



EirGrid Proposal to calculate interim Firm Access Quantities  
for Gate 1 and Gate 2 Generators (CER/10/231)

SSE Renewables Response to  
Commission for Energy Regulation

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## SSE Renewables - Response to EirGrid Proposal to calculate interim Firm Access Quantities for Gate 1 and Gate 2 Generators (CER/10/231)

### Introduction

SSE welcomes this consultation on Proposal to calculate interim Firm Access Quantities for Gate 1 and Gate 2 Generators as a step on the path towards a policy decision that has the potential to deliver clarity and fairness in the allocation of firm access to the network. The present level of uncertainty over the status of previously-provided timetables for firmness is a serious risk that is inhibiting timely development of renewable projects and incentivising back-ending of renewable capacity delivery towards 2020. As a consequence there is reduced visibility of progress towards meeting Ireland's international renewable energy commitments. Apart from increased uncertainty over meeting the renewable generation capacity target, back-ending of renewable construction is likely to create a demand for network connections that is beyond the network owner(s)' capacity to construct. A bulge in demand for turbines will also result in higher plant costs and therefore imperil economic viability of projects.

Uncertainty now, causing delay to investment in renewables, incentivises back-ending of project delivery towards 2020 and therefore creates conditions in which turbine costs and connection delivery constraints prevent Ireland meeting its obligation. The fact that this paper is needed is a clear indication of how unstable and dynamic the connection of generation in Ireland has become; giving the wrong signals to investors.

### Summary

- We support the proposal to use the Gate 3 ITC methodology for Gate 1 and 2 projects.
- We agree that the most appropriate way to allocate firm capacity is date order.
- Optimising the grid is effectively moving the goal posts for Gate 1 and 2 projects and consequent delays in delivery of firm access will come at a cost to them in the form of increased constraints which should be socialised across all system users because of the retrospective impact of the process change.
- EirGrid should prioritise these ITC studies and minimise any further delays.

## Adoption & Application of Gate 3 ITC Methodology to Gate 1 & Gate 2 Connection Processes

Having been adopted as the standard methodology for determining connection of the bulk of new generation as represented by Gate 3, we believe that the ITC methodology should be applied across all connection queues. This approach has the benefit of consistency with other work currently under way and is likely to offer some degree of optimisation of network investment to mitigate the inefficiency resulting from the pure date-order approach used to define Gate 3 projects.

SSE Renewables therefore considers that Eirgrid's proposal to determine the current and expected level of firm access available to Gate 1 and Gate 2 generators by the ITC methodology is reasonable and fair.

## Use of Application Date Order Approach to Determination of FAQs for Gate 1 & Gate 2

Application of the ITC methodology does of course raise the question as to the basis for determining interim FAQs for Gates 1 and 2 generators. To avoid retrospective changes to dates that developers had understood to be commitments and retrospective impact on projects that have obtained finance on the basis of timelines based on these, we believe that application of the Gate 3 ITC methodology for Gates 1 and 2 should, to the greatest possible extent, mirror the key element of the original approach; date order.

For consistency with the existing approach, avoidance of introducing retrospective financial impact (or risk of such) and avoidance of introducing regulatory uncertainty, application date order is the only tenable approach for determining FAQs for Gate 1 and 2 projects. The Commission has also determined that date order is the governing principle for Gate 3 projects; it would be entirely unreasonable now to introduce a different approach to apply only to projects predating this. Furthermore, as the EirGrid paper notes, the prorating alternative based on local network issues could ultimately lead to higher constraint costs. This would certainly be a highly undesirable outcome.

For the above reasons and given the circumstances, SSE Renewables believes that the balance of fairness and consistency requires that date order must be used to determine FAQs for projects in Gates 1 and 2.

## Indicative Timeline for Interim FAQ Analysis for Gate 1 & Gate 2

EirGrid indicates that ITC studies and associated deep reinforcements analysis for Gate 1 generators will be concluded within four weeks of a Commission decision on this current consultation. It is proposed that the same suite of analyses for Gate 2 generators will take 5-6 months from decision to completion. This delay in providing an optimisation of the deep reinforcements for Gate 2 projects is very disappointing.

Gate 2 offers were issued way back in 2008 and yet, under this proposal, deep works will be optimised and new outcomes will be produced in Q3 2011. Thus, potentially, the deep reinforcements will be modified at this very late stage. It is unreasonable that Gate 2 developers are being asked to bear the brunt of this optimisation process. It is going to cause major issues for projects in Gates 1 and 2 that have not been yet been financed as their constraints will now last longer than initially expected.

Have Eirgrid or the Commission considered the impact that this optimisation process will have on delaying projects in these gates? Has there been any assessment of the impact that potentially material changes to previously-envisaged deep works and resulting firm access dates will have on projects? Projects have moved forward on the basis of assumptions as to firm access based on the timetable for the originally-envisaged deep works and associated constraints. These revised deep works will lead to delays in firm access of upwards of 3 years based on EirGrid's standard timelines and so will lead to delays in future projects because they will extend build-out periods to align with completion of the deep works so as to minimise constraints.

In accordance with good regulatory practice, a regulatory impact assessment should be provided to analyse the effect of 'shifting the goalposts' through delays caused by the proposed new grid optimisation process, because it will result in material additional costs in the form of increased constraints to Gates 1 and 2 developers. In the absence of such an assessment and as these increased costs are in no shape or form attributable to actions (or inactions) of these project developers, they must be socialised across the system.

## Finally

In conclusion, EirGrid must prioritise these studies and minimise any further delays and arrangements must be put in place to hold Gate 1 and 2 developers whole against additional costs resulting from this work.