

Omagh Business Complex, Great Northern Road, Omagh BT78 5LU

Albert Shaw & Sarah Friedel
Utility Regulator
Queens House
14 Queen Street
Belfast
BT1 6ED

10th January 2011

Dear Sir & Madam,

Please find enclosed the response by ESB Wind Development Ltd to the "Consultation on Electricity Connection Policy to the Northern Ireland Distribution System" and related NIE paper on "Charges for Connecting Groups of Generators to the Northern Ireland Distribution System". ESB Wind Development (ESBWD) is one of the leading developers of onshore wind generation across the island of Ireland and we welcome this consultation exercise and the opportunity to respond.

The main conclusions of our response are:

- ESBWD support the general principle proposed for the charges for connecting groups of generators as described in Option 3. However the denominator value used in the calculation should reflect the maximum capacity of the assets
- Costs for connection to the NI distribution system are, in the experience of ESB Wind Development, high when compared to costs across the island. This consultation paper does not address this issue.

A detailed response is provided in the following pages. In addition ESBWD would like to note our input to, and support for, the consultation response by the Northern Ireland Renewable Industry Group (NIRIG) on behalf of the wider industry.

If you have any questions or would like to discuss any of the matters raised further please do not hesitate to contact me.

Yours sincerely,



Gary Connolly
NI Development Manager

General Comments

Section 7: Rebates for Generators & Customers

ESB Wind Development support the proposal to increase the time line associated with the allocation of rebates for shared connection assets to a ten year time frame. We would also support the application of rebates to all classes of customers connected to the distribution system. Furthermore, ESB Wind Development would be keen for the Utility Regulator to consider lengthening the period of rebate to equate to the lifetime of the connection asset or the lifetime of the connection agreement.

Section 8: The Definition of “Connection Assets” and Associated Costs

In principle, we consider that connection policy should be based on a shallow principle as indicated in the Single Electricity Market (SEM) High Level Design decision paper¹.

It is unclear how this Section and Section 10 (and the associated NIE paper) fit together. What impact, if any, would the new definition of connection assets proposed here have on proposals for the treatment of charges for connecting groups of generators?

ESB Wind Development is not in favour of the introduction of distribution use of system charges for generators. Generators greater than 10MW already make an ongoing contribution towards the cost of transmission assets through the TUoS capacity charge. Given that, in most cases, the generator pays for the construction and/or enhancement of the distribution connection asset, it would be unreasonable for the generator to pay for the use of a self-funded distribution system on top of the fees payable for use of the transmission system.

Section 9: Timing of Connection Offers and Connections

ESB Wind Development welcomes the Regulators efforts in reviewing the timing of connection offers and connections.

We consider that the current 90 day timeframe for issuing offers to be adequate. However, sufficient resources must be in place to ensure that this timeline can be delivered consistently. With regard to an accelerated service, we do not think it is necessary if the 90 day commitment can be delivered.

Recently there have been significant increases in quotation fees. Transparency around these charges is required. ESB Wind Development believes that it would be reasonable for NIE to deduct these fees from the final connection charges if the connection offer is accepted.

¹ AIP/SEM/42/05

The paper proposes to introduce a contractually binding duration for the connection works that are in the direct control of NIE. ESB Wind Development would welcome the introduction of fixed durations for connection works. Resource availability with NIE should be reviewed to ensure that connections can be delivered in a timely manner. However we recognise that there are factors beyond the control of NIE which impact on connection dates.

On a separate point related to connection offers, the market rules (and so revenues) distinguish between generators which have firm and non-firm access, however it is not fully clear for generators in NI as to what constitutes firm and non-firm access. ESB Wind Development would welcome greater clarity as to how connection offers as issued by NIE will be viewed by the market in terms of their firmness.

Section 10: The Treatment of Charges for Connecting Groups of Generators (covering NIE paper)

- **Option 3**

ESB Wind Development supports the general methodology described in Option 3 for the treatment of charges for connecting groups of generators. However a key point is the selection of the “common denominator” divisor. We strongly believe that the divisor should be based on the maximum reasonable capacity of the connection asset rather than the capacity of the transformer as proposed. This would result in many benefits, including reduced costs to developers and no unnecessary complications associated with rebates.

The concept of a least cost connection method based on cluster connections is important. We would seek reassurance that, should Option 3 be implemented, the connection method proposed will be the least cost cluster connection method. Should NIE wish to amend the connection method for operational or other system reasons, the cost payable by the developers should only reflect the least cost solution.

In the event that the methodology used allows the cluster capacity to be increased at a later stage, we support the commitment to no retrospective charges being introduced to initial participants. We also request that formal rebate terms be published to cover the redesignation of any shared assets.

It is important that the individual supply option should still exist for generators wishing to connect where no cluster proposal exists. Connection policy should include this option. Also, any policy

should also reflect the commitment that a cluster development will proceed on planning clearance of the first associated development, and not be contingent on a critical mass being achieved.

- **Other Connection Charging Policies**

Efficient Level of Connection Costs: It is ESB Wind Development's experience that the costs of connection in NI are high. When compared with costs in the Republic of Ireland, the NI costs do not compare favourably. We ask that the planned further benchmarking exercise include ROI as a comparison.

Standard Charges: ESB Wind Development considers that a statement of standard costs for general plant items should be published. NIRIG has proposed a full listing of standard costs similar to those used by the CER and ESB Wind Development is fully supportive of this approach. We look forward to attending the NIE forum on this subject.

Special Protection Schemes (SPS): ESB Wind Development consider that the costs associated with SPS have been historically unjustifiably high. We welcome the progress made by NIE on reducing the costs associated with the SPS and look forward to further review of the SPS charging in the future.

Early Signing of Connection Agreements: ESB Wind Development welcomes the facility to allow for the early signing of connection agreements and would further support closer integration with issue of TUoSA agreements by SONI. Both documents are essential requirements for SEMO Registration which must take place at least 60 days prior to energisation.

Section 11: Other Issues

- **Operation & Maintenance (O&M) Charges**

Currently generators have to pay 100% of O&M costs over the lifetime of a connection asset within the connection charge. We consider that this policy is unfair and believe that O&M costs should be paid annually. We have further concerns regarding the application of a standard O&M rate to all classes of asset e.g. underground cable, SPS, communications. We look forward to responding to future consultation on this matter.

- **Grid Code and Trading & Settlement Code (T&SC) Costs**

We agree with the intention in the paper to ensure that all costs associated with connection to the distribution system are fully transparent. However the costs such as metering and telemetry mentioned in the paper are already paid by the connecting generators. It is unclear if there will be additional new charges and what these will be.

- **Contestability**

We are disappointed that the principle of contestability is not currently being considered. All connections in the Republic of Ireland, both to the distribution and transmission system, can now be built on a contestable basis. This arrangement has worked well and has allowed developers better control over works critical to the deliver of their projects. We request that a commitment be given to review the introduction of the contestability principle