

ECP Consultation,
Electricity Networks Division,
Commission for Regulation of Utilities,
The Grain House,
The Exchange,
Belgard Square North,
Tallaght, Dublin 24,
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By e-mail to: electricityconnectionpolicy@cru.ie

Our Ref.: CLS_CRU_LTR_345

Date: 15 December 2017

Re: Coillte Land Solutions Submission to the Public Consultation on the Design of a new Enduring Connection Policy (ECP) for Grid Access in Ireland

Dear Sir/Madam,

Coillte welcomes the opportunity to make a submission to the Commission for Regulation of Utilities (CRU) on the design of a new Enduring Connection Policy (ECP) for Grid Access in Ireland.

Coillte's vision is to be the best forestry and land solutions company in Europe. Over the last 30 years, we have cared for and developed our estate and businesses while being firmly focused on maximising the financial and social potential of these natural resources in a sustainable way. Within Coillte, our Land Solutions business is an active asset development and management business providing innovative commercial solutions to enable the attainment of key national policy objectives. There are few public policy objectives more important at present than the decarbonisation agenda and the consequential opportunity to reshape and future-proof our economy.

Ireland has committed to meeting ambitious targets for reducing greenhouse gas emissions in the short (2020), medium (2030) and longer term (2050). To achieve these legally-binding commitments Ireland must ultimately reduce its greenhouse gas emissions by at least 80% compared to 1990 levels by 2050, with interim milestones on that path. To effect real change, Ireland's response must be inherently cross-sectoral requiring all economic sectors to be decarbonised in a planned and integrated manner.¹

Through a combination of Coillte's deep and longstanding heritage in the areas of sustainability, recreation and community and more recently due to our significant track-record in the renewable energy arena², we believe that Coillte Land Solutions can make a very significant contribution to enabling Ireland attain its national low carbon transition objective.

¹ http://www.climatecouncil.ie/media/CCAC_REVIEWREPORT2017.pdf

² Specifically wind, through the development and construction of four wind farms totalling 230MW under the REFIT 2 regime representing a total investment of over €400m between 2010-2017.

In our view, action is now required if Ireland is to meet the twin challenges of (1) demand growth for renewable generation as expressed by consumers large and small, including FDI companies, seeking ever more innovative solutions to securing their renewable energy needs, and (2) attaining legally-binding commitments under EU and domestic legislation within a tight timeframe. In its most recent assessment, the EPA has projected that Ireland will fall significantly short of its 2020 targets under the EU Effort Sharing Decision No 405/2009/EC.³ Separately, the SEAI, in its most recent report, has confirmed that Ireland could fall short of the 2020 16% renewable energy target in all three scenarios modelled.⁴

The challenges associated with our 2020 targets are further augmented by the legally-binding commitments made under the 2030 Climate and Energy Framework. Indeed, the latest EU legislative proposals contained in the Clean Energy for All Europeans package confirms and tightens our current commitments and therefore the underlying investment and effort that is required to achieve them, if adopted as currently drafted.⁵ In SEAI's view "failure to comply with energy and emissions targets in 2020 will result in EU fines and will inevitably lead to a more arduous trajectory in the context of post-2020 targets."⁶ SEAI has concluded that "any shortfall to the 2020 targets would make Ireland's role in contributing to longer-term targets significantly more difficult and costly."⁷

Industry has already moved ahead as evidenced by the recent decision by Microsoft to enter into a 15-year power purchase agreement with GE to purchase 100% of the wind energy from a new wind farm in County Kerry.⁸ In order to meet both these challenges an efficient and dynamic grid access policy is required to ensure grid capacity will be available in a timely manner to both successful projects in RESS Auctions and those financing through Corporate PPA's.

Investment choices made today will deliver the infrastructure that is required to meet these targets. Excitingly, notwithstanding the known challenges facing Ireland in electricity, heating and transport, the technology is now available (and improving all the time) to plan and execute the necessary major transformation. We in Coillte are willing to position our assets and capabilities at the centre of a sustainable Ireland over the coming decades. **In this regard, Policy and Regulatory certainty in relation to Grid Access and, in particular, clear commitment to regular Batches beyond the 2018 Batch (ECP-1) are essential in order to support the necessary investment.**

Assuming that Ireland continues to reshape its energy generation fleet and electrifies its economy (heating and transport sectors) in line with enunciated energy and environmental policy objectives, demand for c.2GW of new onshore wind facilities in Ireland is expected in the decade to 2030. Coillte's ambition is to contribute up to 50% of new onshore wind capacity in Ireland in the period up to 2030.

³http://www.epa.ie/pubs/reports/air/airemissions/ghgprojections/EPA_2017_GHG_Emission_Projections_Summary_Report.pdf

⁴https://www.seai.ie/resources/publications/Irelands_Energy_Projections.pdf

⁵ For example, see Proposal for a Regulation on the Governance of the Energy Union (Article 27 (4) (c) at http://eur-lex.europa.eu/resource.html?uri=cellar:ac5d97a8-0319-11e7-8a35-01aa75ed71a1.0024.02/DOC_1&format=PDF

⁶https://www.seai.ie/resources/publications/Irelands_Energy_Projections.pdf (Page 1)

⁷https://www.seai.ie/resources/publications/Irelands_Energy_Projections.pdf (Page 1)

⁸<https://news.microsoft.com/2017/10/09/microsoft-ge-sign-agreement-on-new-wind-project-in-ireland/>

Using our strong track record to date, and fully leveraging a unique land bank which presents an unmatched portfolio of large high wind sites, this target can and will be met.

Our full response to the consultation is detailed in the following pages, but we would highlight the following top three priorities for your consideration:

1. **Regulatory Certainty:** Significant investment is required in order for Ireland to meet its future energy challenges. Such investment requires Regulatory and Policy certainty. While the CRU proposed decision is a step forward in this regard, Coillte would call for clear commitment to regular and time specific batches for the period to 2025.
2. **Efficient and Dynamic Batch Processes:** Coillte recognises and supports the steps taken by CRU to seek to reduce the level of speculative applications, in particular the proposal to introduce planning permission as a prerequisite for grid applications. However, even applying this prerequisite will still mean the proposed Batch size will be greatly exceeded. As a means to quickly establish a more efficient and dynamic Batch process for the future, Coillte would support the increase of the proposed capacity allowance for the 2018 Batch to a level which will more adequately address the current back-log of planning consented projects. In addition to this regard Coillte would strongly support the following:
 - Strict adherence to “Invoice and Terminate” policy as outlined in the proposed decision;
 - Strict adherence to “Longstop dates” as outlined in the proposed decision;
 - An opportunity to hand back grid capacity prior to longstop dates with an appropriate financial incentive; and
 - Treatment of the DS3 capacity separately from the main 2018 Batch – please see further detail on DS3 proposals below and in our main response.
3. **Maximising DS3:** As part the decarbonisation of Ireland’s electricity system, changes are required on the grid. More specifically, increased flexibility from connected customers is required to help the system operators manage the system with increased renewables. After much debate, the DS3 System Services work package is now at a critical juncture with the DS3 System Services Auction scheduled for Q2 2018⁹. It is critical that grid access does not impede entry into these auctions or pose a risk to the timelines required to satisfy the multi-year contract criteria.

Coillte has outlined a number of possible suitable courses of action which would help align the DS3 Auction process and the ECP-1 process. These solutions are outlined in our main response.

⁹ http://www.eirgridgroup.com/site-files/library/EirGrid/DS3SystemServices_Industry-Forum-Slide-Deck-Oct-12-v2.pdf

We would be happy to engage in dialogue with the CRU at any stage in relation to any specific matters arising.

Yours sincerely,

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Mark Foley
Managing Director, Coillte Land Solutions

Issue 1	Size of 2018 Batch & Certainty of Future Batches
Proposal	2018 Batch proposed to be 1000MW, of which 400MW reserved for DS3 Projects.
Coillte Position	<p>As set out in CER/15/284 ¹⁰the CRU’s key objective for the enduring connection policy was to ensure opportunity for generators to “<i>receive connection offers taking account of system needs, efficiency, national policy and the consumer interest</i>”. Coillte supports this objective and in this context would highlight the following issues:</p> <ol style="list-style-type: none"> 1. <u>Priority Access for Renewables</u> Both national policy, in the form of the Government’s White Paper ¹¹, and European Policy, in the form of the proposals contained in the Clean Energy for All Europeans package ¹², confirm the increasing importance of renewable energy in Ireland’s decarbonisation journey. To ensure renewable energy can fulfill its role in this regard priority access to the grid for all renewable energy technologies should be a fundamental feature of ECP. 2. <u>Regulatory Certainty into the Future</u> While acknowledging the 2018 ECP-1 Batch is the immediate concern of CRU, Coillte would highlight the need for regulatory certainty into the future. In this regard Coillte would call for much firmer commitments regarding the frequency of the future batches. This is needed to provide confidence that new development sites will have a clear path to follow to achieve a grid connection offer when the projects progress to a mature level. 3. <u>Ensuring an Efficient Batch Process</u> As highlighted in the proposed decision paper the volume of grid applications, c.37,000MW, had reached dysfunctional levels. Coillte fully support the proposal to introduce planning permission as a prerequisite for grid applications to help reduce the level of speculative applications. However, based on data presented in the CRU proposed decision, the volume of projects which already have planning permission is in excess of 1,000MW with another 600MW awaiting a decision. Even applying this prerequisite will still mean the proposed Batch size of 600MW for non DS3 projects will be greatly exceeded. To help ensure a more efficient and dynamic Batch process in the future, Coillte would support the increase of the proposed 2018 Batch to a level which will more adequately address the current back log of planning consented projects. <p>As a means of achieving this Coillte would be in favour of removing the DS3 capacity and treating that capacity and those projects completely separately. Coillte has put forward further proposals on the DS3 capacity/timelines in a later section of this submission.</p>

	<p>In a further attempt to create more efficient batches in the future, the hoarding of capacity by unviable projects should be minimised as much as possible. In this regard Coillte would strongly support the following:</p> <ul style="list-style-type: none"> • Strict adherence to “Invoice and Terminate” policy as outlined in the proposed decision; • Strict adherence to “Longstop dates” as outlined in the proposed decision; • An opportunity to hand back grid capacity prior to longstop dates with an appropriate financial incentive. <p>4. <u>Protecting Consumer Interest</u></p> <p>In line with the recent DCCAE RESS consultation ¹³ it is expected that both planning permission and grid connection capacity will be prerequisites for future RESS auctions. Based on the volume of renewable projects which already have planning permission, circa. 1,000MW, the proposed Batch size will severely limit the number of these projects which will be eligible for future RESS auctions. This unnecessary limit on competition in the auction has the potential to have a negative impact on the costs to the consumer. In particular, based on the findings presented in the Cambridge Economic Policy Associates report ¹⁴ and as shown in Figure 1 below, onshore wind is expected to play a major role in the cost optimal mix of generation. In order to limit any potential negative impact to the consumer the 2018 Batch size should be increased to the extent that it will not prohibit planning consented projects from entering the RESS auction process.</p>
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¹⁰ <https://www.cru.ie/wp-content/uploads/2015/07/CER-15284-Review-of-Connection-and-Grid-Access-Policy.pdf>

¹¹ <https://www.dccae.gov.ie/documents/Energy%20White%20Paper%20-%20Dec%202015.pdf>

¹² http://eur-lex.europa.eu/resource.html?uri=cellar:ac5d97a8-0319-11e7-8a35-01aa75ed71a1.0024.02/DOC_1&format=PDF

¹³ <https://www.dccae.gov.ie/en-ie/energy/consultations/Documents/28/consultations/Renewable%20Electricity%20Support%20Scheme%20-%20Public%20Consultation.pdf>

¹⁴ <https://www.dccae.gov.ie/en-ie/energy/consultations/Documents/28/consultations/Economic%20Analysis%20to%20underpin%20the%20new%20RESS%20in%20Ireland.pdf>

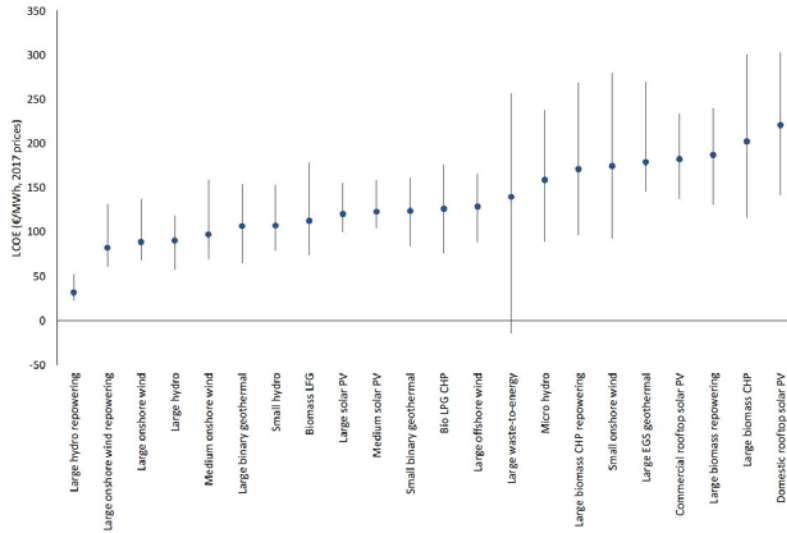


Figure 1 – Range of LCOE Cost Estimates

5. Optimum Use of Group Processing

The CRU proposed decision outlines the rational and advantages of the Group Processing Approach:

- Optimal network development;
- Shared shallow connection assets; and
- Shared connection costs resulting in overall lower costs.

Group processing has worked well to date and provided benefits to the consumer. However, to maximise these benefits consideration should be given to what scale of projects actually make sense for Group Processing.

Coillte would be of the opinion that projects above a certain threshold should be processed outside of the ECP Batch process for the following reasons:

- Projects of such a scale will connect to either the 400kV or 220kV transmission system. On this basis such projects will not share any connection assets with projects in the Batch process;
- Large connections such as these to the 220kV or 400kV transmission system have a more significant impact on the high voltage grid and need to be incorporated into Eirgrid's transmission master plan;
- Such projects are more likely to drive the need for major transmission reinforcement, which again is best analysed

	<p>and designed through Eirgrid’s long term transmission planning process rather than the Group Processing system;</p> <ul style="list-style-type: none">• Projects of this scale, if processed in the Batch process, would take up a large portion of the Batch which, as highlighted previously, could have negative consumer impact for the RESS auctions. <p>Coillte would support an upper threshold of 150MW for the main ECP Batch process as this is typically the limit of what can be comfortably catered for on the 110kV transmission system.</p>
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Issue 2	Planning Requirement
Proposal	Full Clean Planning, post appeal period and free of risk of Judicial Review, required to apply for 2018 Batch
Coillte Position	<p>Coillte agree that the achievement of a final grant of planning permission is a significant step in the project development process and is a suitable prerequisite for grid applications. The current GPA process, without such requirements, has firstly led to capacity hoarding and secondly a queue of circa 37,000MW of grid applications. However, Coillte do not agree with the proposal to exclude projects which either still can be or already have been subject to judicial review. Projects which have achieved a final grant of planning permission from the relevant planning authority, have secured a valid grant of planning permission. Such a final grant of planning is a suitable prerequisite as this has been granted through the applicable local or national planning authority.</p> <p>While the proposed decision sets out the planning permission expiry date as a ranking criterion, Coillte would not support this position. Such a criterion would leave projects which achieved planning on a certain date in a lesser position than projects which achieved planning at a later date – this would not be a fair and equitable system. It could also lead to developers “gaming” the system by applying for shorter planning permissions to gain an advantage in the grid process. Coillte support the use of <i>date of a final grant of planning permission</i> as a criterion for prioritising grid access.</p> <p>The proposed decision outlines that any modification to a planning permission would render the associated grid connection invalid and a new grid connection application would be required. Coillte would support this proposal where the modifications fundamentally alter the nature of the project. However, minor modifications to planning permission which would not fundamentally change the nature of the project should be permitted. In particular any modifications to the generator specifications, or any other parameter which will alter the maximum export capacity (MEC) of the site, would require a new grid application.</p>

Issue 3	Options for Non GPA “In Process” projects
Proposal	Proposed decision states that Non GPA “In Process” projects will have option, post the final decision, to enter ECP-1 or remain in Non GPA process.
Coillte Position	<p>Coillte is of the view that Non GPA “In Process” projects should have the option, post the final decision, to enter ECP-1 or remain in Non GPA process. However, any Non GPA “In Process” projects which decide to enter ECP-1 should have the same prerequisites as other ECP-1 applicants i.e. requirement for a valid grant of planning permission.</p> <p>For those projects which, post the final decision, elect to remain within the Non GPA process then those offers should continue to be processed in line with that policy and the COPP rulesets which have applied to date as part of that process should continue to apply going forward.</p>

Issue 4	Removal of Capacity Relocation
Proposal	Proposed decision states that no relocations further than 100m will be allowed.
Coillte Position	<p>Coillte is supportive of removing the secondary market for grid capacity which will be distributed under ECP-1. However, the 100m is too restrictive for projects as the actual substation location for a site, which defines the connection point, may need to be relocated for a number of reasons such as environmental, ground stability, landowner consents. Coillte would be of the view that a more appropriate limit would be to limit the relocation within the permitted red line boundary of the project. Any further relocation beyond this would need to be approved by the System Operator on the grounds of system security or system optimisation reasons.</p> <p>For existing grid capacity, Gate 3 or Non GPA, which was contracted for with the current relocation rules and which may benefit from future relocations should remain under current relocations rules as outlined in COPP.</p>

Issue 5	Bond to Cover Shared Asset Costs
Proposal	<p>Proposed decision calls for a bond to be put in place at offer acceptance stage to cover the cost of shared assets, where this occurs in sub-group formations. In addition, it is proposed that, once any sub-group member is ready to proceed to 2nd stage payment, the invoice will issue to all sub-group members. If a group member does not pay their offer is terminated and bond drawn down.</p>
Coillte Position	<p>In the case of sub-groups Coillte support the proposed bonding arrangements on the following basis:</p> <ul style="list-style-type: none"> • At offer acceptance stage the putting in place of a bond to cover shared assets costs provides certainty to both the system operator and sub-group members that each sub-group member is committed to the connection method identified and that, if required, planning permission for these shared connection assets can now be sought without risk of further change; • While the current process of invoice and terminate can allow progression of the sub-group it often creates both significant delays to the remaining sub-group members and a potential financial exposure to the TUoS customer. The proposed bonding arrangements would eliminate both of these issues.

Issue 6	Long Stop Dates
Proposal	Proposed decision calls for 2 year Planning Permission and Operational Longstop dates compared to current 3 years. Extensions will only be considered in “exceptional circumstances” and if 2 nd stage payment has been made and project in construction.
Coillte Position	<p>Coillte support the proposed decision to implement two year long stop dates for the following reasons:</p> <ul style="list-style-type: none"> • Planning permission for the project sites will be secured pre-grid application; • On the basis that realistic <i>Scheduled Planning Permission</i> dates (further to detailed planning scoping) are provided for in the connection agreement, a two year longstop date beyond this is a realistic timeframe to ultimately achieve these consents; • In determining realistic <i>Scheduled Planning Permission</i> dates the System Operators need to engage with developers to understand what additional planning permission is required beyond what is already permitted e.g. if a new cluster substation is required and no subgroup member has planning permission for such a solution then the <i>Scheduled Planning Permission</i> date needs to account for this. Similarly, if System Operators require planning permission in existing substations to facilitate the connection this too needs to be captured in the <i>Scheduled Planning Permission</i> date; • Regarding Operational Long Stop dates, again assuming a realistic <i>Scheduled Operational Date</i> and a practical construction programme is used reflecting the scale of the infrastructure in the connection agreement, a two year long stop date beyond this is a realistic timeframe to construct and become operational; and • In terms of developing the required commercial basis for the project, whether this be an auction or alternative ‘route to market’, it is worth noting that between 12 – 18 months will elapse from grid application to offer issue. This time, in addition to the timeframes described above, can also be used to advance the commercial basis for the project. <p>Coillte would also like to highlight the importance of a strict adherence to longstop dates to ensure valuable grid capacity is not tied up indefinitely on projects which have no viable commercial proposition.</p> <p>In addition to the above, and in an attempt to release capacity from unviable projects in a more timely fashion, Coillte would support a mechanism for handing back of capacity from unviable projects. Obviously any system operator costs incurred to date would be deducted along with an appropriate penalty e.g. 25% of refund due.</p>

Issue 7	DS3 Batch and Alignment with DS3 Auctions
Proposal	400MW of 2018 Batch reserved for DS3 Projects. Planning Permission not a requirement for these projects.
Coillte Position	<p>The CRU consultation proposes 400MW of the 2018 Batch reserved for DS3 Projects. It is also proposed that planning permission is not a requirement for these projects.</p> <p>Firstly there is a requirement for alignment with the future DS3 auctions.</p> <p>On the basis that the first proposed DS3 auction will take place in Q2 2018, grid offers will not have issued and therefore cannot form part of the prerequisites for auction entry – the development of the auction rules need to cater for this.</p> <p>While the volume requirement for the DS3 auction has not yet been published, previous estimates of expected 2020 volumes ¹⁵ would imply requirements in excess of 400MW. If the volume of grid connection offers for DS3 projects is limited to 400MW then this limits the volume of services which can meet the requirement to be operational by August 2020. This may effectively limit the number of entrants into the auction or may leave projects which have been successful in the auction without a viable grid connection timeline to become operational by August 2020.</p> <p>To overcome this issue one of the following courses of action needs to be undertaken:</p> <ul style="list-style-type: none"> • The 400MW Batch for DS3 needs to be increased to a level which is well in excess of DS3 auction volume requirements, or • The ECP-1 DS3 Batch be delayed until after the DS3 auctions have taken place and it is known which projects have secured long term contracts. While this would lead to a situation whereby projects bidding into the DS3 auction do not have certainty of their grid costs, given current timelines, this will actually be the reality in any event, or • Schedule a second DS3 batch in early 2019 to allow more than the original 400MW of capacity be offered; and • The August 2020 operational deadline be extended to give projects the time to get connected.

¹⁵ <http://www.eirgridgroup.com/site-files/library/EirGrid/DS3-System-Services-Decision-Paper-on-Volume-Calculation-Methodology-and-Portfolio-Scenarios-FINAL.pdf>

	<p>Secondly, the nature of the capacity required for DS3 projects is inherently different to that which will be distributed through the Batch process. The majority of DS3 capacity will be either at existing generation sites or directly adjacent to existing 110kV or 220kV substations and such capacity is very unlikely to interact with the rest of the ECP-1 Batch. Also, given the proximity to the DS3 Auction, DS3 service providers will be in a position to accept or reject offers in a much shorter timeframe compared to projects entering a RESS auction.</p> <p>For these reasons the DS3 capacity should be treated completely separately from the main 2018 ECP-1 Batch.</p>
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Issue 8	DS3 Prioritisation
Proposal	<p>Detailed prioritisation list focussing on ensuring targeted provision of services which are most required pre 2020. Clarification required on:</p> <ul style="list-style-type: none"> • Capability to provide services at low levels of MEC – assume this refers only to MEC associated with service providing unit? • Requirement for no derogations– assume this refers only to service providing unit?
Coillte Position	<p>In general Coillte support the prioritisation criteria outlined in the proposed decision but would have the following comments in relation to hybrid sites such as a Wind Farm site with a Battery Storage facility where each is a separate unit:</p> <ul style="list-style-type: none"> • <i>Capability to provide services at low levels of MEC</i>– Coillte are of the view that in this instance the MEC should only refer to MEC associated with service providing unit i.e. for Wind Farm with a separate Battery Unit only the Battery MEC is relevant; • <i>Requirement for no derogations</i>– Coillte are of the view that in this instance the only relevant derogations are those associated with the service providing unit i.e. for a Wind Farm with a Battery Unit only derogations associated with the Battery are relevant. <p>Any deviation from the above would unnecessarily limit the volume of services which can be provided from service providers who are utilising the existing grid infrastructure. The use of the existing grid infrastructure should allow for a quicker and more economic provision services. On this basis, and in line with the aims of the CRU’s stated objectives, provision of system services via existing grid infrastructure should be maximised rather than unnecessarily limited.</p>