developing an enduring policy. However, SSE believes there may be some conflict between the policy objective and the principles. SSE supports a technology neutral approach to enduring policy and welcomes the equity of treatment principle, however, when combined with an overall objective of taking account of system needs conflict could occur. SSE believes the CER should consider linking equity of treatment to system needs directly.

Section 3.2

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

SSE supports the approach proposed by the CER to processing applications in more frequent but smaller batches with offers being received in the near term. If this is to be successful, SSE believes introducing more restrictive application criteria is appropriate.

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?

SSE supports this driver of the enduring connection policy. We note the White Paper supports the development of a low carbon energy system by 2050 which will contribute to the progress of this aspect of connection policy.

Section 4.2

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

The assumptions in the ITC programme are fundamental to the allocation of capacity and are approved by the CER. The demand and generation assumptions included in the programme are to be considered through the enduring connection policy consultation. SSE notes that this is the only reference to assessing the ITC assumptions in this paper. The output of the ITC model has serious ramifications for developers who may find themselves associated with delayed projects

and potential knock on financial impacts. Given that the model is only run periodically and infrequently, SSE suggests that a review of the assumptions in their entirety would be prudent in advance of the next rerun.

SSE believes that interconnectors should be considered within the enduring policy on the same basis as all other applicants and does not support the provision of special arrangements for interconnectors. The PCI regulations already provide for expedited planning consideration for approved projects which, under the new connection policy may provide them with an inherent advantage should planning become a criteria for connection applications. Therefore, SSEs view is that non interconnector projects should not be any further disadvantaged by allowing interconnector projects to be considered through a separate process.

Typically these projects are considerable in terms of size (100's of MWs) and would have a considerable impact on network flows. In light of the ITC model and the importance of the input assumptions, SSE cannot see how the examination of interconnectors separate to the overall generation forecast would be reflective of the overall grid impact.

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

SSE supports the inclusion of all technologies and projects under the same GPA process. However, believes some provision should be made for new trial and innovation linked projects. SSE would welcome clarity in the consultation paper for enduring connection policy on the treatment of existing applications.

Section 4.4.1

Do respondents agree that the CER should progress the development of the enduring connection policy in advance of I-SEM go live?

SSE believes the current lack of connection policy has had a significant impact on developers and any further delay to delivering a new policy would be inappropriate.

Section 4.4.2

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?

SSE supports the short term facilitation of projects that can provide system services to meet any current need identified through DS3. However, we do not support the facilitation of projects of this type on an ongoing basis.

Section 4.4.3

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

SSE supports making efficient use of the existing grid and prioritising projects which do not drive deep reinforcements. SSE would welcome clarity on how the reinforcements for a project will be considered in the context of the allocation of firm capacity in future.

Section 4.4.4

Should large demand connections which make the most efficient use of the existing network be encouraged through the enduring policy?

SSE supports the CER proposal to encourage demand connections at places on the network that will ensure the most efficient use of the existing system.

It is unclear from the CER paper whether it is proposed to include these connections in the GPA. Currently these applications are treated outside the GPA process.

Section 4.4.6

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

While SSE believes all projects should be treated equitably with respect to applications for and receipt of connection offers, we would support the CER assisting community based schemes in understanding their requirements and in accessing the process.

Section 4.4.7

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

SSE supports introducing a requirement for planning permission as criteria for receiving a connection offer. This will assist in establishing

whether a project will ultimately have the ability to go ahead or not. However, the CER should also consider the time limited duration of planning permission within this criteria. The length of time planning permission is valid for also influences the deliverability of a project. Duration should also form part of the requirement for receiving a connection offer. Where existing applications are to be processed under the enduring policy, SSE believes that the date of application for connection should be considered as secondary criteria to planning permission. This would ensure that for projects waiting to be processed for capacity for long periods are not unfairly disadvantaged by a change in criteria.

Section 4.5

Has the CER identified the correct policy issues? Are there policy issues which we have not accounted for?

SSE believes the CER has identified the correct policy issues. In addition to those already identified, we believe the CER also needs to provide for the following:

1. A method for existing plant to increase MEC
2. Clear guidance for the co-location of technologies to maximise the use of grid on site. This would support the CERs principles as set out in section 3.1 and is already provided for in the grid code.
3. If processing is going to be by smaller gates over a shorter time period, how will the formulation of sub-groups be impacted. How should requirements be reviewed. SSE would not like to see the reintroduction of interacting offers.

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

SSE supports more frequent rounds of offer processing. However, this will drive other considerations and requirements for more frequent assessment of the grid to establish system requirements, potential rerunning of the model¹ and a firm limitation on the validity of the offer issued in each round. These considerations should be addressed in the enduring policy consultation paper.

Should the non-GPA approach be revised?

SSE supports the revision of the non-GPA process to limit its application to projects below an appropriate MW threshold and for new technologies or innovative practices only. All other projects should be included under the GPA connection process.

¹ Update of demand and generation assumptions in advance of each rerun.

PART 2: TRANSITIONAL ARRANGEMENTS

The CER has set out a number of transitional arrangements it is proposing to implement in advance of completing its enduring connection policy. These are set out with three primary aims:

Section 5.1 - Releasing existing capacity

SSE fully supports the CER's proposal to incentivise the release of capacity associated with projects that are not going to proceed. The 'hoarding' of capacity presents a real issue for developers wishing to progress projects but unable to obtain capacity.

The continued strict application of longstop dates by the relevant authorities should support the release of further capacity where a developer opts not to apply for termination of its connection agreement by 30 June 2016.

Section 5.2 - Maximising existing connections to increase capacity

The CER has proposed to allow connected generators to increase their capacity by no more than 10% of their current firm MEC. This is subject to not creating any need for deep reinforcements, change in connection assets, being subject to issue Directed Contracts in the SEM and not having any impact on currently contracted generators. SSE would also welcome clarity on a timeline for the production of the SOs assessment of capacity available.

While SSE fully supports the proposal to maximise existing connections, we believe the level of increase allowed should be linked to one of the following:

- a. The contracted level of MEC for the generator; or
- b. 20% of their current firm MEC.

Of the above options, SSE believes the contracted level of MEC is the more appropriate cap for increase. This would ensure that all generators are treated equally under the transitional arrangements and would not be subject to detriment if their current plant is linked to a work programme of the TSO or TAO to gain firm access. Under current arrangements, generators are reliant on the delivery of infrastructure by third parties over which they have no influence. This in turn impacts the level of firm connection held by the generator.

Generators currently connected to the system, who meet the conditions set out by the CER with respect to increasing their MEC, but are currently held at lower levels of firm due to upgrade requirements, are already being negatively impacted having completed their project but being unable to realise its value in the market until such time as the TSO/TAO deliver infrastructure projects.

They should not be subject to further detriment due to the CER tying its proposal to maximise the use of the current system to the level of firm access currently held. SSE believes the current ATR process is fundamentally flawed and should not be allowed to influence this transitional measure.

In the event that the CER does not consider it appropriate to allow increase to the full level of contracted capacity and prefers to retain a fixed level allowable increase tied to firm access, SSE believes the level of increase should be set at 20%. In 2014, the CER set out its decision in relation to an installed capacity cap for generation (CER14/047). Within that paper, the CER increased the allowed level of over installation at a site from 105% to 120%. The CER indicated that doing this, based on EirGrid assessment, would have minimal impact on the system. While the decision was largely put in place to facilitate the connection of wind farms, the CER recognised and made provision for this to be allowed for other forms of generation, at the discretion of EirGrid. That decision clearly stated that while generators could over install on site, they would not be allowed to export at a level higher than MEC unless required to do so.

On the basis the CER is considering allowing generators to increase their MEC to maximise usage of the current grid, SSE believes it would be appropriate to set the cap in line with the level of over installation that has been allowed for in previous CER policy. This cap would work with the requirement not to drive the need for deep system reinforcements.

Section 5.3 - Providing connection for units which can provide System Services under DS3

SSE recognises that there may be a need to encourage the provision of some System Services through the DS3 programme. While SSE supports the provision of connection for new projects capable of delivering required services not available through the existing fleet, SSE believes consideration should be given within the DS3 auction and this transitional measure to the deliverability of the project. SSE would not support the TSO issuing 'intention to issue an offer' to projects which are unlikely to proceed purely on the basis of being eligible to enter the DS3 auction. In addition, where DS3 contracts are awarded to projects which do not proceed, these developers should not be eligible for connection fee refunds as outlined in this paper (proposal for first stage payments). This could have a market distorting impact with customers carrying the risk for speculative developers who ultimately have no material loss if unsuccessful. It has become clear in GB that projects awarded contracts within their CRM will not progress.

Priority should be given to existing plant that can deliver these services while maximising the existing grid and not driving additional cost to the customer.

Comments are requested on the proposed transitional arrangements, specifically:

Whether these transitional measures should be implemented ahead of the development and implementation of the enduring connection policy;

SSE supports the introduction of appropriate transitional arrangements in advance of the enduring connection policy. These arrangements should take into account stakeholder feedback received through this consultation process.

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

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


As set out above, SSE believes transitional measures should be implemented in advance of the enduring policy. We support the 30th June 2016 timeline as this will ensure the arrangements are only available for a short transition period. Our comments with respect to the level of increase in capacity are set out above.

CONCLUDING REMARKS

SSE believes the development of an enduring connection policy that will provide for connection on a technology neutral basis is the most equitable approach. We agree with the assessment of current policy, which has focused on connecting specific generation types to meet certain external targets that a number of projects offered connection under Gate 3 will not proceed and therefore should be asked to release capacity as soon as possible. We also believe it is essential to give clear direction to the SOs on how to address the allocation of capacity in the context of it being a scarce resource. The transitional arrangements proposed also set out clear benefits in maximising the existing grid without driving increased costs.

SSE notes that the paper refers to “connection offers on hold²”. The 30 day offer acceptance period for Gate 3 offers expired in 2013, we would therefore query why offers are on hold. In the context of the development of new connection policy to support effective utilisation of existing assets and to encourage the release of capacity on the

² CER /15/284, pg. 5, footnote 7.



system, SSE is unclear how offers being put on hold supports progression of the industry as a whole.

The ITC model being the basis for the allocation of capacity underpins the connection process. SSEs believe a consultation on all of the assumptions should be carried out in parallel to the enduring policy consultation and consideration should be given to how frequently the model should be run under the new policy.