

Commission for Regulation of Utilities  
P.O. Box 11934  
Dublin 24

Date: 03/05/2018

RE: ECP-1 grid access for DS3 providers

To whom it may concern,

We are writing to you at this time, to draw your attention to concerns we have regarding the proposed approach to the allocation of grid access for DS3 providers under the ECP-1 decision. As you are no doubt aware, Eirgrid recently published its consultation on DS3 Services – Volume Capped Procurement process<sup>1</sup>. Within this consultation Eirgrid are proposing a 30MW cap on services provided from any individual grid connection point and they have provided a solid and reasonable rationale for this proposal. As such, we believe this will be generally supported by Industry. Our concern relates to the apparent mis-alignment between this cap and the 100MW individual project cap, combined with a 400MW overall cap established in the ECP-1 decision.

As things stand there appears to be a somewhat perverse incentive on projects high up in the date order queue, (or projects that have managed to secure an early planning decision), to effectively pay a premium in order to block competitors from entering the market. If a number of the existing 100MW grid applications don't avail of the opportunity to reduce their MEC's in advance of the 27th May cut-off date, then the majority of the 400MW allocation may end up being allocated to a relatively small number of projects. As few as 4 projects and 3 developers is theoretically possible. These 100MW projects could then later pay an MEC reduction fee having successfully frozen significant competitors out of the market.

A second concern is that a 2nd volume capped auction is currently planned for 2019 whereas the next opportunity to apply for grid connections is likely to be 2020 at the earliest. i.e. Grid offers issued now in ECP-1 will likely be required to provide competition in both the first and 2nd volume capped auctions. This appears not to be in the best interests of consumers for two reasons.

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<sup>1</sup> <http://www.eirgridgroup.com/site-files/library/EirGrid/Consultation-on-DS3-System-Services-Volume-Capped-Competitive-Procurement.pdf>

- Limiting DS3 to a very small number of offers will limit competition, likely resulting in higher prices for consumers.
- The perverse incentive provided to the small number of winners, should they choose to avail of their powers to limit auction competition, will result in them having increased costs which would push up their bid prices (noted that this will be within the limits of the proposed regulated tariff caps).


IWEA acknowledge the difficulties of trying to amend what is a final decision on ECP-1, and so we are proposing a solution to this difficulty that fits within the framework of this decision. In section 2.1 of the decision document<sup>2</sup>, the CRU note that “In order to protect consumers interests we want to be clear that, if necessary, the CRU reserves the right to increase the batch size to increase the diverse range of projects that can be issued connection offers”. We would propose that the CRU consider only the first 30MW of any individual DS3 grid application when determining whether the 400MW cap has been breached. We would also note, that if this could be announced / confirmed in advance of the 27th May cut-off date, this would likely send a signal to the existing 100MW applicants that there would be little, if any advantage in hoarding excess capacity, and as such we would expect some of these projects may seek to reduce their MEC’s in advance.

We would note and accept that ECP-1 is not the only route to market for DS3 providers and as such it is possible that some additional competition may emerge either from Northern Ireland projects or from projects that don’t require an MEC. However, there can be little doubt that applying the above approach would ensure much greater competition to the benefit of consumers. It also sends a very poor signal to energy market investors in Ireland who have already invested significant sums of money securing land rights and making planning applications for these projects, if they are prevented from even having the opportunity to compete.

We would further note that the above proposal would likely increase the batch for DS3 to no more than 15 offers of which 6-8 could well secure contracts and get constructed over the next 2-3 years. This does not seem like an unreasonable ask, considering the consumer benefit that is likely to be delivered.

We would note that this topic is on the agenda at the next quarterly meeting on the 10th May and we look forward to discussing this further with you at this meeting.

Yours Sincerely,



David Connolly  
CEO

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<sup>2</sup> <https://www.cru.ie/wp-content/uploads/2017/04/CRU18058-ECP-1-decision-FINAL-27.03.2018.pdf>