



Gaelectric Energy Storage Ltd.

Reply to Consultation:

Generator Connection Process

Allocation of Transmission FAQ in N Ireland & ITC

Methodology to determine FAQs

Response and Further Consultation Paper

12th April 2013

1 Introduction

GES welcome the opportunity to respond to the consultation on allocation of transmission FAQ & ITC methodology. We would like to support NIE and SONI's recognition of the need to consider various levels of consents and permissions that applies to different technologies, such as Compressed Air Energy Storage (CAES), which demonstrate a significant degree of commitment by the developer to its project.

The importance of the continued development of strategic energy and renewable energy infrastructure, in the overall context of the energy market on the island of Ireland cannot be underestimated. This is further confirmed by Regulation 2009/28/EC, Article 16.1 states that *"Member states shall take the appropriate steps to develop transmission and distribution grid infrastructure, intelligent networks, storage facilities and the electricity system, in order to allow the secure operation of the electricity system as it accommodates the further development of electricity production from renewable energy sources"*.

And;

Article 16.2 that *"Member States shall ensure that appropriate grid and market-related operational measures are taken in order to minimise the curtailment of electricity produced from renewable energy sources"*.

The role of bulk Energy Storage in this area is clear. CAES can be used to balance the system, and support wind integration through reducing curtailment levels on the island. This has been shown by studies undertaken by GES in analysis industry standard software, and industry approved inputs.

If, as suggested that using adequate levels of permission is to "test" the commitment of a developer, and indeed to mitigate against the hoarding of capacity, then there are little doubt as to the appropriateness of the use of a Mineral Prospecting licence as an appropriate level of permission for CAES Storage Facilities.

It must also be mentioned that GES have continued to invest and progress the CAES project despite the fact that the market is maturing through a period of uncertainty. By way of example, GES has committed significant spend on a drilling programme in the 1st half of 2013 to validate the mineral resource. The risk associated with this serves to further supplement the argument that GES continues to prove it is wholly committed to CAES in Northern Ireland, whilst reducing further any concern with respect to hoarding.

2 Response to Consultation Paper

2.1 Submission Issues No 1:

Section 3.2, Entry to the NI generation listing, parr 2

“Since the Oct ’11 consultation development opportunities have been identified for three zones of the coast of N Ireland. The first offshore leasing round was conducted by The Crown Estate, with the rights to develop offshore renewable energy projects offered to three successful consortia announced in October 2012. The granting of these first development rights will lead to the necessity for grid connections for the offshore generation. The three development zones are as follows:

- *An offshore wind area, off the south east coast of County Down, for a single development company to deliver up to 600 MW of wind generating capacity.*
- *A tidal development at Torr Head for 100MW.*
- *A tidal development at Fair Head for 100MW.”*

Submission Response:

- i In reference to the above process of the Offshore Leasing Round, which is a high level selection process operating at a regional level under which candidates for marine renewable energy developers have and are being identified, we wish to indicate that Gaelectric Energy Storage’s Project-CAES Larne NI has been subject to a European and Member State wide selection process under EU Regulation on guidelines for trans-European energy infrastructure [COM/2011/658] and the Regulation on the Connecting Europe Facility covering Energy, Transport and Telecommunication infrastructure (2014-2020) [COM/2011/665]. These EU guidelines and regulations allow for the selection of a number Bulk Energy Infrastructure projects across Europe to a list of Projects of Common Interest underscribed by EU legislation.
- ii On Wednesday 9th April 2013, the regulation COM/2011/665 was voted upon by the European Commission in Brussels and it will be enacted by signature on the 17th April, and published in the EU Journal in May 2013. As part of this regulation, there is a draft list of PCI projects being put forward to the EU parliament and Project CAES, Larne NI is included in this list. Once the list is signed into law by the EU parliament, it will be enforced and reviewed every two years.
- iii Project CAES, Larne NI is listed on the Northern Seas Offshore Grid (NSOG) regional PCI list as “Project no.151, UK, “New compressed air energy storage in Larne (UK)”. The NSOG region comprises of the UK, Ireland, Scandinavia and parts of northern Europe and is one of the four regional PCI lists for electricity infrastructure.
- iv In our opinion inclusion in the PCI selection process and selection to the formal, Northern Seas Offshore Grid (NSOG) Regional, Draft PCI list provides for a degree of certainty and

commitment of a magnitude that likely exceeds the normal threshold applied by the Regulator to test commitment for inclusion and application to the connection process.

2.1 Submission Issues No 2:

Section 3.2, Entry to the NI generation listing, par 3-5

" As these are the first offshore renewable projects in NI waters, new connection arrangements which deal with the relevant issues are presently being considered by UREGNI and will be consulted upon shortly. There is also another party (Gaelectric) wishing to provide generation from a Compressed air energy storage (CAES) project.

In view of the different and additional permissions required for these types of projects it is felt that this consultation needs to consider whether a different approach to the entry to the generation listing is required."

Submission Response:

- i In reference to section 3.2 of the consultation paper, we welcome the consideration of the need to follow a different approach for entry to the generation application for a CAES Storage Facility project based on its consenting regime and the complexity of its lease, licence and consent to construct permissions when compared to a similar regime. All of which place a significant burden on this and other similar projects while they proceed through the first phase of their respective regime.
- ii It is submitted that the mineral prospecting lease, licence and consenting regime and the offshore marine use lease, licence and consenting regime, both provide for a structured and conditioned programme, governed (in the case of a Mineral Prospecting Licence) by statutory consent and statutory conditions. These regimes give access to state-owned property and resources, which in turn allows for their exploration and investigation for the future development of Bulk Energy Storage/Renewable Energy Infrastructure projects.
- iii It is further submitted that these regimes typically consist of two clearly defined phases, a first phase where access or consent is given for the exploration and investigation of state owned strategic resources such as offshore waves, tidal and wind resources and onshore minerals i.e. geological salt deposits for the future development of Bulk Energy Storage /Renewable Energy Infrastructure Projects. Consent for this first phase is given in the mineral prospecting regime by a Mineral Prospecting Licence, given by the Department of Enterprise Trade and Investment (DETI) and in the case of the offshore marine use regime by an Agreement for Lease from the Crown Estate.
- iv The second phase of the above mentioned regimes consists of consent-to-construct for development purposes, given, in the case of the mineral prospecting regime, by Planning Permission and in the case of the offshore marine use regime, by a Marine Licence.
- v It is submitted that a significant degree of commitment, legal and statutory obligation are imposed on the Licencee under this first phase of consenting, by a Mineral Prospecting

Licence or a Marine Agreement for Lease. It is important to note that these obligations are governed by legal agreement, statutory conditions and associated consents and permissions thus giving, a high degree of certainty by which to judge the commitment of a developer to the project. In this context, these licences and agreements impose significant legal obligations on an applicant and clearly demonstrate an applicant's commitment to the proposal, that the consultation paper recognises at parr 3.2.2, as the appropriate test of entry to the FAQ listing.

2.2 Submission Issues No 3:

Section 3.2.2, Further considerations regarding other generation technologies, Parr. 1

"The additional question that now needs to be considered is what level of permission is appropriate, prior to connection application and hence inclusion within the FAQ listing, for other forms of generation such as offshore and CAES, which will require a number of consents. One option would be to require all necessary consents to be in place before a connection application may be submitted. However, if the purpose of having a requirement is primarily to test commitment to justify entrance to the FAQ listing the question could be asked as to whether this threshold goes beyond that applied to on shore wind. If such a threshold is considered unreasonable the question then becomes what is reasonable?"

Submission Response:

- i It is contented, that in consideration of what level of permission is appropriate, prior to a connection application that a Mineral Prospecting License in the case of a CAES Energy Storage Facility, and a marine Agreement for Lease provide for a considerable degree of commitment, legal and statutory obligation to fully satisfy the need for commitment and reassurance shown to the regulator. This does provide an adequate level of reassurance that a project will continue to progress, and that generation capacity be held in reserve for the same.
- ii In reference to "other forms of generation such as offshore and CAES [Storage Facility]" it is submitted that the distinguishing factor, in addition to their scale and strategic nature, is the scale of the substantial exploratory works required to be undertaken by either an offshore Operator's Agreement for Lease from the Crown Estate Commissioners (CEC) or under a Mineral Prospecting Licence from the Department of Enterprise Trade and Investment (DETI), and the works allowed by them.
- iii It is further submitted that the degree and scale of these permitted development rights, that a Mineral Exploration Licences give access to, through its rights for exploration of a mineral resource owned by the state, of Permitted Development rights under the Planning (General Development) Order (NI) 1993, part 6 is considerable. These permitted development rights include but is not limited to drilling of boreholes, the carry out of seismic surveys or the making of excavations for the purpose of mineral exploration. In the case of a CAES Energy Storage facility, this would include geological drilling to depths of 850-900m, geophysical surveys and seismic surveys and other exempted activity rights. Similarly under the Marine consenting regime, the Exempted Activities Order (the Marine Licensing (Exempted

Activities) Order (Northern Ireland) 2011 makes provision for similar permitted developments called Exempted Activities. These Exempted Activities include the right to deposit scientific instruments or associated equipment in connection with any scientific experiment or survey.

“At present, the off shore developers have secured unique development rights from Crown Estates. Similarly Gaelectric and other companies have conducted detailed assessments of the geological potential for CAES on the island of Ireland. The geological potential for grid scale CAES is confined to a limited portion of the salt deposits of the Larne area. A Mineral Prospecting License covering this area was granted to Gaelectric by DETI in December 2011.”

Submission Response:

- i As noted above, it can be confirmed that the Agreement for Lease provides access to unique and statutory permitted development rights and exempted activity rights for the exploration and investigation of national strategic resources from Crown Estates. Similarly, Gaelectric, and other companies, have secured a Mineral Prospecting Licence towards a lease/licence, which provides access to unique and statutory permitted development rights and exempted activity rights for exploration and investigation of national strategic resources, subject to approval of the relevant competent authorities.
- ii It is these permitted developments and exempted activities that provide for a substantive and significant commitment to a programme of works, including but not limited to substantial exploratory works and compliance of statutory condition towards the exploration of the state owned strategic resources.
- iii It can be confirmed that Gaelectric Energy Storage (GES) has been engaged since the approval of a Mineral Prospecting Licence in December 2011 in the planning, programme and undertaking of these exploratory works and are fully committed to, and about to commence substantial exploratory works. These substantial exploratory works constitute Permitted Development Rights under the Planning Order 1993 and constitute Planning Permission in its own right, consisting of Geological Exploration Drilling targeted to a depth of 850-900m, along with further geophysical surveys to complete the previously completed geophysical and seismic surveys. These works are being undertaken in accordance with the statutory conditions imposed by the Mineral Prospecting Licence, a Planning Notice to PlanningNI and a Consent to Drill Application under the Licence to DETI, which provides for a further significant consent.
- iv The strategic nature of a CAES Energy Storage Facility project are further confirmed by the strategic nature of the resource itself, in the form of halite salt which only occurs in East Antrim on the Island of Ireland. This finite and state owned resource necessitates the strategic nature of the contenting regime that applies to gaining access to it, for exploration purposes, investigation and future exploitation purposes, and in this context justifies consideration of a different approach towards the entry to generation.

- v This further confirms the considerable legal, financial, programme based and operational commitment that Gaelectric Energy Storage has completed to date, and continue to undertake, as part of the statutory programme of works, including but not limited to substantial exploratory works, and its programme and operational engagement on Geological Drilling in early 2013.

This License lasts for two years and can be extended twice by a period of a further two years. A question for consideration is what level permission is appropriate for the legitimate submission and acceptance of a connection application. UREGNI will also be consulting on the above issue for off-shore generation as part of their consultation on off shore connection arrangements in NI. SONI / NIE however wish to include all generation technologies in their revised processes and would therefore invite views on the most appropriate stage for all forms of generation to enter the FAQ allocation and connection application process. To ensure consistency of approach SONI / NIE will also consider the outcome of UREGNI's consultation, before making any overall decision on both off shore and CAES."

Submission Response:

- i It is submitted that the limited lifetime of the licence is subject to compliance and continued commitment to the programme of works and statutory conditions under the licence, which provides further assurance as to commitment and the continuation of the project. It is important to note that this regulatory governed exploration of these strategic resources provides a significantly higher degree of certainty, than that provided for under the conventional planning process.
- ii In this context, it is contended that the limited lifetime and statutory controls that apply to a Mineral Prospecting Licence, can give a further level of assurance to the Energy Regulator and associated bodies that the developer is committed to the project and that the project is continuing forward.
- iii In conclusion it is submitted that the limited life span and associated programme demonstrates a significant commitment, by the applicant for the future development of a CAES Storage facility. Moreover, given that a pre-determined programme of works is required to be carried out to satisfy licence conditions, and the fact that the licence has a finite lifespan; it should be considered that the regulator's policy concern with, capacity allocation without appropriate intentions is overcome. At the same time the limited lifespan, statutory conditions and programme associated with a mineral prospecting licences, allows a further degree of predictability and control, which the regulator can use to test the commitment of a developer against, so as to justify its entrance to the FAQ listing.

2.3 Submission Issues No 4:

Section 3.5 Off- shore generation and CAES generation connection applications, parr 1

“If it is accepted that these other forms of generation can be treated in a similar way to on-shore generation and that there is an entry requirement considered equivalent to Planning Approval and Connection Application date then that entry requirement will be used for other forms of generation as described in points 3.3.1 and 3.4 above.”

Submission Response:

- i It is submitted that these other forms of generation and their respective first phase licence, lease and consents, can be treated in a similar way to on-shore generation and that there is, an entry requirement, providing a similar level of commitment and reassurance to the continuation of the project than that provided by Planning Approval and Connection Application.
- ii In summary, it is submitted that the first phase of consenting, leasing and licensing under a Mineral Prospecting Licence and Marine Agreement for Lease, provide for significant and statutory binding commitments and obligations to a programme of works, governed by statutory condition, and including, but not limited to, the undertaking of what can be termed substantial exploratory works toward the exploration of a national strategic resource owned by the state. In this context, it provides for a significant commitment and level of reassurance that the project will proceed, hence justifying entrance to the submission and acceptance of a connection application.

We are happy to discuss the content of this paper at any point, see contact details below.

Thank you for your time.

Sincerely,
On behalf of Gaelectric Energy Storage.

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