

DK/DS

2 December 2010

Utility Regulator
Queen's House
14, Queen Street
Belfast. BT1 6ED

For the attention of :

Sarah Friedel sarah.friedel@uregni.gov.uk
Albert Shaw albert.shaw@uregni.gov.uk

Dear Sirs,

Consultation on Grid Connection Charges Policy.

Thank you for the invitation to express views on current experience and policy. We would make the following remarks from the perspective of a renewable generator of the scale 1 – 10MW. Our experience is based on developing, building and operating a 2,7 MW wood fired generator at Enniskillen and a similar 8,6 MW plant in the Scottish Highlands; a further 9MW project is under development at Enniskillen.

Costs of connection to the grid are important to us but of far greater concern is the uncertainty whether a connection will be available at all. This is a major disincentive to project development. In the case of the project which we are currently developing we must carry many hundreds of thousand pounds cost for several years to the point where Planning Permission may be achieved before we can engage with NIE in meaningful discussions whether grid capacity would be available for the project to proceed. If it is Government's wish that more Renewables should be built, that uncertainty should somehow be removed.

It is good that the operator is finding additional capacity on the existing grid infrastructure. We understand that Special Protection Measure(s) at about £300,000 each can further extend usable capacity. The allocation of that capital system cost, which we view as separate to the primary connection cost per se, seems to us somewhat unfair in that early starters have paid nothing while later projects pay an uncertain part of the cost of such special measures.

Might this not be better recovered in a usage based charge on all generators? We favour a "semi-shallow" connection policy. It would be helpful to have a transparent scale of charges known in advance.

Balcas Timber Limited
Laragh, Enniskillen,
Co. Fermanagh,
Northern Ireland. BT94 2FQ
phone: +44 (0) 28 6632 3003
fax: +44 (0) 28 6632 4082
firstname.surname@balcas.com

Investors and bankers dislike uncertainty, particularly after the money has been spent. At times of system constraint (i.e. a breezy summer night), our supply with relatively high availability and reliability might be dropped by SONI in favour of generators with much lower availability who in special circumstances can offer negative power cost. We believe that this situation does not meet the intention of Directive 2009/28/EC for guaranteed grid access. We see the risks of this becoming increasingly significant as more wind capacity is built in the west and the grid becomes increasingly choked unless substantial new infrastructure is built. This could kill the viability of renewable projects such as ours which should be viewed as particularly desirable because they are highly "dispatchable". However, the station must pay for fuel and operate almost continuously to achieve a payback. We believe that there is a case for such projects being given priority on the grid when capacity is constrained. There is an unavoidable conflict between cost and dispatchability but the system is not sustainable on wind alone; we believe that sustainable generators should not be penalised by the fortuitous, short term availability of unsustainably cheap power at unpredictable times. Our current project is unlikely to proceed if there is any significant uncertainty whether the power will be accepted onto the grid for 8000 hours a year of our choosing.

It is our belief that NIE's connection contract absolutely must include an end date by which the connection will be fully commissioned. We believe that a "contestable" element in the construction of necessary connection works is desirable.

We hope that our remarks are not based on any misunderstanding of the position which currently pertains and will be pleased to provide any elaboration which might be helpful.

Yours faithfully,



David Kidney
Balcas Limited

Dictated by David Kidney
and signed in his absence