CRU/19/143

CRU Proposed Decision

Enduring Connection Policy Stage 2 (ECP-2)

SSE Response

24 January 2020

Executive Summary

SSE wishes to make the enclosed submission for consideration as part of the CRU's consultation on the Proposed decision on Enduring Connection Policy Stage 2 (ECP-2).

SSE is proud to be the largest renewable electricity developer on the island of Ireland, we own and operate over 2,000MW of generation capacity on the island of Ireland, with 740MW coming from our 29 onshore wind farms, with plans for over 400MW of on-shore development and a number of off-shore wind farm development opportunities. We are also one of Ireland's largest energy providers, supplying around 700,000 customers on the island.

Over the last six years, SSE has contributed over €5bn to the Irish economy supporting over 4,700 jobs while contributing to the achievement of Ireland's energy and climate policy aims.

We believe that Ireland needs to improve the connection offer process to facilitate the ambitious climate and energy targets to set the path for our energy transition to a decarbonised economy. The connection policy, as an integral part of this transition, provides increased investment certainty and a route to market for deployment of the necessary investment and at the necessary scale. New investment in generation will contribute towards the decarbonisation of Ireland's electricity sector.

In SSE's view the proposed decision on enduring connection policy 2 builds on some of the successes of ECP-1, however there are three main areas that we feel need further work:

- Three-year proposal is not long enough, recommend having five years. This would better align with a number of other key work areas including, but not limited to, CRM, RESS and Network Price Control period (PR5),
- 50 connection offers per year is too low, and well below the evidenced capacity to date,
- Non-firm access without clear commitments for network reinforcement, or reduction in constraints risks undermining the process.

This response explores each of the areas in more detail as well as providing the rationale for these key criticisms of the proposed decision.

Introduction

It is not clear why CRU have chosen not to consult formally on the proposals for ECP-2, but have moved directly to a proposed decision. This would have better facilitated stakeholder responses on the learnings from ECP-1 to move towards an enduring connection policy for all connections.

SSE understands that this proposed decision only covers on-shore projects above the microgeneration threshold (currently set at 11KW). It would have been helpful if the CRU had taken this opportunity to include the connection policy for hybrid connections as well as repowering existing sites. At the very least an indication of the proposed way forward for these and other connection types would have given important context to inform the next stages of what appears to be a fragmented connection policy.

SSE is of the view that the proposal for a three year "enduring" connection policy is not appropriate. To introduce a new connection policy CRU will be required to start work on this within 18 months, the proposals that there may also be changes to ECP-2.2 or ECP-2.3 indicate this is a moving feast. The three-year proposal does not provide any certainty on the enduring nature of this connection policy, and given the other interactions with, for example, CRM, RESS, Climate Action Plan (CAP) and the Clean Energy Package (CEP) this looks like it will introduce significant regulatory burden.

It is SSE's view that the connection policy should be implemented for 5 years. This will, reduce CRU resource requirements, and permit targeted improvements in the connection policy where it can be demonstrated there is a need.

The proposed decision for a 3-year enduring connection policy misses the opportunity to link connection policy with network Development/Investment, in SSE view to develop one without the other risks undermining both processes. It would also provide CRU an opportunity to develop incentives around delivery and performance of grid to support the new connections, necessary to meet future system needs and climate policy objectives.

The draft decision paper highlights the successes achieved in relation to connections under ECP-1, particularly being able to deliver 123 connection offers for over 2GW of installed capacity within just 18 months. The proposed decision provides some level of comfort that the CRU is trying to build upon this achievement.

The proposed number of connections does not appear to be comparable to ECP-1, and it is not clear how the proposed schedule of applications will facilitate the EU binding target for getting to 70% RES-E by 2030. The target of 150 new connection offers over 3 years is not sufficient to deal with the current number of projects awaiting an offer which could introduce a barrier to entry for new development opportunities based on the intended criteria for ECP-2.

The continued use of non-firm connection offers with no policy in place for when firmness will be achieved risks undermining the intention of this policy to facilitate connection to the grid. CRU is requested to urgently commence this piece of work.

The Climate Action Plan sets ambitious targets in relation to increasing our onshore wind energy capacity. It is disappointing that there are delays to finalising a robust connection policy for off-shore projects, particularly in line with commitments given in the climate action plan highlighted above.

Structure of SSE Response

SSE has a number of comments in relation to the proposed decision paper, and has outlined these, mindful of the two specific areas highlighted in the draft decision:

- Do stakeholders agree with the CRU's proposals for ECP-2 batch and non-batch processes?
- Do stakeholders agree with the proposed final opportunity for capacity release and the terms on which it will be available?

Do stakeholders agree with the CRU's proposals for ECP-2 batch and non-batch processes?

SSE's view is that it is absolutely vital that connection policy is linked to appropriate network investment to support that generation. Non-firm access for new generation without necessary network reinforcements introduces a new level of risk. Increased constraints that result from an increased installed capacity undermines the ability to appropriately finance their activities as well as deterring future investment. Additionally, non-firm generation continues to pay its share of network costs (future and existing) therefore it seems unreasonable that there is no clear route to getting sufficient network reinforcements.

Summary of SSE views in relation to the proposals for the ECP-2 batch and non batch processes:

- We are supportive of the proposal to move to a multi-year framework
- The frequency of batches needs to be improved, proposed timelines should be aligned with future CRM, DS3 and RESS auction timelines.
- We are of the view that 50 connection offers a year represents a significant decrease on performance from the experience of ECP-1 propose that this is increased to no less than 75 per year, there also needs to be sufficient commitment to deliver sufficient usable capacity to accommodate these connections
- Support the requirement to have planning permission for all projects

- Support the proposed objective criteria for identifying which projects will get connections (section 2.7)
- Need clarity on the definition of "qualifying" community led projects
- We do not fully support the current proposals for offering capacity on a non-firm basis.
- We are extremely disappointed that proposals on firmness has been pushed out again SSE notes that firmness is subject to further consultation with no supporting rationale for the significant delay.

Multi-year framework

We support the development of longer-term connection policy, for the development of any project certainty of route to market, including getting a connection offer is a key aspect of any project.

However, it is disappointing that this policy only covers a 3-year period. This short time frame coupled with the proposed targeted connections (addressed later in this response) risks undermining any new investment opportunities. SSE would suggest a five year framework at this stage would be more reasonable, allowing more certainty for new investment required to meet the 2030 targets. This would align with PR5 which is a five-year cycle of delivery to support system needs, which would include facilitating new generation. Furthermore, including the process period and delivery timeframe, five years would also align with the T-4 process, which is designed to encourage new generation into the market.

ECP-2 Timelines

New development opportunities may be dependent upon several financing avenues that are outside of our control. For instance, the Capacity Market Code requires that necessary consents are required within 18 months of being successful in a T-4 auction. Indicatively this would mean that offers would need to be signed by the end of Q3 in any given year after 2022. To realistically meet this timetable the TSO should be issuing connection offers by the end of Q2 of each year. It is not clear that this could be met, or that this is the intention.

Connection offers form part of the criteria for both RESS and CRM therefore it is SSE's view that predictable windows for connection offers that would facilitate both is required, rather than focussing on RESS auctions which are technology specific. SSE's preference is that all connection offers for ECP-2 are issued by the end of Q2 for each of the relevant years.

SSE propose the following alternative timelines compressing year 1 to permit connection offers to go out in Q2 2021. This will assist both CRM T-4 auctions and any future RESS Auctions. Please see figure 2 below for an illustration. We compare figure 1 (CRU proposal) with figure 2 (SSE alternative propsal) below:

Figure 1 – CRU proposed decision timelines

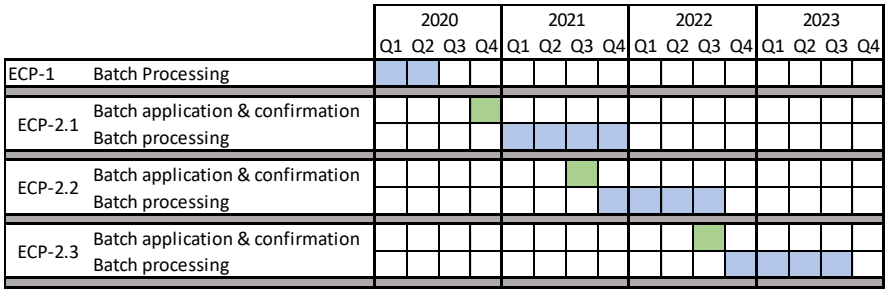
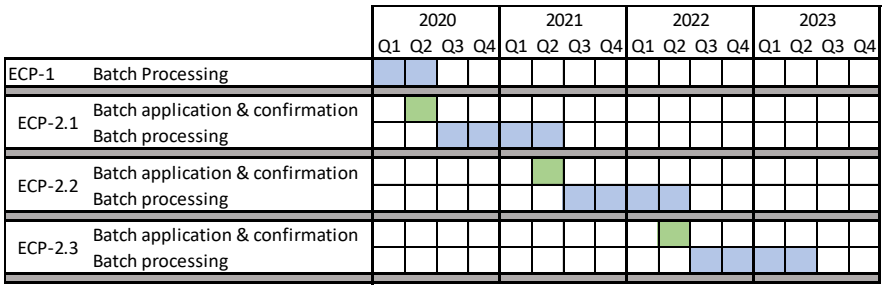


Figure 2 – SSE Proposed timelines



With regard to connections timelines and process, there is a need to align this with PR5 in setting challenging service targets around delivery of connection offers, associated reports and other undertakings by the TSO and TAO. Furthermore, we would welcome an investigation into the associated adoption practices by the TAO. We provide further detail of this in our response to the recent PR5 consultation.

Target 50 Connections per year

Given the number of connection offers that have been processed under ECP-1, we are disappointed that the annual target has been reduced from 123 over 18 months (table 2) to 50 per 12 months. This represents a significant decrease in connection offers to be processed annually. In general SSE is broadly supportive of using project size as an approach to determine connection offers. Introducing a MW constraint at this stage may provide unnecessary complication for the TSOs at this stage. However, the evidence submitted as part of proposed decision indicates a reduction of 30% annually over the ECP-1 connection offers. Therefore, it is our view that processing should allow for at least 75 offers per year.

There is strong policy in place to move towards greater levels of renewables penetration in Ireland to meet the carbon reduction targets. There has also been a signalled intention in PR5 for the removal of constraints at least in Dublin. As well as a consideration of comparable incentives for constraints removed outside Dublin. The small number of connection offers proposed would initially appear out of step with the challenging targets and policy approaches being taken elsewhere.

In addition, there is also a backlog of connection from ECP-1 and before that are awaiting connections. It is therefore likely that under the small batches proposed by CRU, the remaining backlog would be sufficient to displace more efficient new entry, due to date order planning criteria. Whilst date order planning criteria is otherwise a suitable criterion, the batch sizes need to be sufficient to deal with a reasonable mix of existing projects and new projects within a reasonable timeframe.

It is critical that an any proposed connection policy includes consideration of hybrid connections and repowering of existing sites. There is an expectation through the Climate Action Plan that facilitation of hybrid connections should be investigated. An initial view on how these would be treated for this connection or future connection policies would set the stage for this work. Work has previously been undertaken by industry to this regard through the Hybrid Working Group.

There is also a need for a connection policy associated with repowering of existing sites. On a highly constrained network such as this where a lot of the best sites have already been commissioned, and with well-known closures on the horizon, there should be an awareness and encouragement for existing generation to consider development.

Early Engagement with project in the batch

In absence of improved transparency SSE would prefer to see constraint reports (including necessary grid upgrades and committed delivery dates) being a requirement for a valid connection offer.

SSE is concerned that ECP-1 made a change to this practice without including it in the formal consultation on ECP-1. This has significant potential to undermine projects after increasing both costs and risks for developers without a clear understanding of the potential constraints that a project may experience. SSE is of the view that retaining the established principles CER/08/260 whereby connection offers where only required to be signed 50 days from receipt of constraint report remains appropriate in absence of any further information on network availability/development.

The requirement for a full understanding of the constraints and necessary network reinforcements to minimise constraints is absolutely essential. This is particularly relevant for non-firm connections given the lack of transparency on system availability. It is imperative that no investor should be required to sign a connection offer in advance of receiving a constraint report along with the necessary commitments around the removal of constraints within those reports.

SSE, therefore, does not feel that there is sufficient information in this proposal at this stage to comment effectively. We note that there have been some proposals to improve transparency on network availability, including Eirgrid Regional Capacity Assessment reports and ESBN transformer capacity assessments, both of which would be particularly welcome here.

Require planning permission to enter the ECP-2 batches

SSE continues to be supportive of the requirement to have planning permission for all projects, prior to receiving a connection offer, and we are supportive of the move to connecting those projects that have been waiting longest.

Prioritising of ECP-2 batches

We understand and support the need to develop objective criteria for batch prioritisation and can understand the desire to connect the largest renewable projects first, as well as trying to connect those projects that have been waiting longest. It would be helpful if CRU could clarify that each of the 25 largest renewable projects will receive a connection offer in each year.

However, sections 2.4.2 and 2.7.2 indicate that even within this 3-year process CRU envisage potential changes being required, any further consultations that would be initiated to amend the criteria must not delay the proposed timelines in ECP-2.

Community led renewable energy projects

Under the non-batch process the definition of a "qualifying community led project" is unclear. This should be defined clearly with the associated relevant criteria in the final decision paper to remove any ambiguity.

Offer capacity on a non-firm basis

SSE is not in favour of a continued approach to connection policy on a non-firm basis. Firstly, there were assurances made at the stage of ECP-1 that non-firm would move to firm for some of those projects connected under that batch. This has not been forthcoming and firmness dates provided for some of our sites, is far in the future. Indicative firmness dates provided as part of the constraint reports for these connection agreements have not been fulfilled, placing additional risk on the developers. This has an impact on revenues if accompanied with uncompensated system curtailment.

For this approach to continue, particularly in light of the Clean Energy Package, where priority dispatch is to be removed and curtailment payments based on firmness will introduce a clear disparity between old and new connections, this makes investment distinctly risk-burdened, and could disincentivise future investment. It is worth noting that non-firm generation continues to pay its share of network costs (future and existing) so therefore it seems unreasonable that there is no clear route to getting sufficient network reinforcements.

There is a lack of transparency relating to capacity in the transmission and distribution networks in Ireland. This creates a barrier to entry under a non-firm connection basis where developers and investors cannot get certainty on the connection status of their sites. Developers and investors already carry significant costs associated with site studies, planning and financing in advance of getting a connection offer. For projects that are looking to connect under RESS the current structure would indicate that they would need to have signed the connection offer all in advance of being able to avail of any support mechanism.

The industry has been waiting a considerable number of years to find out about the plans to develop the network such as to be able to provide firm access. Transparent network capacity information is necessary to develop a level playing field for all developers and reduce the cost of development, by providing transparent information on grid availability it can send sufficient signals in relation to where to develop.

It is disappointing that no progress has been made to this effect despite the assurances that were provided as part of the ECP-1 consultation and decision papers. The continued use of non-firm connection offers with no policy in place for when firmness will be achieved will have a detrimental impact on the viability of some projects. CRU is requested to urgently commence this piece of work. Given the upcoming Price control review for ESBN and Eirgrid it is imperative that the process is finalized in advance of the Price control decisions.

Further to this ECP-1 set out the initial thoughts of the CRU on how to level the playing field between older generation and new projects. This distortion was acknowledged in ECP-1 and it was indicated that the constraint reports would set out the work that needs to be done to alleviate constraints the implication here was that a plan of work would be commenced to make the non-firm offers firm.

It is concerning that CRU is developing ECP-2 decisions whilst acknowledging that further integral policies need to be developed in relation to the assessments and studies needed to assess deep reinforcement needs.

Given the risks associated with non-firm network access CRU is requested to urgently consider the impact any grandfathering proposals for priority dispatch would likely have on new investment. It is imperative that any such a decision does not adversely affect future build out of generation necessary to support the 2030 carbon reduction targets. SSE is currently participating in a TSC workshop to consider this and we are encouraged that members of the wholesale and ACER Clean Energy Package teams in the CRU attend these. We would encourage coordination between these various workstreams for ECP-2.

Do stakeholders agree with the proposed final opportunity for capacity release and the terms on which it will be available?

SSE has previously advocated for an additional time-limited opportunity for existing projects to release capacity in exchange for a certain percentage of their first stage payments. The proposals put forward here are in line with our position and therefore we support this proposal.

Releasing capacity has the potential to increase availability for future batches which would otherwise not be used. This would be aligned with the CRU's policy intent to promote more optimal use of the existing network and to ensure capacity is not hoarded.

Conclusion

It is essential to ensure that any policy developed allows investments to be made and for developers to deliver their projects in a way that mitigates risk where possible and provides certainty around the parameters in which they are making decisions.

Confidence in an enduring connection policy is paramount to engendering realisable development opportunities being progressed to support system needs and the achievement of Ireland's renewables targets. SSE is of the view that a longer, five-year, timeframe and the proposed changes to the batch windows, would improve the proposed decision. These changes would help mitigate some perceived risk that cannot be achieved in a three-year timeframe. It is acknowledged that further consultations are ongoing in this area, and this process provides allows for informed changes to be made where it has been demonstrated to be necessary. It is SSE's view that more predictable and regular batch windows should also reduce any incentives for speculative projects (new build) to bid for connection offers and hoard capacity.

In the context of renewables targets, it is SSE's view that CRU must consider how it will connect projects which will most support achieving these targets in the quickest way. The current proposed decision perpetuates the risks to project development brought about by the lack of policy on firm connections. Connection policy must be considered in the round with network investment particularly in relation to minimisation of network constraints and curtailment through the necessary and efficient network development.

There is considerable overlap between the direction proposed in this ECP-2 decision and the future price controls that will require consideration, particularly in respect of network development and incentivisation of both delivery and operation of networks to meet the Carbon reduction targets.

It is SSE's opinion that connection offers need to provide more certainty around when constraints are going to be minimised, this is in line with the Clean energy package targets of reducing constraints to below 5%. Providing clear commitments regarding network reinforcements as part of the connection programme also provides CRU an opportunity to incentivise the Network Owners and Operators to develop the grid infrastructure in an efficient and sustainable way. This would also encourage the network owners and operators to consider the needs of all of their customers.

Given the time it has taken to provide connection policy, SSE is of the opinion that 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.

Despite the number of issues identified in this response SSE remains supportive of the CRU's intention to develop a truly enduring connection policy that incentivises effective delivery of new projects and the necessary network investment. Unfortunately, ECP-2 appears to be another interim step. The recommended changes proposed in this response are aimed at providing

reasonable certainty to investors, increasing the number of connections, all within a timeline that will instil a level of stability and confidence without having to start work again on the new connection policy within 18 months.