

ECP Consultation,
Electricity Networks Division,
Commission for Regulation of Utilities,
The Grain House,
The Exchange,
Belgard Square North,
Tallaght, Dublin 24,
D24PXWO

By e-mail to: electricityconnectionpolicy@cru.ie

Date: 24 January 2020

Re: Coillte Submission to the Enduring Connection Policy Stage 2 (ECP-2) Consultation

Dear Sir/Madam,

Coillte welcomes the opportunity to make a submission to the Commission for Regulation of Utilities (CRU) on proposed decision for the Enduring Connection Policy Stage 2 (ECP-2).

Over the past decade Coillte has amassed a significant track-record in the renewable energy arena¹. Furthermore we believe that Coillte can make a very significant contribution to enabling Ireland attain its national low carbon transition objective. As 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.4 GW of new onshore wind facilities in Ireland is expected in the decade to 2030.

Coillte recognises the Government's ambition set out in the Climate Action Plan and seeks to contribute up to 1 GW of new onshore wind capacity in Ireland in the period up to 2030. By leveraging a unique land bank which presents an unmatched portfolio of large high wind sites, this target can be achieved.

Coillte welcomes this consultation and particularly the proposal to prioritise large renewable energy projects in line with the CRU strategy of delivering sustainable low-carbon solutions with well-regulated networks. More frequent batch processing, while allowing for a further iteration of capacity release, is also much welcomed. Coillte has been involved in the drafting of IWEA's position paper on ECP-2 and would like to lend our support to the views set out in their paper.

¹ Specifically in onshore 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. These projects were delivered on a 50% ownership basis in conjunction with third-party partners.

As we move to competitive RESS auctions, connection policy should be cognisant of facilitating a timely and competitive environment which must strike the balance between delivering the best outcomes for consumers and respecting the needs of developers and investors. As such we would like to make the following comments on the proposed decision:

Prioritising of ECP-2 batches

The proposed decision outlines a batch size of 50 offers with half of these being prioritised based on size (GWhrs/year) and half based on date order grant of planning.

Coillte welcomes the first 25 offers in each batch being prioritised on the basis of project size with the largest number of GWhrs/year generated by a project being granted the highest priority. We also assume that fixed capacity factors for technologies will be used as per the Renewable Capacity Factors set out in Table 2 of the draft RESS 1 Terms and Conditions, but clarification is also needed on this in the final decision paper. It will allow continued investment in large renewable energy projects which have a greater ability to contribute towards national RES-E targets and result in a more effective use of the ECP batch process and system operator resources. The Clean Energy Package requires significant progress to be made towards 2030 through checkpoints in 2022, 2025 and 2027. IWEA analysis shows that if ECP offers are prioritised based on date order of planning grant rather than prioritising the first 25 offers based on scale, Ireland will not achieve its 70% RES-E ambition. A shortfall of approximately 2GW of onshore wind generation could be expected by 2030. IWEA will be publishing this analysis in the coming weeks. Additionally, the entry of larger projects into the RESS auctions should allow for greater economies of scale and for more competitive outcomes with lower costs to the consumer.

ECP-2 timeline

Coillte welcomes the proposed frequency of one application batch per year over three years from 2020 to 2022. We note for ECP batches 2.2 and 2.3, this frequency may require the batches to start before processing or resolution of the previous batch is completed and that batch application, confirmation and processing may take up to 15 months. It is important to maintain this offer processing frequency so that it does not hinder projects entering the initial RESS auctions.

While we recognise it may result in ECP-2 batches being run in parallel to achieve this, we believe it is possible with the correct resourcing and implementation of process efficiencies for the System Operators to reduce the batch application, confirmation and processing timelines so that a batch can be fully processed before the subsequent batch application window opens. Allowing a batch to be processed in its entirety before commencing processing of a later batch would give greater certainty on connection methods and subgroup resolutions in ECP.

The System Operators should be incentivised in the Price Review 5 period to reduce batch processing timelines while maintaining or increasing the batch size.

Target 50 connection offers per annual batch

Coillte notes the proposal is for 50 offers in each of the three ECP-2 annual batches. We view it as a positive that the batch size is based on a number of offers rather than a MW threshold. We would

welcome a review of the batch sizes during ECP-2 that would increase the overall number of offers issued and which would help ensure that an appropriate volume of MEC is being offered to meet expectations for the subsequent RESS Auctions. While a volume of 50 offers per year is positive, we believe a higher number of offers per year can, and should, be processed by the system operators. This could be achieved given sufficient system operator resourcing, incentives and implementation of further ECP process efficiencies.

The System Operators should be incentivised to increase the number of offers that can be processed in the batch while also reducing batch processing timelines. This incentive should be included in the upcoming Price Review 5 revenue period with the priority being to at least maintain the batch size and annual offer frequency, while also seeking to reduce the batch processing duration.

A higher number of annual offers would mean a larger number of projects bidding into RESS auctions, leading to more competitive outcomes with lower costs to the consumer.

Offer capacity on a non-firm basis

Coillte notes that similar to ECP-1, it is proposed that ECP-2 projects be issued with ‘non-firm’ offers. While the proposed decision document states that the CRU is actively considering policy work to grant firmness to non-firm generators, it is unclear what this means or how long it will take.

The lack of a clear commitment or plan to tackle the issue of ‘firmness’ is an issue that is of major concern to generators and undermines the provisions of the recently enacted *EU Regulation 2019/943 – The Internal Market for Electricity* in relation to compensation for dispatch down. In particular, we would highlight Articles 12 & 13 relating to loss of priority dispatch and provisions in relation to compensation for non-market based re-dispatch for renewable generation. Where there is no compensation for dispatch down, bids that will be submitted into RESS auctions will be much higher in order to counter this risk resulting in an overall higher cost of electricity for consumers and wasted renewable electrical energy due to network constraints. Coillte requests that the CRU prioritise advancement of the parallel programme of work that is ongoing in order to tackle the issue of firmness.

Coillte believes that in the absence of ‘firm’ offers, developers should be provided with their constraints analysis no later than the date of issue of the connection offer. The constraints analysis carried out by EirGrid is a key factor in the decision to accept a connection offer, and EirGrid as Transmission System Operator is best placed to carry out this analysis. Where a connection offer issues before an associated area constraints report, the offer validity period should not start until the constraints report has issued.

Early engagement with projects in the batch

Coillte welcomes the proposal for early engagement. We view early meaningful engagement between system operators and project developers as being critical to the success of projects, the ECP process and the RESS auction process. It is also called out as a key element under the proposed grid planning requirements in the Department of Communications, Climate Action and Environment’s (DCCA) proposed Wind Energy Development Guidelines.

To date, EirGrid has facilitated a level of pre-application engagement for developers with projects outside of the connection offer process/ECP process. ESB Networks does not currently facilitate early engagement before a project enters the connection offer process/ECP process. Therefore, we would welcome any initiative that facilitates pre-application engagement with ESB Networks.

Projects should have the key information available to them to be in a position to apply for planning for the grid connection well in advance of the ECP batch process. This could be achieved if the System Operators provided sufficient information on connection methods, constraints, costs and connection timelines as part of an early engagement process. The benefits of this include earlier energisation of projects that would contribute to 2030 RES-E targets, and more projects being ready for earlier RESS auctions resulting in more competitive outcomes for the consumer as early as possible.

Require planning permission to enter the ECP-2 batches

Coillte believes that it is appropriate for receipt of a valid planning permission for a project to be a requirement for entry into ECP-2 (with the exception for community-led projects requiring planning prior to offer issuance also being noted).

Non-batch qualifying projects and processing

Coillte notes that the CRU is proposing to maintain a 30 offer per year target for the non-batch process with up to half of this for community-led renewable energy projects and that the non-batch process includes autoproducers. We welcome the proposals outlined for non-batch processing as it will enable the development and issuance of offers to community led projects.

Community-led renewable energy projects

Coillte welcomes the proposals around the processing of community-led projects in the non-batch process. This will allow communities to actively participate in the renewable energy sector and use the revenue generated for the benefit of the local community.

Other requirements on ECP-2 applicants

a) Application fees:

Coillte notes the proposal for new ECP-2 applicants to pay a non-refundable application fee. We believe that if an applicant avails of the proposed 'in-batch' early engagement with the System Operators they should be allowed a refund of any unexpended fees up to that point should they wish to withdraw their application.

Similarly, ECP-1 applicants who are awaiting an ECP-1 offer, in particular those who have yet to secure planning permission (and are therefore at the back of the ECP-1 processing queue), should be offered the opportunity to withdraw from the ECP process and receive a refund of their application fee, or be allowed a credit for their unexpended application fees towards future ECP-2 applications.

This would have the advantage of freeing up the system capacity earmarked for these projects and would allow System Operator resources to focus on delivering offers and grid solutions to

committed projects and subgroups rather than having to progress offers to projects which may no longer be viable and would otherwise have fallen away².

This should address the CRU policy objective of ensuring that all projects being processed together are credible and committed and would prevent less committed or speculative projects delaying the energisation of others.

b) Security for shared assets' costs and interdependent offers:

Coillte has no issue with the provision of a bond or financial security for shared assets at offer acceptance. However, if a project is unsuccessful in a RESS auction, there should at least be an ability to get back the value of the bond via a rebate if that project wishes to terminate. For instance, we propose that if a project provides a bond for its share of certain shared assets, and the project ultimately cannot proceed resulting in the offer being terminated and the bond being drawn down, then in a future circumstance where a newly proposed project seeks to utilise these assets, the original applicant should receive a rebate for the those earlier bonded assets.

c) Longstop dates:

Coillte would be in favour of an increase in the longstop date durations to three years after the scheduled dates for consents and operations. In an auction context, projects that are unsuccessful in a RESS auction will have to make a decision whether to terminate or wait to enter subsequent auctions. Overly onerous long-stop dates would adversely impact the pipeline of projects eligible to bid into auctions as it does not allow projects to try and improve their price for a subsequent auction. In terms of ensuring a competitive RESS outcome and delivering the renewable capacity needed for 70% RES-E by 2030, it is important that appropriate longstop dates are set that allow projects the flexibility to enter multiple auctions. As noted, projects that have made it this far would have already sunk considerable costs into the process which should be taken as a statement of their intent to deliver.

The final decision should clarify how delays to system operator works or securing grid related consents impact on the longstop dates, particularly for any deep re-inforcement works that are required in the connection offer as part of a project site related connection equipment for energisation.

Final capacity release

Coillte welcomes CRU's proposal for a final capacity release. This will help prevent hoarding of capacity which could then be used to allow other projects to connect.

The Climate Action Plan sets out a relatively modest ambition for solar in Ireland, below the level that would have been anticipated by Industry. As outlined in response to the proposal on the application fees above, we propose that along with the current proposal ECP applicants who are awaiting an ECP-1 offer, in particular those who have yet to secure planning permission (and are therefore at the back

² For example, if the ECP-1 offer process has not advanced beyond a certain point for some applicants it is possible that even if there are interactions, fewer delays would result if these projects were removed from the process now, rather than waiting until later, and then having to re-design other projects' connection methods if offers are not accepted, or if connection agreements are terminated at a later date.

of the ECP processing queue), should be offered the opportunity to withdraw from the ECP-1 process and receive a refund (or alternatively an appropriate credit towards future applications) of their application fee. This would have the advantage of freeing up the system capacity that is earmarked for these projects and would allow SO resources to focus on delivering offers and grid solutions to committed projects and subgroups rather than having to progress offers to projects which may no longer be viable and would otherwise have fallen away.

We would be very happy to engage with you further on any matter set out in the above relating to this important consultation.

Yours sincerely,

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Peter Lynch
Managing Director, Renewable Energy
Coillte CGA