



Commission for Energy Regulation

An Coimisiún um Rialáil Fuinnimh

MEC Security Policy Amendments

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1 Executive Summary

In this paper the Commission for Energy Regulation (CER) outlines its decision on joint proposed amendments to the application of the current MEC security policy for MEC security provided by generators to EirGrid as the Transmission System Operator and ESB Networks as the Distribution System Operator (together the SOs).

The SOs jointly submitted three proposals to the CER to amend the current application of MEC security policy. The main proposals were presented by the SOs at the Generator Connections Liaison Group #40 on 20th November 2015, and published on the CER's website. Comments were requested from industry and the SOs submitted revised proposals to the CER on the 29th January 2016 taking comments into account. The matter was further discussed at the following Generator Connections Liaison Group meeting, held 3rd March 2016. The written comments received were supportive of the proposals, no concerns were raised by the group and the group was supportive of the SO proposals. The CER has not carried out a separate public consultation, on the basis of this consultative process, and the responses received from industry representatives. The CER further notes the approval of the proposals do not relate to a change in the policy objectives of COPP in so far as the objectives of the policy set out in COPP will continue to be met after the change in the application of the policy on MEC security.

For the avoidance of doubt, MEC security includes but is not limited to a bond. Alternative forms of security may be accepted by the SOs provided the alternative form of security complies with CER policy.

1.1 Operational Certificate Link

Currently a generator must both:

- pass Capacity Tests including Capacity Test B (i.e. generating at least 95% of its MEC for a duration of ≥ 30 minutes); and
- receive an Operational Certificate;

to meet its MEC obligations for which MEC security is required.

The SOs propose that the current link between MEC security and achieving an Operational Certificate should be broken. In their view, the achievement of operational status should be managed under Grid Code and not under the MEC security mechanism

and the MEC security mechanism should be to ensure that generators deliver their contracted capacity only. The SOs are also of the view that there are adequate provisions in the Grid Code that allow for enforcement of timely achievement of the Operational Certificate.

1.2 Capacity Testing Period

Currently a generator must pass Capacity Test B within twelve months of their Energisation Date (ED) for Transmission, or Connection Agreement Effective Date (CAED) for Distribution projects, or the MEC Security Regime 2 measures will be applied. The SOs propose that for large wind farms, which may have longer construction periods, the Capacity Testing Period allowed for generators to achieve Capacity Test B be extended from the current twelve months, to twelve months plus an additional one month for every 10MW of MEC (or part thereof) > 50MW.

1.3 Term of MEC Security Requirement

The SOs propose that the term for MEC security be three months after the end of the Capacity Testing Period to allow for administration of the MEC security policy as required.

1.4 CER Decision:

The CER has decided to accept the SOs recommendations to:

- break the link between MEC security and Operational Certificates;
- extend the Capacity Testing Period for wind farms larger than 50MW; and
- amend the term of the MEC security requirement.

2 Introduction

2.1 The Commission for Energy Regulation

The CER is the independent body responsible for overseeing the regulation of Ireland's electricity, gas and water sectors. The CER was established and granted regulatory powers over the electricity market under the Electricity Regulation Act, 1999. The Gas (Interim) (Regulation) Act, 2002 expanded the CER's jurisdiction to include the natural gas market, while the Energy (Miscellaneous Provisions) Act 2006 granted the CER powers in relation to gas and electricity safety. The Electricity Regulation Amendment (SEM) Act 2007 outlined the CER's functions in relation to the Single Electricity Market (SEM) for the island of Ireland.

2.2 Purpose of this Paper

This paper is to outline the CER's decision on the SOs' proposals on Capacity Bond administration.

2.3 Related Documents

[CER/09/138](#) Decision on Electricity Network Policy

[CER/11/093](#) Connection Offer Policy & Process (COPP)

[CER/13/145](#) Decision on Transmission Connection Agreements and Use of System Agreements

[CER/15/290](#) Joint SO Proposals to Amend MEC Security Policy

2.4 Enquiries relating to this paper

Enquiries relating to this decision paper should be sent to the Electricity Networks Team (electricityconnectionpolicy@cer.ie)

3 System Operators' Proposals on the MEC Security Policy

3.1 Introduction

At the Generator Connections Liaison Group meeting #40, held on 20th November 2015 the System Operators presented their proposed amendments to current MEC security policy. These proposals were published on the CER website along with the minutes of the meeting and comments were requested from industry and comments were received. On 29th January 2016, the SOs submitted a paper to the CER outlining these proposals and taking industry comments into account. This issue was discussed again at the Generator Connections Liaison Group meeting #41, held on 2nd March 2016. At that meeting, industry expressed its support for the proposals and no concerns were raised. This section outlines the proposals and the CER's decision.

3.2 Background:

Currently, under MEC Security Regime 2, generators are required to provide MEC security of €25,000 per MW of their Maximum Export Capacity (MEC). Generators are required to provide this security one month prior to energisation date of their project or two years from the Consents Issue Date, whichever is the earliest.

Generators currently then have one year from energisation (slightly different terminology for Distribution and Transmission) to provide at least 95% of their MEC for a duration of at least 30 minutes and this is confirmed in a Capacity Test B.

To meet its obligations under MEC Security Regime 2, a generator is required to:

- achieve at least 95% of its MEC for a duration of at least 30 minutes (Capacity Test B); and
- receive an Operational Certificate from the SOs.

An Operational Certificate is conditional on the generator achieving its Capacity Tests and the SOs' Grid Code Tests.

If a generator fails to achieve either or both of these obligations within the specified timelines then MEC Security 2 measures are applied.

3.3 Unlinking Release of MEC Security

In CER/09/138, the CER states that the purposes of the Capacity Bond are to:

- prevent parties from hoarding transmission capacity; and
- cover some of the costs incurred by the transmission system operator for the provision of deep transmission connection assets in the event that a generating project does not proceed at the capacity applied for.

Later in CER/09/138 (page 65) the CER goes on to state:

The Commission also believes that there should be an incentive on connecting parties to comply with the Grid Code and Distribution Code and to achieve an Operational Certificate in a reasonable time. This issue has been addressed as part of this review of the capacity bond and has been included as an objective of the capacity bond mechanism.

At the time, the SOs agreed with CER/09/138 on the issue of ensuring compliance with the Grid Codes. However, the SOs note that “*since it was introduced, the TSO has developed the Wind Farm Controllability Categorisation Policy mechanism under Grid Code performance monitoring to manage and incentivise Grid Code compliance and achieving an Operational Certificate*”. Therefore, they consider that there are now adequate compliance mechanisms in the Grid Code to ensure that generators gain Operational Certificates in a timely manner. Further, they consider that the MEC security mechanism should not be used as an enforcement tool for generators achieving Operational Certificates.

3.3.1 CER Decision

Having considered the SOs’ proposal and industry feedback through the Generator Connections Liaison Group, the CER is of the view that the proposal should be implemented. Accordingly, the CER has decided that there should no longer be a link between the generator’s MEC security and its Operational Certificate.

3.4 Extending the Capacity Test Period

Currently, all generators are required to complete their connection and achieve their Capacity Tests within twelve months of their Energisation Date (ED) for Transmission projects or Connection Agreement Effective Date (CAED) for Distribution projects.

The SOs submission noted that for large wind farms, installation is likely to take a longer period to complete than twelve months. Therefore, the SOs proposed extending the Capacity Testing Period for large wind farms by an additional one month per 10MW (or part thereof) of MEC > 50MW.

3.4.1 CER Decision

Having considered the SOs' proposal and industry feedback through the Generator Connections Liaison Group, the CER is of the view that the proposal should be implemented. Accordingly, the CER has decided that the Capacity Testing Period will be extended for large wind farms by an additional one month per 10MW (or part thereof) of MEC > 50MW.

3.5 *Amending the Term of the MEC Security requirement*

In their submission, the SOs state that under current MEC security policy for MEC Security Regime 2, the maximum term of the MEC security requirement is forty nine months which includes one month for SO administration, e.g. arranging return of the MEC security or making a demand on the security if required. If, within twelve months of its Connection Date for Transmission generators or its Connection Agreement Effective Date for Distribution generators, a generator provides at least 95% of its contracted MEC for a duration of at least 30 minutes and receives an Operational Certificate, the SO returns the MEC security. After that date, if the obligations are not achieved by the generator, the MEC measures under MEC Security Regime 2 would be applied in accordance with CER policy.

The SO's also stated that, if the CER were to approve the SOs other proposals, the link between MEC security and the achievement of an Operational Certificate would be removed. This would affect the term of the MEC security requirement which would now be linked to the capacity provision related measures only, i.e. the 'Use It or Lose It' provision. Therefore, the SOs proposed the term of the MEC security requirement be amended as follows:

MEC Security Requirement = Capacity Testing Period + three months

The SOs noted that the standard Capacity Testing Period is twelve months from the Connection Date for Transmission generators or Connection Agreement Effective Date for Distribution generators. However, under the SOs' proposals it would be longer for wind farms with MEC > 50 MW and would vary depending on their size. The SOs have also requested that the administration period of one month be extended to three months to allow sufficient time for such administration, particularly where a demand is being made on the MEC security, which can be a lengthy process.

For the avoidance of doubt, if a generator achieves Capacity Test B within the twelve months, they notify the SO who validates this, and if all is in order, the requirement to provide and maintain MEC security ceases and the SO returns the MEC security to the generator.

3.5.1 CER Decision

Having considered the SOs' proposal and industry feedback through the Generator Connections Liaison Group, the CER is of the view that the proposal should be implemented. This is on the basis that it allows for effective administration of MEC security policy, protects the interests of the UoS Customer and is less onerous on generators as it reduces the term of the MEC security requirement in line with the other proposals above and therefore is a reasonable proposal in the CER's view.

4 CER Decision

On the basis of the submissions that the SOs have provided to the CER, and the views expressed by industry the CER has decided that:

- MEC security no longer be tied to achieving an Operational Certificate;
- the Capacity Testing Period be extended for large wind farms in line with the SOs' recommendation; and
- the term of the MEC security requirement be amended in line with the proposals above.

4.1 *Next Steps*

The CER will engage with the SOs to monitor the implementation of this decision and the SOs will provide an update at the next Generator Connections Liaison Group.