



SSE response to

Enduring Connection Policy
Stage 1 (ECP-1)

Proposed Decision

EXECUTIVE SUMMARY

SSE is Ireland's second largest energy utility and the country's leading developer and investor in cleaner energy infrastructure. It is part of SSE plc, a UK-listed, FTSE 100 company and the broadest-based energy utility on the London Stock Exchange. Since 2008, we have invested over €2 billion in the development of Ireland's sustainable energy infrastructure, helping to green our economy and secure our energy future.

In Ireland, SSE owns and operates 2,061MW of generation capacity, of which 768MW is from its portfolio of 28 onshore wind farms, making SSE the largest generator and provider of renewable energy in the all-island Single Electricity Market.

SSE plc is committed to continuing to invest in new renewable energy and network supporting development to help Ireland meet its renewable energy and system generation targets. It is however essential that policies being developed by the CRU support investment being made and align with those of the DCCAE so that developers can make decisions to continue to invest in Ireland.

SSE welcomes the CRU's decision to review the existing connection policy for the electricity system in Ireland and to put in place a more agile process which can facilitate investment.

SSE recognises that ECP-1 intends to take into account the current system needs, national policy and consumer interest. Whilst we agree with the proposal that the connection process should be technology neutral we don't agree the policy has achieved this aim. In addition, SSE believes that it is important for further analysis to be undertaken to identify whether particular technology types and projects would drive greater benefits for the system and consumer needs in Ireland. SSE welcomed the recent DCCAE publication on the Design of the new RESS in Ireland, specifically the Department's objective to incentivise the introduction of sufficient renewable generation to deliver national and EU wide renewable energy and decarbonisation targets, while delivering value to consumers. Meeting these targets will require rapid diversification of energy technologies, such as the introduction of offshore wind, in the short term if Ireland is going to make meaningful progress towards meeting its 2020 targets.

It is important to highlight the likely interactions between the ECP-1 and the proposed RESS auctions. With similar proposals to implement qualification criteria, such as planning permission and grid connection offer/agreement for projects competing in future RESS auctions, the outcome of the ECP-1 policy will ultimately have either a supporting or limiting affect on the number and type of projects that can compete in the auctions. Any proposals implemented as part of the enduring connection policy must facilitate the delivery of all renewable technology types that will be seeking to gain support under any future RESS auctions and not cause undue barriers.

We note that ECP-1 intends to address existing volumes of connection applications and make use of existing network capacity, however generators will be penalised by the issuance of non-firm connections, which have no defined longstop date. The investment risk to developers should be mitigated as much as possible with some level of protection being provided to safeguard developers from failures on the part of the system operator. For example, assurances should be provided that the constraint reports issued by the system operator are materially accurate and will be adhered to i.e. the generator will be compensated where constraint thresholds are exceeded. It is important that all ECP-1 offers are included in the next ITC run and that constraint reports are issued in advance of any RESS auctions so that project developers can use this information when modelling their bids. Plans for strategic transmission reinforcement should be addressed as a matter of priority and appropriately incentivised in order to give current and future developers assurance over the commerciality of their projects and that approved system investment will be made and completed in a timely fashion. To incentivise this we also think a longstop date for completing a project's ATRs should be introduced, after which the project will be made financially firm irrespective of whether the ATRs have been completed. SSE would suggest that a reasonable amount of time for the TSO to complete the ATRs is no later than five years post first export by the generating station.

SSE agrees with the CRU's position that maintaining the existing non-GPA process is inefficient and we support the decision to suspend processing of further applications under CER/09/099. In the interests of meeting the ECP-1 policy intent, to promote more optimal use of the existing network and ensure that the projects which receive connection offers are the ones that are most likely to be built, we would recommend that the CRU go further and suspend the processing of in process non-GPA applications until they hold the relevant

planning consents to progress their project. This would ensure consistency under ECP-1 and more optimal use of system operator resources. This will also support better electricity system planning and system development which are two of the key aims of the policy.

SSE believes that only consented projects should be allowed to be processed under ECP-1. Allowing Non-GPA projects without consent into ECP-1 creates an unequal environment and adds an unfair risk to the other participants who may be processed alongside them in an ECP-1 sub-group.

We have provided our detailed commentary on the specific proposals in below.

Policy intent and risk of delay to processing timelines

We note that the policy aims to ensure that the projects which receive connection offers are the ones that are most likely to be built. The CRU also note the need to allocate connection offers to market participants both to address the scarcity of network capacity and promote more optimal electricity system planning and development, and to ensure efficient use of system operator resource and time. It is therefore surprising that the CRU is proposing to allow non-GPA applicants in process to be processed either under ECP-1 or via the existing non-GPA process without the need to hold planning permission. If certain projects are not required to hold planning consent we struggle to see how the CRU and system operators will gain the certainty expected through ECP-1 that these projects will be delivered.

To meet the policy intent of the proposals, whilst also ensuring fair treatment of applicants who were already in process when this proposed decision was announced, we believe that processing applications for projects that do not hold the relevant consents should be suspended until the consents are in place.

In response to the CRU's question on page 42 of the proposed decision paper, in relation to the date by when new applicants should hold planning permission, we believe planning permission should have been obtained by the date of application for connection under ECP-1. This ensures a fair and consistent policy for all applicants.

As outlined in the proposals, there is a risk that if all existing applicants with live connection offers and non-GPA applicants in process choose to be folded into the 2018 batch this could

have a material impact on the batch's processing timelines. We understand that it is difficult at this stage to determine what proportion of applicants will choose to remain in process under CER/09/099. Whilst the system operator intends to write to affected applicants offering them the opportunity to suspend the current processing of their application until the final decision on ECP-1 has been made, there will be no further clarity on this point until at least a month after the final decision on ECP-1 is made, when applicants will be asked to specify their preference. It is important that this risk is considered more carefully by the CRU and the system operators now and that appropriate mitigation measures are put in place. Without clarity regarding the extent of this risk, developers have no certainty that the connection processing timelines outlined in Section 6 of the proposals are likely to be met and to what degree they may deviate. This will obviously also mean there is the potential risk that the next batch under the enduring connection policy could be delayed by a number of years, which won't achieve the aspiration of more frequent batch processing. Overall, we are concerned that some of the current proposals will mean that the underlying policy intent will not be met.

Prioritisation criteria

Planning permission expiry date

As previously stated, we are supportive of the proposal that applicants are required to hold planning permission to apply for a connection offer and to enter the 2018 batch. This criterion gives a strong indication of project commitment. However, we do not support the assessment of this requirement being based on the expiry date of the permission. Applying it in this way would lead to an inconsistent and unfair outcome for developers who have invested in progressing their projects. In the absence of an existing connection policy some developers have seen projects fail entirely and others have been waiting significant periods of time to progress. It would be unacceptable and inappropriate that those who have waited the longest for the CRU to implement a new policy would be deprioritised over newer applicants due to the varying nature of planning expiry.

Instead we believe it would be more appropriate and fairer if prioritisation is based on the date that planning was consented. This will mean that developers who have been waiting the longest (i.e. have an earlier consent date) will be prioritised over those who have waited the least period of time. This is particularly important given that developers will hold consents for varying durations. For example, one developer may have been awarded five-

year consent three years ago, and a second developer may have been awarded ten-year consent seven years ago. Under the current proposals this would mean the first developer who has only held their consent for three years is prioritised ahead of the second developer who has held their consent for seven years already, simply because the first developer's consent will expire within a shorter timeframe. There is also the potential for developers to seek amendments to shorten their consent period (i.e. bring the expiry date forward) in order to prioritise their application for a connection.

In addition, whilst ECP-1 intends to be technology neutral, by introducing a prioritisation criteria based on planning permission expiry date, the policy has become biased against certain technology types which have longer consent periods. Certain technologies will remain at the bottom of the queue and could potentially wait years before they are processed or not be processed at all, even where they have been waiting the longest period of time already.

Total threshold caps

Whilst we agree with the proposal to move to more frequent batch processing, the current proposals mean that there is the potential for available network capacity to be under-utilised in the 2018 batch. For example, in the event where the total MW threshold is reached (or nearly reached) and the total offers threshold is not reached but a further application would mean the total MW threshold is exceeded and is therefore not accepted. We believe that the SO's should be allowed the opportunity to increase to total MW threshold to accommodate further applications where the additional capacity can be accommodated on the system, at for example locations where capacity exists. The decision to apply any increase could be based on an assessment of available network capacity and impact on batch processing time. Incentives should also be placed on the SOs to promote the most efficient batch processing approach.

We note that the CRU proposes to review the thresholds based on any advice received from the SO's once the nature, size and location of projects applying for the 2018 batch is known. As outlined later in our response we believe there is the potential for further capacity to be released for the 2018 batch which would also allow for an increase in the total MW threshold beyond that currently proposed.

Additional capacity for existing connections under DS3

As well as giving further consideration to the total thresholds, we believe that applications for additional capacity for projects that are already connected and that can provide valuable DS3 system services, such as FFR, should be processed under ECP-1. This should form part of the 400MW ring-fenced for DS3 grid, where a project is already over-installed and it is determined that no additional shallow grid works are required. This would allow the SO to quickly gain access to additional DS3 MWs under ECP-1 and facilitate the increased penetration of renewables by 2020.

Applications to TSO and DSO

The current proposals outline that applications for MEC less than 40MW should be submitted to the distribution system operator and applications greater than or equal to 40MW should be submitted to the transmission system operator. This does not take into account applications for extensions of below 40MW to existing transmission connected capacity. This point should be clarified in the final decision to allow applications for extensions to be submitted to the correct system operator regardless of capacity.

The proposal also doesn't cater for projects below 40MW opting for a transmission connection for financial and programme reasons. In some circumstances it may be cheaper and faster to connect at transmission level even if the project is less than 40MW. The planning may be running out on some projects and the timelines for a DSO connection may exceed the remaining time in a project's consent. SSE feel that a lower limit should not be put on an application for a transmission connection.

Removing the option to relocate capacity

We understand and agree with the CRU's intention to reduce the risk of capacity hoarding by restricting the existing relocation rules. However, given this proposal was unexpected and may not have been anticipated in the previous decisions made by developers to release capacity, we think that another time-limited opportunity for existing projects to release capacity in exchange for a certain percentage of their first stage payments should be introduced and run in parallel to ECP-1. This could potentially make further capacity available for the 2018 batch which would otherwise not be used. This would be aligned with the CRUs policy intent to promote more optimal use of the existing network and to ensure capacity is not hoarded.

We welcome the recognition that certain small relocations are acceptable, however we believe the current example of 'up to 100 metres from the original site' is too inflexible and lacks any clear basis. To allow for necessary and normal micro siting of infrastructure within projects, relocations should be allowed as long as these fall within the red line boundary of the planning consent.

Planning permission expiry

Currently the CRU proposes that in the event that planning permission expires before a project has 'been constructed', where no extension is sought or where the project is delayed then the application, live offer or contract will be terminated by the system operator. For accuracy, this proposal should specify that an application, live offer or contract will only be terminated in the event that planning expires before the project has *commenced* construction.

The planning consent process is complex and attention should be given to ensuring that inappropriate proposals are not put in place which will create risk for projects which are eligible under the policy.

Changes to connection applications

In section 2.2.4 of the Proposed Ruleset (Annex 1) the CRU proposes that if an existing 'other' applicant chooses to be processed under ECP-1, the details of their existing grid connection application, including the MEC, location etc. cannot be changed. Given that applications have now been on hold for a number of years, due to the lack of connection policy, we believe it would be reasonable to give some allowance for revisions to the existing application details – for example technology will have evolved and it may be inappropriate to require a developer to build out based on what was originally proposed.

Similarly, new applicants should not be restricted by a requirement to specify details such as turbine type within their connection application where they would not impact the MEC needs. Firstly, this information may not be available at the time of application due to the need to complete the required procurement process which is governed by EU procurement regulations, and secondly this information should not affect the ability for the SO to provide a connection offer for a specific location and for a specific total MEC.

As long as the total MEC requirement does not change we see no reason why changes to type, number or the specific location of turbines should affect the grid connection process, where these fall within the terms permitted by the consents relied upon in the ECP-1 application. We note that later in the proposed ruleset, in Section 10 'Changes to COPP', change in application details includes the allowance for changes in generator MW sizes where the change is within the terms of the planning permission granted for the project.

The CRU's decision on this should be clarified in the final ruleset, and for the reasons outlined above, not be unnecessarily restrictive.

Longstop dates

CRU is proposing to reduce the Consents Issue Date (CID) Longstop and the Scheduled Operational Date Longstop durations to two years, with extensions only considered in certain exceptional circumstances and only where projects are already under construction and have made their second stage payment.

We believe that the circumstances under which a longstop date can be extended by the TSO should be reconsidered to include the following scenarios:

- If the SO fails to deliver the grid consent by the CID longstop date then this longstop date will need to be extended. In this circumstance, the Scheduled Operational Date Longstop Date should also be extended by the same duration. If the delay is due to the SO not meeting its scheduled CID date then the longstop dates should be extended without the need for the project to be in construction or the second stage payment being paid.
- Where a project doesn't win a contract in a RESS auction there should be grounds for the longstop dates to be extended by the period of time between successive auctions or between the first auction and a technology specific auction if these take place. As outlined earlier, it is important that the interactions between the ECP-1 proposals and the proposed RESS auctions are addressed so that the delivery of legitimate projects can be facilitated.

Offer capacity on a non-firm basis

We note the proposal that connection offers under ECP-1 would be issued on a non-firm basis for connection to the transmission system, and that any apportionment of firm access will be calculated in later stages of the enduring connection policy. We are seeking at this stage further clarity on the details of this, including any considerations or plans that are currently underway with regard to associated transmission reinforcements.

It is important that the SO is appropriately incentivised to progress with all required network reinforcement and within a specific timeframe.

In the interim, in order to manage this risk, projects should be given assurance that the constraint reports they receive are accurate and will not be exceeded. The SO must be incentivised to ensure this and the generator should be compensated for any constraints above the level set out in the report.. It is inappropriate that developers would take all risk associated with connecting to the system without any protection from failures on the part of the system operator to deliver planned infrastructure.

We also think a longstop date of a maximum of five years after first export to make the connection financially firm should be introduced. This would incentivise the SO to build out the ATRs to mitigate the constraints associated with the non-firm offers.

Non-firm offers for DS3

We note the CRU's view that DS3 system services are required by the system and as such, there is a proposal to prioritise offers for providers of those services. It is not clear how/if the delivery of these services will be affected if they are only issued only non-firm connection through the ECP-1 process.

Non-refundable initial application fee

It is proposed that in the event that an application is not processed due to one or more of the total thresholds being met, the application fee will not be refunded. Given that the SO's will not be processing these applications, we think it is unreasonable and inappropriate to retain the application fee and this should be returned to the applicant for use towards the next batch if they choose to re-apply. If this is not returned, we seek an explanation of why this will not be returned and what will happen to application fees.

Shared bonding

It is proposed that the existing process under CER08/260 for assigning projects to nodes or sub-groups will be applied under ECP-1. Under ECP-1 it is also proposed that any projects with shared costs, i.e. those in a subgroup, will be required to post a form of connection charge security for their portion of the shared costs at the time of offer acceptance. This proposal suggests a more punitive approach to processing projects that fall within sub-groups, compared with those which do not – an allocation which we understand the applicants will have no control over. We believe that a first stage payment of €10k/MW already provides sufficient security to cover development costs up to Consents Issue Date (CID) after which a connection charge security payment can be put in place.

In the event that CID is called before a RESS auction then we believe that the second stage payment and the connection charges bond should be deferred until after the first auction or a technology specific auction if the initial auction rules out a particular technology on competitive grounds.

CONCLUSION

SSE is supportive of the CRU's intention to develop a connection policy that incentivises legitimate projects being built to support system needs and the achievement of Ireland's renewables targets. It is essential with this in mind to ensure that any policy developed allows investments to be made and for developers to realise their projects in a way that mitigates risk where possible and provides certainty around the parameters in which they are making decisions.

In the context of renewables targets, SSE believes the CRU must consider how it will connect projects which will most support achieving these targets in the quickest way.

In addition, given the time it has taken to provide connection policy, SSE believes it is essential that the CRU allows the system operator sufficient resources to support achieving the timelines and aims of the policy so further delays in allocating connection offers and making needed investments do not occur. These delays are having a direct impact on the viability of projects and the ability of Ireland to meet its renewables targets.

