

IWEA RESPONSE TO CER/08/226

CRITERIA FOR GATE 3 RENEWABLE GENERATOR OFFERS & RELATED MATTERS PROPOSED DIRECTION TO THE SYSTEM OPERATORS 13/11/08

21/11/08

Introduction:

With global energy markets set to experience even greater levels of price volatility in the future, it is essential that an efficient, fair and crucially an expedient processing system be adopted for Gate 3 renewable generator offers. The timely issuance of connection offers to renewable generators is needed if Ireland is to meet its renewable energy targets and reduce its carbon emissions in line with its international commitments.

IWEA welcomes the proposed increase of the size of Gate 3 to 3,900 MW in response to the new Government RES-E target of 40% by 2020. However, IWEA is still concerned that the proposed timelines involved for the issuance of offers are unduly long.

IWEA is also concerned that the proposed direction continues to remain discriminatory, as the volume of renewable applications is capped while the Gate remains open to applications from brown generation which are completed before the commencement of the ITC programme. It is accepted that on occasion, connections for conventional generation should be streamlined in cases where grid security and supply are at risk, however this should be done only when absolutely necessary. IWEA believes that conventional generator applications received after the cut off point for renewable generation should only be included in the Gate 3 process where security and supply are demonstrably under threat.

Gate 3 Offer Process

While the swift issuance of offers is essential, the processing of Gate 3 should not impact on the delivery of Gate 2 Modifications. Some IWEA members have indicated that they are experiencing significant delays in the processing of minor Gate 2 modifications.

The inflexibility of the proposed direction with regard to MEC amendment and node re-assignments is of significant concern. While it is accepted that a project's MEC should not be readily amended at a prohibitively late stage in the process, there should be some flexibility in the early stages of Gate 3 to allow for necessary adjustments to be made to the MEC, resulting from post-application revisions such as confirmed turbine ratings etc. A similar provision for early node re-assignments should also be made to allow for a change in external circumstances such as change of land ownership or recent development on/near probable connection route.

The transmission planning criteria should be reviewed to ensure that the Gate 3 process is not based on an unduly conservative analysis of the transmission system.

The application fees for Gate 3 are still significant and while the per MW approach may result in lower absolute fees for smaller developers they may still have a disproportionate impact on smaller projects. It is essential that the money collected in application fees is used to ensure sufficient resources are available to deliver Gate 3 on time.

IWEA welcomes the commission's agreement that the Grid Code compliance of brown generation is an important issue in terms of system performance. It is essential that non-compliant conventional plant does not create system inefficiencies which would unfairly impact on available capacity and revenues for compliant renewable generation. We view the consideration of a financial penalty for non-compliance as a positive step towards improved system performance.

The issue of the proposed increase in the level of capacity bonds remains unresolved in this direction. We welcome the Commission's engagement on this issue, as we believe the timing and quantity of bond proposals to be unsuitable as an effective means of discouraging capacity hoarding; as well as acting in a disproportionate manner to smaller developers.

Constraint reports are fast becoming an essential component in securing second stage project finance. IWEA welcomes the proposal that industry will have an opportunity to have an input into determining the most appropriate basis for the derivation of constraint assumptions through the Gate 3 Liaison Group, however a firm commitment to the timely development of an accurate system for creating fit for purpose constraint reports remains necessary.

The re-running of the ITC on an annual basis would open up the possibility of additional offers being made to renewable generators where capacity has become available due to changes in previously proposed developments or new innovative grid management strategies. The suggestion that the ITC programme should not be re-run unless a very low take-up on Gate 3 offers was experienced is an unnecessary limitation, and could result in delaying offer opportunities which would have been identified earlier with an annual re-run.

Timelines for Gate 3 and Future Gates

The proposed direction now envisages the final Gate 3 offers to be issued in May 2011. With some applications submitted as early as 2004, this could result in 7 year waiting periods for some developers. We believe that this is unacceptably long and must not be allowed to drift any further. Provisions should now be in place to ensure that Gate 4 is commenced as soon as practical to avoid similar delays in the future.

Other Issues

The IWEA welcomes the engagement of the Commission on the issue of deemed firm access. The allocation of all of the time risk associated with the development of deep reinforcements to the developer, who has no control over delivery, is an inappropriate situation. We look forward to working with the Commission in order to find a more appropriate balance of incentive and risk.

We also welcome the Commission's commitment to develop detailed all-island rules for the implementation of non-firm access in advance of the issuance of Gate 3 offers.

Regarding the Commission's requirement that an applicant confirms in writing, and witnessed by a solicitor, that it has acquired any necessary landowner consent(s) to access the land where it proposes to locate the project specified in the application form, IWEA would like to make a request for greater clarity on this matter outlining the exact requirements of this provision.