

By email: gareth.mcloughlin@soni.ltd.uk

Dear Gareth

RE: Allocation of Transmission FAQ in Northern Ireland & ITC Methodology to determine FAQs

Thank you for the opportunity to respond to this consultation. B9 Energy Offshore Developments Ltd is a renewables developer based in Northern Ireland and is a member of the First Flight Wind consortium that was awarded the exclusive development rights for the 600MW offshore wind farm zone off the south east coast of Co. Down by The Crown Estate in October 2012.

In August 2011, B9 Energy wrote to SONI, TCE, NIE, DETI, UREGNI and NIRIG (attached) setting out the challenges of offshore development particular with respect to clarifying arrangements for grid connection and integrating such into the consenting programme for the project. The letter argued that it was essential for the timely progress of the offshore projects to allow early connection applications to be made in advance of receipt of planning approval. In fact, without the certainty on grid connection arrangements provided through the grid connection application process, it would not in fact be possible to complete the whole project EIA process and enter into planning in the first place.

In consequence, we support SONI and NIE's decision to broaden the Firm Access Quantity (FAQ) consultation to include consideration of other forms of generation in addition to onshore. The ability to apply for a connection and receive a place in the Incremental Transfer Capability (ITC) queue is important to ensure that the development of all the offshore projects can progress according to their timetables and make a significant contribution towards Northern Ireland's 2020 renewables target.

Whilst it is noted that UREGNI is conducting a parallel consultation on offshore connection arrangements, we consider that, subject to the outcome of that consultation, offshore generators should enter the FAQ allocation process when they make their generation connection applications. This should ensure a consistent point of entry onto the FAQ list for all technologies. Whilst there is an argument that entry into the FAQ list could be made upon receipt of exclusive development rights from The Crown Estate, we consider that a more balanced approach (taking account of the needs of other industry players) means that FAQ list entry upon application for connection agreement is appropriate.

However, while we recognise the logic of the requirement for on-shore generators to have planning permission for their generation project before applying for a connection offer, for offshore generators we believe that it is appropriate that applications for connection offers could be made in advance of obtaining planning permission. This is necessary for the offshore generators as the design of the projects (in terms of the location of the offshore platforms, cable corridors and landfalls) and the EIA process (in terms of the above and all the onshore infrastructure) both require a full understanding of the connection arrangements in advance of a planning application being made (as was set out in the letter of 26 August 2011). It is not therefore possible to progress planning for the offshore projects without the necessary certainty on grid connection infrastructure afforded through the connection application process. We consider that the condition for such early application would be the granting of exclusive development rights from The Crown Estate as announced in October 2012.

The scale of the offshore projects means that they can make a significant contribution towards the 2020 renewables targets and beyond. However, their scale also introduces challenges in terms of the

timing of the development programme and the developers' ability to commit to what is a significant development and pre-build investment. Securing a place on the ITC list for the projects is necessary in order to ensure timely development of the project appropriate for the significant financial investment decisions associated with the projects.

Finally, we strongly believe that network reinforcement works, particularly the Meath-Tyrone 400KV upgrade, will be crucial to the delivery of the NI Executive's targets and we urge that this remains a focus of SONI / NIE's future work programme.

Regards

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Robin McCormick
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26 August 2011

Dear Robin,

Connection Offer Arrangements for Offshore Renewable Energy Projects

I am writing to you as the party licensed to offer connections to the NI transmission network. The backdrop to this letter is the forthcoming leasing round for offshore renewable projects following the conclusions of the Strategic Environmental Assessment work, the ongoing completion of the Draft Offshore Renewable Energy Strategic Action Plan and the publication in September 2010 of the Strategic Energy Framework.

On account of the nature of the letter I am copying it to Shane Lynch, Utility Regulator, Joe O'Mahony of NIE, Fiona Hepper of DETI, Stuart Curry of Crown Estate and Gary Connolly of NIRIG.

We are concerned that current protocols governing the timing for when an eligible application for a grid connection can be made will seriously hinder the delivery of the intended offshore renewable energy capacity envisaged for 2020. Arrangements were adopted in the 1990s by NIE with the support of the onshore renewables industry to ensure an orderly queuing system for applications so as to prevent speculative grid connection applications being made that would secure capacity without the necessary project development investment being made in parallel. Applications for grid connection to NIE and grid connection offers from NIE could only be made following receipt of project consent. For onshore wind projects this has been taken as the date of issue of Planning Service planning consent for the project whilst other consent conditions apply for other technologies. On the whole these arrangements have been successful at ensuring an orderly and fair sequence for issuing connection offers. However, we consider that they were made without consideration of the particular challenges facing much larger offshore renewables development.

Our concern is not a technical issue relating to the definition of the appropriate equivalent date of consent for an offshore project, which could reasonably be deemed to be the date of a marine licence issued by Northern Ireland Environment Agency as the appropriate licensing and enforcement authority under the Marine and Coastal Access Act 2009. Rather, we consider that the arrangements as currently devised do not work appropriately with large, long-lead offshore projects. There are two reasons why the current arrangements do not meet the needs of the new offshore sector; risk and timing.

Crudely put, project development costs for obtaining all necessary consents can be many times greater than onshore development costs. The development phase costs are largely inflexible to the scale of the

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proposed offshore project and will need to cover the full range of geophysical, geotechnical, resource and metocean condition assessment, coastal process assessment and all other requirements necessary for obtaining consents both under the new marine licensing arrangements introduced on 6th April 2011 under the Marine and Coastal Access Act 2009 and under Article 39 of the Electricity (Northern Ireland) Order 1992. For a commercial project of the scale envisaged under the forthcoming lease round for both marine tidal and offshore wind, the levels of development spend to reach consent will be between £5 million - £10 million. The level of these costs requires the developer to have sufficient confidence that a grid connection can be secured and delivered in a reasonable post-consent programme timescale. In the absence of being able to secure a connection offer until post-consent, as has been possible for offshore projects under all other offshore rounds in the rest of the UK, there will remain a significant level of uncertainty preventing timely and appropriate long-lead contract commitment. Unlike for the onshore sector this is particularly important for the offshore sector where very long-lead contract commitment requirements are necessary for many areas of the supply chain, particularly relating to the provision of turbines and foundation systems, marine cables and appropriate installation vessels. Without this approach to project delivery, we believe that projects will not secure the cost of energy reductions that can be obtained through a supply chain industrialisation strategy. On the other hand, achieving an earlier level of certainty regarding a grid connection agreement will both enable developers to proceed with their development commitments and will enable the post-consent delivery programme to be optimised to ensure cost-effective project delivery in accordance with the 2020 target date.

In addition, the provision of an earlier application process for such large reinforcement projects would both allow the upgrade expenditure to be spread over a longer period (potentially allowing the upgrade works to be combined with scheduled maintenance activities) and also increase foresight in network planning and reinforcement programming.

We are conscious of potential complications arising from the introduction of a new system on top of the existing system, but consider that the disbenefits of failing to address this problem will be very significant. We would therefore like to propose the following suggestion for offshore generators, which is based upon practice adopted in GB by National Grid.

In the case of GB, National Grid makes offers of terms for connection to generators that submit competent applications regardless of their progress with consents. Indeed, in the early stages of Round 3 National Grid were repeatedly asking developers to make early grid applications because they wanted to have as long a lead in time as possible to carry out the necessary reinforcements. These offers afford the potential connectee fully firm rights of access and a firm completion date and are based upon the assumption that the connectee will progress their works in a complementary timescale. However, the construction agreement component of the offer affords National Grid particular powers linked to failure on the part of the new connectee to secure necessary consents. Following the acceptance of the offer, National Grid and the new connectee are obliged to agree a connection construction programme which concludes at the connection completion date specified in the agreement. In the event that National Grid is delayed in progressing the construction programme as a result of failure on the part of the new connectee to secure necessary consents then National Grid has the right unilaterally to revise completion dates and connection charges to reflect both revisions to the connection construction works arising from the delay and also revisions to transmission system underwriting (that is, other generators may precede the new connectee in the queue if the new connectee's consents give rise to the delay). In the event of repeated delay, National Grid may exercise a right to terminate the accepted connection offer and the new connectee would be liable for any unavoidable costs owing at the point of termination.

We consider that such arrangements could reasonably be introduced into Northern Ireland for offshore generation but with an additional condition. The outcome of the forthcoming leasing tender round will be the selection by the Crown Estate of developers for project sites or zones who will need to meet strict milestone-based delivery targets in accordance with their respective development agreements with the Crown Estate or suffer termination for default. The holding of an exclusive development agreement with the Crown Estate following the tender round should be a pre-condition for applying for offer terms for an offshore grid connection agreement.

Finally and for clarity, we would consider that 'the necessary consents' above are both the Marine Licence issued by NIEA under Part 4 of the Marine and Coastal Access Act 2009 and consent under Article 39 of the Electricity (Northern Ireland) Order 1992.

In order to facilitate further consideration of this or alternative options for addressing the above issues, we believe it would be appropriate for a meeting or forum to be convened for the autumn to consider this matter involving representatives from the Utility Regulator, DETI and NIE. Is this something you would consider valuable for moving the matter forward? Since it is an issue of significant interest to the rest of the offshore industry in Northern Ireland, I feel that it would be important for both the Crown Estate and RenewableUK / NIRIG to attend as well.

Yours sincerely,

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cc: Shane Lynch, Utility Regulator
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Joe O'Mahony, Managing Director, NIE
Stuart Curry, Development Manager, The Crown Estate
Gary Connolly, Chairman, NIRIG
