



Energy for
generations

Generation & Wholesale Markets

ESB GWM Response:

Enduring Connection Policy Stage 1 (ECP-1)

15th December 2017



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1. INTRODUCTION

ESB Generation and Wholesale Markets (GWM) welcomes the opportunity to respond to the CRU proposed decision in relation to Enduring Connection Policy Stage 1 (ECP-1). GWM agrees with the CRU's assessment that the current connection policy for the accepting and processing application for connection is not fit for propose.

GWM believes that the goal of connection policy should be to ensure that projects with a credible potential to be delivered receive connection offers efficiently so as to serve the system needs in the interest of the end user and support of government policy. This goal should meet by a policy that aims to adhere to the principles of transparency, equity of treatment and that also act to foster competition.

One of the key failings of the current policy is that it encouraged projects at a very earlier stage of development to apply of a connection, in some case on a largely speculative basis. In this way the nature of a connection offer became largely an option to connect to the system rather than a contract to progress a contraction. GWM strongly supports CRUs determination to address this failing through the proposed measures and overall believes that the proposed decision will reinforce the level of commitment required to be made to a project in advance of applying for a connection.

However in relation to the suspension of new capacity relocation requests as provided for under the proposed decision GWM considers that this applied to applicants processed under CoPP rules would represent a retroactive change to nature of offers accepted. While this could potentially be justified if there was a significant harm arising from the processing of these relocation requests, this is not supported in the proposed decision also it is considered that there are is likely to be a limited number of requests from contracted projects and the existing rules on relocation under CoPP are sufficient to protect against any harm being done to third parties.

In relation the proposed batch process GWM believe that the principal value in undertaking a batch process is to find the optimal way to develop the network so that several smaller project can be grouped and connected through shared assets. However in the case of large scale conventional projects such as CCGT or offshore wind farms where the connection voltage is likely to be 220kV or higher and these project are stand-alone connections will no optimization of connection assets to be found. Including these large scale projects in a batch process of the order of 1,000MW risks undermining the process if a small number of these project close out the available volume in the batch. GWM propose that similar to the treatment for small scale projects an upper limit be specified for projects to be the process through the batch.

2. GWM VIEWS IN RELATION TO THE SPECIFIC PROPOSED DECISIONS

Detailed below are GWM views in relation to the specific proposed decisions in ECP-1:

2.1 Suspension of accepting and processing further non-GPA application

GWM agrees that while the ECP-1 proposed decision are under consultation the suspension of accepting offers acts prevent a potential speculative rush of applications from projects that perceive an advantage in gaining the option to be processed under CoPP rules or under ECP-1.

Clarity is sought as to whether give the CRU's position in the consultation that it is not practical for the SOs to continue to process offers under CoPP rules in parallel to ECP-1 batch process there is a dependence in the implementation of ECP-1 batch process and the complete by the SOs of processing those projects who qualify and chose to be processed under CoPP rules. Further if this is the case is this dependency reflected in the indicative timeline of the ECP-1 batch process outlined in the consultation.

Where a project qualifies and has chosen to be processed under CoPP rule GWM does not believe there is a need to suspend the processing of these applications. This is particularly the case if the dependence between the two different process outlined above is in place. GWM proposes that the suspension of processing applications be lifted.

2.2 Offer existing applicants an option to be processed under ECP-1

GWM supports the proposal that new applicants will be process under ECP-1. In relation to existing applicants, either those with connection offers or those non GPA applicants in process, allowing the option to move from processing under CoPP to the ECP-1 batch process does offer potential benefits to both the individual projects and the system. However GWM is concerned that it is possible that some projects that will opt to be processed under ECP-1 will not meet the qualification criteria, i.e. planning consent in place. If this projects are then sub grouped with new or existing applicants that met this criteria then will a risk placed on these project that their connection will be delayed.

GWM would propose that the option to move into the ECP-1 batch for existing applicants be limited to those that meet the entry criteria and that those that do not be processed under the CoPP rules.

2.3 Process connection offers in batches and offer 1,000MW under the 2018 batch

The consultation identifies that there are approximately 1,000MW of offers that have lapsed or were released under the interim arrangements and that this is the basis of the 2018 batch MW threshold. However as all offers under ECP-1 will be made on a non-firm basis it is not clear why this should form the basis of the MW threshold limit. Rather it is considered that the batch should be sized to clear the back log of project seeking an offer that meet the specified criteria. The consultation notes that there are some 360MW of onshore wind that have planning consent and approximately 700MW of consented PV capacity with an additional 950MW of PV capacity awaiting planning decision. As such even if no DS3 projects were to come forward through the prioritisation proposed ECP-1 will likely be over subscribed by almost a further 1,000MW.

A balance must be struck between the size of the batch and therefore the time required to process the offers and value derived from the nature of a batch process in finding efficient connection methods for proposed project. GWM propose that given there is a backlog of applicants, some of which have been awaiting an offer for an extended period, the batch size of ECP-1 be set at a level that allows all projects that meet the entry criteria to be included in the process.

Additional for both renewable and conventional capacity development there is a clear direction towards the use of auction based allocation methodologies for out of market support as seen in the recent RESS consultation and through the development of the ISEM CRM RO auction process. In both these markets, the success of an auction, from the end user perspective, in meeting either the targeted level of renewable capacity development or the maintenance of security of supply standard at least cost in the long term are dependent on the auction process being competitive. To ensure this is the case there is a need for supply to be freely able to enter the market so as to meet demand, as such it is important to the functioning of both of these markets the SOs are sufficiently resourced to process the level of connection offers required in a timely manner.

2.4 Offer the first 400MW of the 2018 batch to DS3 providers

GWM supports the aims of the DS3 programme to allow the achievement of the governmental RES-E targets of 40% by 2020 while maintaining system security. The system services strand within the programme has moved forward significantly in 2017 and the recent SEMC decision (SEMC-17-080) confirmed the procurement of a subset of services through a competitive tender process for fixed term contracts to be held in summer'18.

Where a new entrant is seeking to participate in this competitive tender process the timeline indicated for the 2018 batch process would not support participation if a connection offer is a prequalification requirement. Such GWM proposes that a connection offer not be prequalification requirement for the competitive tender process. Participants who are successful in the DS3 competitive tender process would then be given access

to a connection offer under a public interest mechanism similar to the existing non-GPA rules. The risk of allowing projects to participate in the competitive tender process without a requirement to have a connection offer can be mitigated from the system perspective by placing bid bond on participants. In this way the DS3 prioritisation under ECP-1 would not be required.

2.5 **Require planning permission to enter the 2018 batch**

The proposed decision that, with exception of DS3 prioritisation, projects will be required to have valid planning permission in order to apply for an offer under ECP-1. GWM believe that applying planning permission as a filter to connection applicants will work to ensure only projects with a credible potential to be delivered will be position to apply for a connection offer. This in turn will act to reduce the volume of applications and support the ability of the SOs to provide offers to applicants who meet this criteria in a timely manner.

While it is reasonable that CRU will seek to further refine any future batch processes based on the experience gained from ECP-1 and changes in the policy context under which they are implemented it is considered that the in order to reissue the market that ECP-1 will not be an isolated process, the direction of future policy should, to the extent possible, be detailed as part of the final decision as since the Gate 3 process in '08/'09 wind capacity projects above 500kW have had no route to a connection offer, the volume of solar PV projects that are likely to recent planning consent in the near future. Notwithstanding the current backlog of applicants GWM continues to belief that gate or batch process only offer value where there is a sufficiently high demand for connection offers at a given time. This is typically due to the effect of a policy instrument or speculation in relation to a future policy intrasment. While GWM supports the implementation of ECP-1 to support the processing on the current backlog of applicants. It is considered that a batch process should not necessarily be the default position for connection policy but rather act as a backstop when demand for connection offers is sufficiently high.

2.6 **Process certain project outside the batch**

GWM supports the proposal to retain the non-GPA type process for small scale projects allowing them to be processed outside of the batch. While GWM accepts that the limits proposed for the small scale projects non-GPA process for on the combined capacity of applicants are appropriate in the current policy context. However given DCCAE stated in the recent RESS consultation that it may not be appropriate to include support for micro-generation in the new RESS and they would identify means to support micro/small scale generation, if a policy instrument to support this category of generation where to be implemented it is likely that the combined capacity of 50MW (or 30 applicants) would act as a barrier to the successful implementation of that instrument. As such GWM would ask that CRU and the system operators reconsider the proposed limitations if such a policy instrument were to be introduced, and how best to respond if a large number of applicants of this scale were to come forward.

The principal value in undertaking a batch process is to find the optimal way to develop the network so that several smaller project can be grouped and connected through shared assets. However in the case of large scale projects such as CCGT or offshore wind farms where the connection voltage is likely to be 220kV or higher and these project are stand-alone connections will no optimization of connection assets to be found. Including these large scale projects in a batch process of the order of 1,000MW risks undermining the process if a small number of these close the available volume in the batch. GWM propose that similar to the treatment for small scale projects an upper limit be specified for projects to be the process through the batch.

2.7 Remove the option to relocate capacity

Additionally GWM supports the proposal to remove the option to relocate capacity as a mechanism to mitigate the incentive to hoard connection capacity offers and further ensure that only projects with a credible potential to be delivered apply for connection. However projects that applied and accepted connection offers under the CoPP arrangements have a reasonable expectation that their offer would be processed under the CoPP ruleset. The suspension of new capacity relocation requests as provided for under the proposed decision represents a retroactive change to nature of the offer accepted by these projects. While this could potentially be justified if there was a significant harm arising from the processing of these relocation requests, this is not supported in the proposed decision additionally it is considered that there are is likely to a limited number of requests from contracted projects and the existing rules on relocation under CoPP are sufficient to protect against any harm being done to third parties. If it is determined, as part of the final decision, that the processing of capacity relocation should be stopped for all contracted offers to support the transition to ECP-1 a reasonable opportunity should be given to contracted projects to submit a final relocation request, also consideration should be given to re-opening the voluntarily release of capacity mechanism as per the transitional arrangements.

In relation to the proposed decision in relation to shared asset bonding for project in subgroups. GWM is concerned that these proposals may result in discriminatory treatment between applicants. As those applicants in a subgroup will be required to bond for share assets, may not be able to go “on hold” and may have its connection agreement terminated. While an applicant who’s not in a subgroup will not be required to place a bond and can request that they be placed “on hold”, effective reserving their connection capacity under the long stop date in their connection agreement.

One set of applicants seem to be contracting for a connection, the other continue to contracting for an option to connect, where a project in these two categories meet in a competitive auction for support, the project outside of a subgroup will be at lower risk i.e. will not have posted a bond and can defer to a later auction/s at no cost in terms of it connection offer and there at a significant advantage.

The counterpoint to this position is a potential for a project processed in a subgroup to receive a lower cost of connection but this is not necessarily the case. To avoid this GWM requests that consideration be given

to allowing an applicant the option to be process outside of a subgroup and whether a fixed limit be set for the period for which a project can be “on hold” before there connection agreement is deemed to have lapsed.

This second issue also relates to the policy in relation to the interaction between subsequent batch processes, clarity is sought on treatment of projects that are “on hold” from an earlier batch process.

2.8 Offer capacity on a non-firm basis

GWM is concerned at the proposal that offers under ECP-1 will be made on a non-firm basis. As noted in the paper under ISEM project that have a non-firm component to their connection are exposed to imbalance risk where they trade in the ex-ante but are dispatched down by the TSO.

While the DS3 programme has successfully maintained dispatch down level at reasonable low levels considering the rapid increase in the level of non-synchronous generation in recent year there is a risk that as the incorporation of the renewable generation continues that the levels of dispatch down increases. In their 2013 paper (SEM-13-080) the SEMC decided that in tie-break situations curtailment would be spread across firm and non-firm generators rather grandfathering on the basis of firm capacity. Where a situation to arise where project connected under ECP-1 had no sight on the mechanism by which their connection would be made firm there is a risk that decision would be unwound with the risk of curtailment being focused on a small subset of connected projects. GWM seeks clarity on the mechanism by which projects offered a non-firm connection under ECP-1 will be made firm and what incentive mechanism will be placed on the TSO to ensure this is implemented in a timely manner.

3. CONCLUSION

GWM strongly supports CRUs determination to address the through the proposed measures the issues that have arisen in the current connection policy and overall believes that the proposed decision will reinforce the level of commitment required to be made to a project in advance of applying for a connection.

However in relation to the suspension of new capacity relocation requests as provided for under the proposed decision GWM considers that this applied to applicants processed under Copp rules would represent a retroactive change to nature of offers accepted. While this could potentially be justified if there was a significant harm arising from the processing of these relocation requests, this is not supported in the proposed decision also it is considered that there are likely to be a limited number of requests from contracted projects and the existing rules on relocation under CoPP are sufficient to protect against any harm being done to third parties.

Additional in relation the proposed batch process GWM believe that the principal value in undertaking a batch process is to find the optimal way to develop the network so that several smaller project can be grouped and connected through shared assets. However in the case of large scale conventional projects

such as CCGT or offshore wind farms where the connection voltage is likely to be 220kV or higher and these project are stand-alone connections will no optimization of connection assets to be found. Including these large scale projects in a batch process of the order of 1,000MW risks undermining the process if a small number of these close the available volume in the batch. GWM propose that similar to the treatment for small scale projects an upper limit be specified for projects to be the process through the batch.

Should you have any queries in relation to this response please do not hesitate to contact me.

Yours sincerely,

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