



**Response by Energia to the Commission
for Regulation of Utilities' Proposed
Decision Paper**

***Enduring Connection Policy Stage 2
CRU/19/143***

24 January 2020

1. Introduction

Energia welcomes the opportunity to respond to the Commission for Regulation of Utilities' (CRU) Proposed Decision paper on the Enduring Connection Policy Stage 2 (ECP-2). Connection policy is central to much of the change that must take place in the electricity system if Ireland is to achieve its own climate action targets, as well as achieving wider EU and global commitments. Many aspects of the proposed decision do not match the level of ambition required to meet these targets and will stymie Ireland's progress. The deficiencies in these proposals are symptomatic of wider deficiencies in the regulatory approach to the facilitation of renewable electricity and the transformation of the sector.

In this response we present some general observations on the ECP-2 proposed decision and then specifically address a number of the proposals in the paper. Energia endorses the submissions made by IWEA and EAI to this consultation and, where possible, we have avoided duplication of arguments made therein.

2. General Comments

The CRU's proposed decisions in respect to ECP-2 are both inadequate and inappropriately conceived. ECP-2, as outlined, will not provide a sufficient number or scale of connections and it is too focussed on looking backwards to the backlog of existing projects and not suitably forward looking or sufficiently agile to meet the challenges presented by government policy and EU/global commitments. This is a symptom of a wider problem with the out-dated model of regulation of networks applied by the CRU. This model disproportionately and, through the inappropriate conflation of its legislative functions/objectives, incorrectly relies on the protection of final customers interests as a cost control measure.

The protection of customers' interests requires a broader interpretation but particularly in the context of the CRU's other functions and wider government policy. Heretofore, in a more benign environment than we will face to 2030, the CRU's approach to electricity connection policy has been criticised for being too broad and creating practical connection issues for the System Operators (SOs) leading to frustration among developers. ECP-2 is a more focussed approach designed to minimise the implementation and frustration issues presented by the previous system. However, this treats the symptoms of a poorly designed approach rather than acting as a cure to the ever-increasing problem of connection new onshore renewable projects, of scale, to the system. The approach under ECP-2 is largely governed by the approach outlined in the SOs Price Review 5 process; neither are fit for purpose to address the current and future challenges of transforming and decarbonising the energy system in Ireland.

In terms of the regulatory policy objectives outlined by the CRU for ECP-2 (2020-2022) – cited below – the following points should be noted.

- 1. Objective, transparent and non-discriminatory terms and conditions for connecting new producers in line with the Clean Energy Package for all Europeans*

For the most part, Energia considers the approach outlined in the CRU's proposed decision paper to be objective, transparent and non-discriminatory; it is simply insufficient. The CRU should be careful not to be misled on arguments on alleged discrimination; discrimination has a clear definition and it must also be balanced with the other regulatory objectives.

One point of misalignment with the Clean Energy Package is the continued reliance on non-firm connections that the EU Commission clearly consider to be the exception rather than the rule in the treatment of electricity connections.

- 2. Enable projects that best align with overarching government policy direction on climate action and the CRU's strategic priority of delivering sustainable low-carbon solutions with well-regulated markets and networks.*

The approach outlined by the CRU does not have the requisite ambition and/or flexibility to respond to the challenges presented by the direction of government policy and government targets. The CRU should learn the lessons from other jurisdictions and ensure that the strategic priority is interpreted and implemented in a manner that is consistent and facilitatory to the achievement of Ireland's targets. As outlined already, too narrow an interpretation of the legislative functions conferred on the CRU, as appears from practice to be the case today, will ultimately be counterproductive to the achievement of Ireland's targets and to overall customers' interests.

- 3. The timing of the next batch of connection offers and the number of projects in the batch should not hinder the effectiveness of relevant electricity market auctions (i.e. RESS, DS3, T-4 capacity auctions).*

While the proposed timing of the next batch of connection offers may not hinder the effectiveness of relevant electricity market auctions, the number of projects in the batch will undoubtedly be harmful to the auctions, particularly RESS. The issues for RESS will be even more acute if there is a delay in the commencement of the RESS auctions. The proposed approach facilitates a small number of known projects and artificially serves to restrict both the number of eligible projects and the scale (MW) of the auctions.

Acknowledging the importance of the RESS auction and the interdependency between it and ECP for the development of onshore renewables in Ireland, it is somewhat bizarre that there is no clear, expedited process for connecting onshore non-RESS renewable projects (e.g. Corporate PPA), storage projects or large flexible generation projects in a manner that is not further detrimental to the RESS auctions and/or to the prospect of bringing these projects to market in a reasonable timeframe.

- 4. Maintain the batch frequency momentum signalled with ECP-1.*

It seems apparent from the CRU's proposed decision paper that the momentum from ECP-1 is not being maintained. ECP-1 resulted in 140 offers being made to connect 2,248 MW of new capacity in an 18-month period. ECP-2 proposes 150 new connections over a 36-month period. In this regard it is also instructive to look at ECP-1 and the outcomes from that process, as summarised in the following table.

ECP-1	Applications (MW)	Successful Projects (#)	Awarded (MW) & (as % applications)	Average Size of Successful Project (MW)
Non-DS3	3,200	67	592 (18.5%)	8.8
Fold-In	-	21	843	40.1
Relocation	-	34	436	12.8
DS3	2,100	18	371 (17.7%)	20.6

Source: EirGrid/ESBN, Enduring Connection Policy (ECP-1) 2018 Batch, August 2018; available [here](#)

There are a number of points to note on the ECP-1 outcomes that are particularly pertinent to the proposed decision:

1. Approximately 2,600MW (81.5%) of (non-DS3) capacity did not receive an offer.
2. Offers were made to 67 non-DS3 projects.
3. The average size of non-DS3 projects was 8.8MW.

If the unsuccessful non-DS3 projects are of equivalent size, on average, to the successful projects, there are c.300 projects from ECP-1 that will be competing for offers under ECP-2. Given the proposed prioritisation of projects, the 25 based on planning approval date – i.e. similar to those in ECP-1 – could be expected to add up to only 220MW (8.8MW x 25 projects) to the RESS 2 auction. Furthermore, based on the analysis presented by the SOs, it would appear that relatively few large projects entered ECP-1, even after a prolonged hiatus in the industry owing to the absence of an operating support scheme.

Finally, it remains to be seen how many of the offers made under ECP-1 are formally accepted and ultimately go forward to relevant auctions, including RESS 1. It is apparent from the ECP-1 process that there is a significant backlog of projects, a significant number of which are likely to be small projects that are unsuited to the RESS framework or other arrangements (e.g. CPPA). An expedited process should be introduced to prioritise connection offers for projects with a clear route to market, particularly as ECP is to act effectively as a gatekeeper to RESS participation. As proposed, ECP-2 is a missed opportunity to address some or all of these issues and to introducing the required momentum for Ireland to achieve its stated targets.

3. Specific Comments

This section of the response provides a summary of Energia’s position on important aspects of the proposed decision. The points addressed herein all relate to the batch process. Notwithstanding the limitations of the proposed approach to ECP-2 more generally, Energia recognises the need for both batch and non-batch processes in ECP-2, and supports the proposed non-batch process as presented in the paper. This response also focusses on ECP-2.1 specifically, as the need for ECP-2.2 and beyond is a matter of further consultation.

Prioritising ECP-2 batches

Energia does not consider the 50 offers, as proposed, under the batch process in ECP-2.1 to be either sufficient or appropriate, in the context of the level of ambition Ireland needs to show to meet the respective milestones and targets set by government and the EU to decarbonise. To facilitate a competitive and effective RESS auction process, resulting in the timely build-out of onshore renewable capacity, Energia supports the prioritisation of the first 50 connection offers to be based on size (GWh/p.a.) alone. Consideration should be given to the creation of a separate batch process for small-scale (non-community) connections that intend to participate in RESS, arguably with a MW limit. Finally, a separate non-batch process should be introduced for large-scale projects (e.g. CPPA) that are not reliant on any of the relevant auctions.

RESS 1 will deliver up to 1GW of capacity towards a 2030 target that requires an additional 8-12GW of renewable capacity. There will be a large reliance on RESS 2 to make a meaningful contribution to the overall targets. It is therefore imperative that ECP-2 is fit for purpose and while future models of grid connection may be more effective than that outlined in the current proposed decision, we should not compound the shortcomings of the proposed approach with arbitrary and inappropriately low thresholds to obtaining a connection offer.

Given the scope for change in this proposed decision is limited, Energia is supportive of the batch approach for ECP-2.1 but calls on CRU to make material improvements to the scale, prioritisation and operation of the proposed approach. A failure to address these points will result in significant and fatal challenges for viable projects, as well as for the achievement of Ireland's stated targets.

Offering capacity on a non-firm basis

It is apparent from the Clean Energy Package and, from engagements with the European Commission and other EU Member States, that the use of non-firm connections should be the exception rather than the rule in the CRU's connection policy. In the context of the provisions contained in the Electricity Market Regulation contained in the Clean Energy Package, it is entirely unsustainable that connection offers would be made on a non-firm basis in perpetuity. Given the reliance of RESS on the ECP, this issue is of fundamental importance to public and regulatory policy, through the impact this approach will have on the outcomes of the RESS auctions.

Security for shared assets

In many cases the requirements for security for shared assets are not proportionate to the risks posed to the subgroup developer/customer or sufficiently certain to justify the requirement in the first place. Given the inherent uncertainty over outcomes of the RESS auction process, it is probable under the current approach that works that are required within a subgroup of projects will proceed with or without a proposed project, but the financial security will be called in the event the project does not proceed (for legitimate reasons) despite the customer/subgroup developer not being exposed to any risk/cost.

The security for shared assets requirement must be amended such that it is proportionate to the actual risks faced by the subgroup developer/customer and such that it provides developers with additional information and certainty prior to the implementation of an onerous cash requirement at an early stage in the process.

Capacity release

Energia regards the inclusion of a process for capacity release, in clear but limited circumstances, should be an enduring aspect of the ECP-2 and beyond. Given the uncertainty of the future support regime and the upfront investment required to participate, it is considered to be disproportionately penal, in a regime that must enforce bonds for non-performance/completion, to impose significant grid/bond costs on projects that, through no fault of their own (e.g. failed RESS bid), were unable to proceed to commissioning. The absence of an enduring capacity release facility is detrimental to the interests of developers, the timely and efficient realisation of Ireland's RES-E targets and ultimately to customers who will pay the cover this avoidable risk.

Furthermore, Energia does not support the binary nature of the proposed capacity release scheme and instead call for the reintroduction of the 2017 approach (CER/17/090) allowing for full or partial release of capacity. As many of the projects in existence today have been in existence for some time, developments in technology and in other general circumstances (e.g. planning), may render a proportion of a projects capacity superfluous to contemporary, commercial requirements; for example, where a smaller number of larger turbines can optimise the projects returns for a lower MEC, in this circumstance, the developer would be incentivised to unintentionally hoard the residual capacity. This outcome would be both contrary to the efficient allocation of scarce grid capacity and to the timely achievement of Ireland's targets, with customers potentially paying for this inefficiency through an unnecessarily high RESS clearing prices.

Energia calls on the CRU to introduce an enduring capacity release scheme akin to that introduced temporarily in 2017.

Project extensions & incremental capacity

As a corollary to the previous section, Energia calls on the CRU to include a dedicated and expedited process to facilitate project extensions and the provision of incremental capacity to existing connections and connection offers. The inclusion of this approach is, for similar reasons to those highlighted in favour of the 2017 capacity release approach, an easy-win for Ireland's targets, customers and is consistent with CRU's policy objectives for ECP-2, as well as their wider legislative functions and objectives. The CRU's current proposals do not facilitate project extensions or the allocation of incremental capacity to a project and act to deter efficiencies and add cost to customers while delaying Ireland's progress on achieving 2030 targets. The following example illustrates the point; a 25MW onshore wind project with an ECP-1 connection offer avails of a new opportunity – including new or revised planning – to increase the tip-height on the project's turbines, resulting in an increase in project's possible installed capacity of c.30%. Such a project would likely

fall outside of ECP-2's proposed prioritisation for batch offers and would be forced to participate in RESS at the lower value, thus reducing the project's contribution to Ireland's RES-E targets and imposing higher costs, inefficiently incurred, on customers than would have been the case if the project could have availed of an expedited process for incremental capacity. This is similarly the case for project extensions.

Energia therefore calls on CRU to introduce a dedicated and expedited process to facilitate project extensions and the provision of incremental capacity to existing connections and connection offers.

4. Conclusion

In summary, in respect of the current proposed decision Energia calls on the CRU to:

1. Fundamentally review the regulatory approach to grid connection policy, as the current approach, including funding, is not fit for the purpose of achieving Ireland's stated 2030 targets.
2. Pursuant to Ireland's targets and government policy, amend the proposed ECP-2.1 batch approach to prioritise large projects (e.g. 50 projects), create a dedicated batch process for small-scale projects participating in RESS and create a separate non-batch process for large-scale onshore projects that are not participating in a relevant auction.
3. Ensure ECP-2.1 connection offers are not made on a non-firm basis or where they are that this is time limited to a period of no more than 3 years.
4. The security for shared assets provisions are revised to ensure that they are proportionate to the actual risks faced by the subgroup developer/customer.
5. Introduce an enduring capacity release opportunity in a clear but limited manner that allows for both the full and partial release of capacity.
6. Introduce a dedicated and expedited process to facilitate project extensions and the provision of incremental capacity to existing connections and connection offers.

We note that some of the points raised in this response are not trivial and would require significant resources to implement, particularly for the SOs, but it should be abundantly clear that Ireland cannot reach its ambitious climate change targets through the practices and policies relied on to date.

The unprecedented challenge to the energy industry presented by climate change and national and multi-national commitments to address it require a concomitant change in the regulatory approach to the electricity system and connections if it is to be achieved. This is possible within the legislative framework CRU is mandated to operate within but it requires urgent changes in both the mindset and approach to regulation that persist in this proposed decision and in other recent consultations.