



IWEA Response to the Consultation on First Stage Payments for Connection Offers

4 February 2011

IWEA welcomes the opportunity to comment on the Consultation on First Stage Payments for Connection Offers.

The paper outlines two key areas under consultation:

1. The quantum of the first stage payment, and
2. The uncertainty and risk to project financing until REFIT arrangements have been determined.

The IWEA response to each is outlined below.

1. Quantum of First Stage Payment

As noted in this paper IWEA has requested the Commission to consider the current level of Gate 3 First Stage Payments in particular due to the current climate of financial market uncertainty. This climate and uncertainty is providing grave difficulty to many developers in accessing finance for the first stage payment and needs recognition. Please find attached a letter from Grant Thornton in evidence of such difficulties.

While IWEA accepts that there was extensive engagement and consultation with industry in 2008 and 2009 in setting the current policy (CER/09/138) for renewable generators which became operational in August 2009, IWEA feels strongly given the radical changes in our economy since then, unforeseen by most, this current policy warrants review.

IWEA proposes that the Gate 3 first staged payment should be a flat **€5K/MW** for all projects with a further 5K/MW to be paid **24 months** following the first stage payment.

This proposal will still address the two main purposes of a first stage payment as per CER/09/138:

- i. Prevent Hoarding - the primary purpose is to prevent parties from hoarding transmission capacity, which is a limited and valuable resource. €5K/MW as a non-refundable first stage payment is a significant hurdle to reach in the current climate and will most certainly act as some deterrent to those that could otherwise accept a connection offer with no intention of advancing the project.

ii. Cover Costs Incurred: - the secondary purpose is to cover some of the costs incurred by the transmission system operator for the provision of deep transmission connection assets. IWEA strongly believes a €5K/MW payment followed by an additional €5K/MW payment 24 months later will most certainly cover the costs incurred. In the unlikely but possible scenario whereby grid works progress faster than this 24 month timeframe then it is reasonable to expect invoices for any balance of the first stage payment be issued with the invoice for the second stage payment to ensure the System Operators are kept cost neutral.

This proposal if accepted would address current difficulties in accessing finance but also allow the Gate 3 programme to progress.

2. Uncertainty and risk with regard to project financing until REFIT arrangements have been determined

IWEA welcomes the recognition from the Commission that some projects face uncertainty and risk with regard to their financing until REFIT arrangements have been determined. In the absence of a REFIT Scheme for both onshore and offshore wind in Gate 3 this is a risk for all applicants within the Gate.

And as such IWEA welcomes the proposal presented by the Commission that on acceptance of the connection offer, the first stage payment amount in excess of related project costs incurred efficiently by SOs be made rebatable. To ask developers to place significant non refundable first stage payments in the absence of a REFIT scheme is clearly a serious issue and IWEA would request that this proposal is adopted. This rebate should apply to all technologies including both onshore and offshore wind.

Conclusion

IWEA welcomes the review of the first stage payment for grid connections. IWEA requests that the Commission considers the IWEA proposals which we believe will address the current difficulties and still meet the objectives required.

1. IWEA proposes that the Gate 3 first staged payment should be a flat €5K/MW for all projects with a further 5K/MW to be paid 24 months following the first stage payment.

2. IWEA welcomes in the absence of a REFIT Scheme, on acceptance of the connection offer, the first stage payment amount in excess of related project costs incurred efficiently by SOs be made rebatable. This should apply to all technologies and the rebate facility to be exercisable within the 18th month following the date of offer acceptance.

IWEA looks forward to discussing our proposals further with the Commission.