



Energy for
generations

ESB Generation & Wholesale Markets

Response to:

Utility Regulator Consultation “Connection Arrangements for Offshore Renewable Generation”

May 30th 2013

PART ONE: INTRODUCTION & SUMMARY

ESB Generation and Wholesale Markets (ESB) welcome the opportunity to respond to this consultation. ESB currently has 525MW of operational generation, including both conventional and renewable, in Northern Ireland (NI), with future plans for further renewable connections. Policy relating to Connection Arrangements to the grid is important to our business. A summary of our main comments is given below. Detailed comments on Chapters 5 and 8 are given in Part Two of this response.

Summary of Comments:

- All applications for connection should be treated on the same basis in terms of their eligibility for entry into the connection process and the FAQ/ITC queue for firm capacity
- Allowing the 800MW of offshore renewable generation entry to the queue for firm access on the basis that they have been awarded development rights awarded by The Crown Estate will mean that any onshore connections currently in the planning process (~600MW) will effectively be leapfrogged. This will effectively result in further development of onshore wind development in NI being stifled.
- By ensuring a level playing field for both onshore and offshore generation, the market can determine and inform which projects get completed and connected first and this is likely to give the most favourable and competitive outcome in terms of meeting the 2020 renewable targets for NI.
- The physical connection arrangements for offshore renewable generation should be compatible with the Isles offshore network model. This will assist in allowing the full potential of renewable generation in NI to be developed.

PART TWO: DETAILED COMMENTS

Chapter 5: Options for Physical Connection Configurations and Wider Transmission System Reinforcements

Various options for radial transmission connection are discussed in the consultation with alternative arrangements, such as offshore networks, not favoured. ESB consider that any design should be compatible with the models being developed under the ISLES¹ project.

Development of offshore networks would assist in allowing the full potential of renewable generation in NI to be developed. There is currently approximately 500MW of renewable generation connected in NI with an additional 500MW of wind generation with planning permission awaiting connection to the grid. Further to this there is also another 600MW approximately of wind generation in the planning queue and the 800MW of offshore renewable generation which has been awarded development rights by The Crown Estate. This is a total of approximately 2.4GW of renewable generation for NI. Compared with the

¹ <http://www.islesproject.eu/>

current peak demand for electricity in NI (~1,800MW)², the potential for renewable generation is far in excess of domestic consumption requirements.

As highlighted in the recent SEM Committee decision paper³ on Market Integration the onshore and offshore wind resources in Ireland and NI represent a significant export opportunity and “*the North Seas Offshore Grid Initiative, of which both Ireland and the UK are members, is working to maximize the potential of the renewable energy resources of the Northern Seas. Part of this work includes consideration of market rules and cross border trade*”. It is appropriate then that connection arrangements for offshore renewables should facilitate export. Without this renewable projects may face prohibitive levels of curtailment.

Chapter 8: Changes to Connection Application Process and the NI Connection Queue

The consultation proposes that 800MW of offshore renewable generation should be allowed to apply for connection to the network, and enter the queue for allocation of firm capacity, on the basis that it has been awarded development rights by The Crown Estate. This would be different to the current accepted practice whereby a developer applying for a connection must have planning permission in place. ESB would not support such an approach. The points below explain our views.

- Equitable Treatment for all Technology Types

ESB are of the strong view that all applicants, offshore and onshore, should be treated on the same basis in terms of their entry to the connection application process and FAQ allocation queue. It would be entirely inequitable to have different, non equivalent, eligibility criteria for different technology groupings. Such an approach, in itself will select technology winners on the basis of skewed rules rather than economic or environmental merit.

Allowing the 800MW of offshore renewable energy projects entry to the queue for firm access on the basis of the first development rights awarded by The Crown Estate, will mean that all other projects in development, but which had not received planning permission as of October 2012 will effectively be leap-frogged by this sizeable amount of capacity. For projects sitting behind this tranche of generation in the queue the prospects of achieving firm access in a reasonable time frame have been entirely diminished. This will stifle development of all further development of onshore generation in NI.

It should be recognised also that many of these onshore projects have already spent a number of years in the development phase with investment decisions being taken on the basis that once planning permission is received a grid connection application can be submitted. Submission of a planning application in itself has required significant financial commitment by developers. In addition these projects would reasonably have expected that once they had received their grid connection offers they had a route to market in a reasonable

² Taken from All-Island Generation Capacity Statement
<http://www.soni.ltd.uk/AboutUs/News/SONIGenerationCapacityStatement2013-22.html>

³ SEM-13-009

timeframe. This current proposal would dramatically alter this reasonable expectation and seems demonstrably unfair.

As well as having a significant impact on investment incentives for onshore generation, having separate connection application rules and eligibility criteria for firm access for offshore generation, may also lead to single reliance on the offshore generation being realised to meet the systems security and emissions targets. As previously stated this approach selects technology winners. While DETI's "Strategic Energy Framework for Northern Ireland" sets a 40% target for renewable electricity by 2020, it does not introduce specific technology targets. By ensuring a level playing field for both onshore and offshore generation, the market can determine and inform which projects get completed and connected first and this is likely to give the most favourable and competitive outcome in terms of meeting the 2020 renewable targets for NI.

- Clarity on Connection Application Process

The current arrangements in relation to the connection application process are an accepted practice rather than a clearly defined regulatory approved rule-set. Since the only recent and planned connections in NI are for renewable generation, it is not clear how an application for a conventional generation application would be treated. ESB consider that the rules in relation to the connection application process should be clear and transparent.

- Justification of Special Case for Offshore Development

The consultation lists key issues for offshore developers as justification for their proposed special treatment in terms of connection; however ESB does not accept that these issues are unique to offshore developers. Comments on these are given:

- The ability to receive early information on grid connection layout and design is important to all projects. This can be facilitated by indicative studies carried out by NIE
- Planning consents for all projects require an outline design for the full generation scheme and again this can be facilitated when required by indicative connection studies carried out by NIE
- It is important for all projects that firm capacity is available to coincide with the project build out. Although the scale of costs may be higher, in terms of securing project finance, the issue is the same for onshore projects.

- Connection Arrangements in GB and Ireland

The process as suggested, to have different connection application rules for different types of generation, is also at odds with the current arrangements in both Ireland and the rest of the UK. In Ireland onshore and offshore generators are treated the same in the Gate application process and allocation of firm capacity. In GB the "Connect and Manage" principle is applied equally to all generation applications. Furthermore, as we move to a European Target Model by the end of 2016, it is appropriate that policies move toward consistency with neighbouring markets and jurisdictions where possible.

- Use It Or Lose It (UIOLI)

It is important that as for onshore connections a strict policy is in place regarding any capacity awarded to offshore generation. If projects are not built out within two years of signing of Connection Agreements that the capacity should be reallocated to whatever project(s) are next in the ITC/FAQ queue. This will ensure capacity is not hoarded and that the network is used optimally.

- Support Costs

The support costs for offshore renewable generation are considerably higher than for onshore. The Redpoint⁴ report shows that if the 40% 2020 target in NI is met by onshore wind generation, and displaces the need for offshore generation in GB, then a UK wide saving in support costs of £165m in 2020 is achieved. Clearly onshore wind generation should be encouraged whenever possible.

⁴ “The economic effects of increasing wind development in Northern Ireland” March 2012