



Commission for Energy Regulation
An Coimisiún um Rialáil Fuinnimh

Connection Policy

Transitional Arrangements

Partial Capacity Release

Decision Paper

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Regulating Water, Energy and Energy Safety in the Public Interest

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Executive Summary

The Commission for Energy Regulation's (CER) decision on Connection Policy Transitional Arrangements ([CER/16/284](#)) has provided a time-limited opportunity to projects that may not progress to release their capacity in exchange for 80% of their first stage payments. However, this measure is only available to projects that agree to release their full maximum export capacity (MEC) contracted under a given gate. Currently, if a project wishes to release a certain amount of capacity, and keep the rest, it can do so but will be subject to an MEC reduction charge per megawatt (MW) of capacity reduced.

On 16 March 2017 the system operators requested the CER to consider allowing partial releases of capacity for a limited period of time. The system operators argued that offering projects a once-off opportunity to reduce their MEC free of the MEC reduction charge would further encourage capacity release. As reported by the system operators, there have only been two valid applications to the distribution system operator (DSO) and none to the transmission system operator (TSO) for the full release of capacity. At the same time, a number of projects have expressed interest in handing back a meaningful portion of their MEC but not all the capacity under a given gate. The system operators' proposal has been endorsed by the members of the generator connections liaison group (GCLG).

The CER sees merit in the system operators' proposal and notes that allowing MEC reductions free of charge was also proposed by a number of respondents to the CER's consultation [CER/15/284](#). Therefore, the CER has decided to give projects an opportunity to apply for a partial capacity release, free of an MEC reduction charge, by **30 June 2017**. Further, the CER has decided to allow projects more time to consider releasing their full MEC. Hence, projects eligible under section 3.4 of [CER/16/284](#) may still submit an application to the relevant system operator by **30 June 2017**.

Public Impact Statement

The purpose of this decision is to further encourage the release of unused and unusable capacity back to the grid to the advantage of new entrants, in particular more flexible units that can provide DS3 system services.¹ Making more capacity available for connections of DS3 providers would facilitate higher penetration of renewables. In particular, it would:

- significantly lower the level of curtailment faced by wind;
- increase the volume of consumption met by renewable generation (facilitating meeting the 2020 renewables targets); and
- lower the production cost of the industry (displacing more expensive units and lowering the wholesale market price).

The CER notes that allowing MEC reductions free of charge would have a negative impact on end consumers as they would forgo this amount. Nevertheless, this is a short-term impact and should be balanced against potentially more significant cost savings resulting from the DS3 programme, more efficient system use and avoided network reinforcement costs. Those savings might result in higher consumer benefits in the longer run, and are therefore worth pursuing.

¹ The DS3 programme stands for “delivering a secure, sustainable electricity system” and aims to ensure that we can securely operate the power system with higher volumes of renewable generation, such as wind and solar.

Table of Contents

EXECUTIVE SUMMARY	1
PUBLIC IMPACT STATEMENT	2
TABLE OF CONTENTS	3
GLOSSARY OF TERMS AND ABBREVIATIONS	4
1. INTRODUCTION	5
1.1 COMMISSION FOR ENERGY REGULATION	5
1.2 PURPOSE OF THIS DECISION PAPER	5
1.3 RELATED DOCUMENTS	6
1.4 STRUCTURE OF THIS DECISION PAPER	7
2. PARTIAL CAPACITY RELEASE	8
2.1 ELIGIBILITY CRITERIA	8
2.2 PROCESSING RULES	9
3. REASONS FOR THIS DECISION	10
4. SUMMARY AND NEXT STEPS	13

Glossary of Terms and Abbreviations

Abbreviation or Term	Definition or Meaning
CER	Commission for Energy Regulation
COPP	Connection Offer Policy and Process
DSO	Distribution system operator (ESB Networks)
DS3	“Delivering a Secure, Sustainable (electricity) System”
GCLG	Generator connections liaison group
MEC	Maximum export capacity
MW	Megawatt
Relevant system operator	For transmission connected projects – TSO; for distribution connected projects – DSO.
RES	Renewable energy sources
TSO	Transmission system operator (EirGrid)

1. Introduction

1.1 Commission for Energy Regulation

The Commission for Energy Regulation (CER) is Ireland's independent energy and water regulator. The CER was established in 1999 and now has a wide range of economic, customer protection and safety responsibilities in electricity, gas, public water and wastewater system.

Further information on the CER's role and relevant legislation can be found on the CER's website at www.cer.ie.

1.2 Purpose of this decision paper

On 12 October 2016, the CER published its decision on Connection Policy Transitional Arrangements ([CER/16/284](#)). This decision is further to the CER's consultation [CER/15/284](#) and provides a time-limited opportunity to eligible projects that may not progress to release their capacity in exchange for 80% of their first stage payments and the return of any securities provided in relation to that capacity.

As set out in section 3.4 of [CER/16/284](#), capacity release is only available to projects that, among other things, agree to release their full maximum export capacity (MEC) contracted under a given gate. Currently, if a project wishes to release a certain amount of capacity, and keep the rest, it can do so but will be subject to an MEC reduction charge per megawatt (MW) of capacity reduced. The rules on changes in MEC, including MEC reductions, are set out in section 7 of the Connection Offer Policy and Process (COPP) Paper, approved by [CER/11/093](#).²

On 16 March 2017 the system operators requested the CER to consider allowing partial releases of capacity for a limited period of time. This would give projects a

² See also EirGrid's Policy for MEC Administration for Customers of the Transmission System Operator, version 1.0, September 2013, available on [EirGrid's website](#).

once-off opportunity to reduce their MEC free of the MEC reduction charge. The system operators' proposal to allow partial capacity releases has been endorsed by the members of the generator connections liaison group (GCLG).³

The CER sees merit in this proposal and has decided to give projects an opportunity to apply to the system operators for a partial capacity release, free of an MEC reduction charge, by **30 June 2017**. This decision is based on eligibility criteria and processing rules developed by the system operators and approved by the CER. Those criteria and rules are set out in section 2.

For the avoidance of doubt, section 3.4 of [CER/16/284](#) on (full) capacity release remains in force. The deadline to apply for (full) capacity release was initially set for 12 February 2017, four months after publication of CER decision. On 6 February 2017, at the request of the system operators, the CER has issued an information note ([CER/17/018](#)) extending the deadline for capacity release applications until 28 April 2017. The CER has now decided to allow projects more time to consider releasing their full MEC. Therefore, projects eligible under section 3.4 of [CER/16/284](#) may still submit an application to the relevant system operator by **30 June 2017**.

1.3 Related documents

CER/15/284	Review of Connection and Grid Access Policy: Initial Thinking & Proposed Transitional Arrangements Consultation Paper
CER/16/284	Connection Policy Transitional Arrangements Decision Paper
CER/17/018	Connection Policy Transitional Arrangements Information Note

³ The minutes from the GCLG meeting #45 of 1 March 2017 will be published on the CER's website shortly. Please note that the details of the system operators' proposal, in particular eligibility criteria and processing rules set out in section 2, have been developed by the system operators following the GCLG meeting, and as such have not been discussed at the meeting.

1.4 Structure of this decision paper

This decision paper is structured as follows:

- Section 1 explains the purpose of this decision;
- Section 2 sets out the rules of the partial capacity release;
- Section 3 gives reasons for this decision;
- Section 4 summarises the decision and provides the next steps.

⁴⁴ See also EirGrid's Policy for MEC Administration (n 2).

2. Partial Capacity Release

This decision supplements section 3.4 of [CER/16/284](#) by allowing for a partial release of MEC contracted under a given gate free of the MEC reduction charge. Eligible projects wishing to release part of their MEC may apply to the relevant system operator by **30 June 2017** by completing a standardised application form available on the system operator's website.⁵

2.1 Eligibility criteria

Partial capacity release is open to any project (contracted customer) that meets **each and all** of the following conditions:

- Has a valid connection agreement in place with the relevant system operator with MEC greater than 5MW;
- Request MEC release of at least 3MW;
- Has submitted a standardised application form⁶ to the relevant system operator signed by an authorised signatory of the contracted customer by 30 June 2017.

Clarifications

- The 5MW threshold is based on the release of capacity of a standard wind turbine (assumed to be 2.5 – 3MW) leaving sufficient capacity left for a project to develop.⁷
- The MEC reduction must be at least 3MW. This is based on a standard size of a wind turbine which is designed to represent a reasonable basis for a

⁵ A standardised application form for transmission connected projects will be published on [EirGrid's website](#). A standardised application form for distribution connected projects will be published on [ESB Networks' website](#). The system operators will inform their customers and provide links to the relevant application forms.

⁶ See n 5.

⁷ As explained in section 3, it is assumed the projects most likely to request an MEC reduction are wind farms and therefore threshold sizes are on the basis of a standard wind turbine size which will facilitate the meaningful release of capacity. The CER considers that the threshold sizes are also appropriate for and do not unduly discriminate against other technologies that may avail of capacity release.

practical amount of capacity that a customer may wish to release. It is also designed to ensure there is a substantive release of unused capacity under an individual contract to warrant the work associated with processing the reduction.

- Section 7 of the [COPP](#) Paper on MEC changes continue to apply to the partial capacity release except for the provisions on the MEC reduction charge.⁸
- This measure is open to projects regardless of their construction phase, in line with section 7 of [COPP](#). For avoidance of doubt, full capacity release is only open to projects who have not paid their second stage payment yet, as per [CER/16/284](#).

2.2 Processing rules

Applications for a partial release of capacity shall be processed as an application to reduce MEC under section 7 of [COPP](#). The CER directs the system operators to modify the eligible applicant's connection agreement to account for the reduced MEC. However, the standard MEC reduction charge will not apply and the amounts of MEC security that is in place will be amended accordingly, in line with the revised MEC level.

In order to ensure timely release of capacity, once an application for a partial capacity release has been submitted, it cannot be withdrawn, and a connection agreement for the new capacity must be accepted.

Projects releasing a part of their MEC under this measure shall not be permitted to subsequently relocate the remaining capacity or transfer that capacity to another technology type. The CER notes that the intention of this measure is to ensure that the existing contracted projects can size their MEC correctly and thereby enables

⁸ For more details on policy and process see EirGrid's Policy for MEC Administration (n 2).

them moving forward in construction, and so as not to encourage secondary trade in capacity.

The results of this process, in terms of capacity released, will be published by the system operators.

Clarifications

- First stage payments and/or any other charges will not be refunded under this measure.
- Re-optimisation of connection method will be considered based on current rulesets.
- This measure does not release the applicant from any existing contractual obligations to the system operators or third parties resulting from stranded assets.
- The applicants' contracted dates for the project remain unchanged.
- The standard modification fee for MEC reduction set out in the system operators' respective statements of charges⁹ shall be applied.
- Projects releasing a part of their MEC under this measure shall not be permitted to subsequently relocate the remaining capacity or transfer that capacity to another technology type, nor shall such modifications be processed at the same time as the partial MEC reduction as per this decision.

3. Reasons for this decision

⁹ The latest statements of charges, approved by the CER, are effective as of 1 October 2016. See [EirGrid's statement of charges](#) and [ESB Networks' statement of charges](#).

This decision provides a once-off opportunity for projects wishing to release a part of their MEC without the MEC reduction charge. The purpose of this decision is to further encourage the release of unused and unusable capacity back to the grid to the benefit of new entrants. As explained in [CER/16/284](#), making more capacity available will help in providing connections for units able to offer DS3 system services.¹⁰ These new services are required by the system to accommodate increasing volumes of non-synchronous renewable generation. Connecting DS3 system services providers will benefit the existing renewable generators by reducing their curtailment and further optimise the use of the system for renewable generation.¹¹

In particular, the CER sees merit in the system operators' proposal for the following reasons:

- There have only been two valid applications to the DSO and none to TSO for the release of capacity. At the same time, a number of projects have expressed interest in handing back a meaningful portion of their MEC but not all the capacity under a given gate. Allowing for a partial capacity release would likely result in more capacity being released. This contributes towards the objective of [CER/16/284](#) which is to make more capacity available for units able to offer DS3 system services.
- Section 7 of [COPP](#) on MEC changes allows projects to reduce their MEC at any stage, however subject to an MEC reduction charge. The opportunity to reduce MEC free of this charge would encourage those considering reducing MEC to do so earlier. This would benefit the system through facilitating connection of new capacity required to meet the following interlinked policy objectives:

¹⁰ See n 1.

¹¹ See [CER/16/284](#), p 4.

- Providing sufficient DS3 system services;
- Increasing penetration of renewables in the network;
- Reducing the need for further network reinforcements.

While removing the MEC reduction charge may potentially incentivise speculative or inaccurate applications, such risk is limited given the exceptional and temporary nature of this measure. On balance, the CER considers that this risk would be outweighed by the benefits coming from a greater capacity release.

- Allowing MEC reductions free of charge was proposed by a number of respondents to the CER's consultation [CER/15/284](#). The CER notes that allowing MEC reductions free of charge would have a negative impact on end consumers as they would forgo this amount. However, the CER considers that this negative impact should be balanced against potentially higher cost savings resulting from a more efficient system use and avoided network reinforcement costs. In the CER's view, those savings might³⁰ bring higher consumer benefits in the longer run, and are therefore worth pursuing.
- For the avoidance of doubt, this decision provides a once-off opportunity for reducing MEC without the application of the MEC reduction charge. It neither supersedes nor amends the rules on MEC changes set out in section 7 of COPP. Rather, it provides a time limited derogation from these rules subject to the specific requirements and eligibility set out in section 2 of this paper. The COPP rules on MEC changes incentivise developers to submit applications for connections that are well-conceived, while still allowing for later corrections throughout the connection process. The main purpose of the partial capacity release is to encourage the release of reasonable amounts of capacity and not small adjustments.

- It is assumed the projects most likely to request an MEC reduction are wind farms and therefore threshold sizes are on the basis of a standard wind turbine size which will facilitate the meaningful release of capacity. We consider that the threshold sizes are also appropriate for and do not unduly discriminate against other technologies that may avail of capacity release.
- This measure should not result in more administrative work for the system operators than would otherwise be the case for standard MEC reductions. While concerns from the system operators around the required time for additional administrative and potential technical assessments were part of the reason for the CER not to allow partial releases of capacity under [CER/16/284](#), the system operators have acknowledged that this is now less of an issue as applicants are already applying for MEC reductions anyway.

4. Summary and next steps

The CER has decided to give projects an opportunity to apply for a partial capacity release, free of an MEC reduction charge, by **30 June 2017**. Further, the CER has decided to allow projects more time to consider releasing their full MEC. Therefore, projects eligible under section 3.4 of [CER/16/284](#) may still submit an application to the relevant system operator by **30 June 2017**.

The CER directs the system operators to take necessary steps to implement this decision with immediate effect and inform their customers accordingly.

