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Gareth McLoughlin
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Our Ref: EN01-003695

12 April 2013

Dear Gareth,

Re: RES UK & Ireland Response to SONI Consultation Document on ITC Process, 8 March 2013

RES UK & Ireland (RES) has been developing wind projects on the island of Ireland since the early 1990s, having developed 14 operating wind farms in Northern Ireland and 4 operating wind farms in the Republic of Ireland, totalling over 241MW. RES currently owns or operates over 134MW of wind capacity across the island. In addition, RES has 62MW of wind capacity in development with planning consent in Northern Ireland and a further 55MW of new wind generation currently in the planning system. RES has been an established presence at the forefront of the wind energy industry for over three decades. Our core activity is the development, design, construction, financing and operation of wind farm projects worldwide. With a portfolio of almost 7.0GW constructed and several gigawatts under construction and in development, RES continues to play a leading role in what is now the world's fastest growing energy sector.

RES companies are also involved in other energy sectors including biomass, photovoltaic power and offshore renewables. With particular focus on offshore renewables in Northern Ireland, RES Offshore is a member of the First Flight Wind Consortium that was the winner of a Crown Estate Tender for an Exclusivity Agreement to develop a 600MW wind farm in the waters off the coast of County Down. This response is submitted on behalf of RES only. First Flight Wind will be submitting a separate response to this consultation.

RES welcomes the opportunity to respond to the SONI Generator Connection Process: Allocation of Transmission FAQ in N Ireland & ITC Methodology to determine FAQs Response and Further Consultation Paper of 8 March 2013 ("the March 2013 FAQ consultation").

1. **Starting Point of Allocating FAQs**:

   RES notes the SONI proposal to grant fully firm FAQs to all generators connected at 31 March 2012 and all generators with an accepted offer issued at 31 December 2010. Section 3.1.2 of the March 2013 FAQ consultation acknowledges that this "*will initially result in the allocation of some financial firm access in excess of that currently physically available on the system*". RES understands the need for pragmatism in establishing a baseline for the application of the ITC process, however we would encourage SONI to consider the precedent implications that this decision creates and to consider clarification of the principles that will guide decisions if similar circumstances arise in the future.

2. **Order in which applications are assessed in the ITC model (right to submit connection application)**:

RES supports the practice of only permitting submission of connection application upon receipt of planning consent for onshore renewables projects as reiterated in section 3.2.1 of the March 2013 FAQ consultation. It is important to understand why this process was first introduced, as it avoided NIE and SONI being swamped with large numbers of speculative connection applications with dubious chances of proceeding to construction. Such speculative applications would have wasted limited resources at NIE and SONI and delayed processing of connection applications from more competent projects. This process had the added benefit that Northern Ireland has avoided:

- the connection processing challenges and connection delays seen in GB (particularly Scotland) caused in part by an absence of connection application prequalification requirements and limited user commitment requirements (although such delays are now becoming apparent in Northern Ireland as transmission capacity has been largely used up); and
- the complicated and delay prone gate processing system used for connection applications in Republic of Ireland.

RES also understands that offshore renewables projects may reasonably require an offer of terms for connection from the relevant grid licensee in order to have a level of certainty for connection route corridor to permit investment in environmental and sea bed studies necessary to support a formal application to DETI and DOE for an Article 39 consent, a Marine Licence and planning consent. For this reason it seems reasonable that offshore renewables projects should be permitted to submit a connection application, ***in order to receive a SONI connection offer only in order to allow the initiation of such studies*** at a milestone prior to receipt of DETI and DOE consents. Such a practice is also consistent with the approach adopted by National Grid in relation to connection offers for the Crown Estate Round 3 offshore wind projects in Great Britain. However, if SONI sees fit to permit such an approach to offshore renewables connection applications, RES would **NOT** support the proposal to link adding of offshore renewables projects to the ITC list by date of connection application, as this would unduly discriminate against onshore project. RES understands that UREGNI is proposing that an offshore renewables project's right to submit a connection application should be linked to receipt of Crown Estate development rights[1]. This issue is considered further in the following section to this document. However, RES considers that, for offshore renewables only:

- the relationship between submission of connection application and adding to the ITC list should be broken; and
- the link between receipt of planning consent and submission of a subsequent connection application with adding to the ITC list should be maintained.

3. **Order in which applications from Offshore Renewables are assessed in the ITC model listing (offshore renewables)**:

RES is strongly of the view that grid constraints are likely to emerge as one of the key risks to effective development of renewables in the All Island market in the latter half of this decade. As the build out of renewables projects in Northern Ireland continues to progress towards 2020 targets so the existing NIE transmission system is going to be operated at or beyond its rated capabilities giving rise to system constraints. The RIDP investments provide the outline of a plan for a transmission system that will support the future electricity generation profile of the All Island market but recent lack of progress in

[1] Utility Regulator "Connection Arrangements for Offshore Renewable Generation Consultation", March 2013

certain network investments, particularly in relation to the progression of desperately needed connection clusters, does not inspire confidence that necessary investment will be delivered in time to avoid very significant overall system constraints. Of particular concern is the existing North-South tie line, which in the run up to 2020, taking account connection of a large offshore wind farm in Northern Ireland, is likely to become a significant grid bottleneck. This circuit is therefore likely to be the source of significant constraint, until the planned Meath – Tyrone 400kV upgrade is complete. Completion of this transmission reinforcement will be crucial to the limiting of constraints, and therefore protecting investor confidence in Northern Ireland renewables projects, however difficulties with planning application of this planned reinforcement do not augur well for a timely delivery[2].

In its own consultation document on connection arrangements for offshore renewable generation, UREGNI is proposing that offshore renewables projects be added to the ITC list at the time that they receive development rights from the Crown Estate. RES considers that the definition of "development rights from the Crown Estate" requires clarification.

If a project is permitted to jump the ITC queue by being added to the list before it has received a planning consent, it is potentially acquiring a significant commercial advantage. And if these renewable projects total up to 800MW generating capacity then the effect of the queue jump will be to impose the effects of potentially very significant grid constraints upon those onshore wind projects that have not received planning consent when the relevant milestone is reached. RES is of the view that the effects of this potential for queue jumping will significantly undermine investor confidence in the development pipeline for the onshore renewables sector, a situation that Northern Ireland can ill afford in light of the key role that onshore wind will play in the delivery of the DETI 2020 renewable energy target. RES therefore proposes that offshore renewables should be added to the ITC list in a manner consistent with onshore renewables i.e. once connection application **AND** DOE/DETI consent have been received. FAQ should then be allocated after the following process:

i. SONI has processed a competent (complete) and valid (supported by DOE/DETI consent) connection application;

ii. Generator has accepted the connection offer (ITC queue place backdated to time of competent and valid connection application) within a reasonable validity period; and

iii. FAQ should be allocated to generators in the ITC queue (in order dictated by the ITC methodology) following completion of necessary Associated Transmission Reinforcements (ATRs).

To complete any other process would result in undue discrimination (as detailed in Condition 15 of the SONI Licence) against onshore wind generator connection applicants.

4. **ITC Listing by Connection Application Date**:

In its response to the October 2011 SONI FAQ consultation, RES proposed that the appropriate milestone for ITC sequencing for an onshore wind project was the connection application immediately following receipt of planning consent. This suggestion was made on the understanding that there would only be the need for one connection application. RES notes the new SONI proposal to link the sequencing of the ITC list to submission of connection application and welcomes the acknowledgement in section 3.3.1 that this date be clearly defined. However, RES would also note that some of the

[2] http://www.pacni.gov.uk/index/major_planning_applications1/northern_ireland_electricity.htm

accompanying commentary in section 3.3.1 requires further clarification. In particular, RES notes the sentence in section 3.3.1 that states;

> "The same rules will apply to all new connection applications and ***applications for a connection modification including those connecting as part of a cluster.***"

RES' view of the way this process should work, in order to ensure non-discriminatory treatment whilst providing an appropriate signal of project success and commitment, is that the ITC sequencing should be linked to the date of an applicant's submission of **a valid connection application (supported by a planning consent) for a generator**. A project owner with an accepted connection offer may be required to submit a modification application for reasons outside of his control, for example it may be provoked by a change in connection solution (possibly as a result of a change in status of a connection cluster) or some other factor beyond the control of the owner. In these circumstances it would seem unreasonable for the date of the subsequent modification application to be used as the grounds for pushing that generator down the ITC list. RES would urge SONI to clarify its interpretation of the words outlined above.

RES also notes the following statement in Section 3.3.1.

> "*The connection application date used for the purpose of ITC studies is not necessarily the date when all relevant information has been provided by the applicant which will allow a Connection offer to be made. This definition of connection application date is slightly different from that contained in the TSO and DSO licenses however SONI feels that in order to provide connecting generators with FAQ information as early as possible in the connection process that using this date will be most beneficial.*"

The meaning of the above statement is not clear. It appears to acknowledge that, in order for a connection application to be valid, NIE and SONI would normally check that all necessary data has been provided such that it should be considered competent. It also appears to propose that this validity checking should not be relevant to the sequence in which a project should be entered into the ITC list. This would infer that SONI envisages that, for the purposes of entry to the ITC list, a project owner could submit some sort of skeleton connection application, which would need to be completed in more detail for the purposes of developing a connection offer. RES would welcome greater clarity on this proposal but would also question its rationale. Part of the justification for sequencing of ITC listing by connection application date was that it placed an incentive on the project owner to formally submit technical details of the proposed generating station that SONI would require as part of its studies. If a generator is not able to provide those technical details or to provide assumed details reflective of likely built out operation, it would appear questionable as to whether that project it sufficiently well formed as to warrant inclusion in the ITC list and it may hinder effective transmission system modelling and planning by SONI. RES also understands that some connection applications take longer than others to check and deem competent. RES would therefore propose that the definition of the date to be used for ITC list sequencing is;

> The date of receipt of connection application by either NIE or SONI subject to the conditions that the connection application in question (1) is deemed competent following validity checking and (2) is supported by the prior granting of planning consent.

The adoption of this practice would raise the commercial significance of the NIE and SONI validity checking process. It would therefore be necessary for SONI and NIE to establish transparent minimum data requirements and standards on which that process will be based.

5. **Compressed Air Energy Storage (CAES)**:

RES welcomes consideration of Energy Storage within the FAQ process and notes that SONI proposes to include this project within the SONI ITC studies. RES would question the treatment of energy storage as a generator in this context. One of the commercial drivers behind any form of energy storage connected to a stressed electrical grid systems is the benefit of contributing to the relieving of constraints caused by generation or demand exceeding system capabilities. Other commercial benefits would include provision of ancillary services, deferral of network investment and energy arbitrage. Assuming that these services form part of the core operational plan for an energy storage project, and that the Energy Storage project is willing to commit to such an operational plan as part of its connection application, the project would not exacerbate worst case power flows. In theory it should alleviate some of those worst case power flows. It therefore seems flawed to treat an energy storage project as a generator for the purpose of ITC sequencing. RES would propose that, provided energy storage projects commit to an operating regime that does not exacerbate worst case grid system power flows (i.e. they only seek non-firm grid access), Energy Storage (including CAES) should not form part of the ITC studies.

If the owner of an Energy Storage project cannot make the commitment to not exacerbate worst case grid system power flows, the Energy Storage connection application should be treated as a generator within the ITC studies in the same manner as that proposed by RES for all generators i.e. at the point of receipt of planning consent AND submission of valid connection application.

6. **All Island ITC Studies**:

RES welcomes SONI's positive comments on working with Eirgrid to permit the undertaking of ITC studies on an All Island basis. These studies are critical to the further development of new generation in the All Island market and RES would urge SONI and Eirgrid to progress these considerations and next steps in the timeliest manner.RES would encourage SONI and Eirgrid to commit to a timescale for completion of these studies.

7. SONI FAQ and ATR Report

RES has no objection in principle to the approach outlined by SONI in section 4.2.1 but will reserve judgement until a proposed standard form of report and the drafting to give effect to the tie-in to connection agreements is published.

8. 5MW Threshold for Assessing FAQs

RES understands the rationale for the 5MW threshold but is of the view that it is already giving rise to inappropriate grid issues for connected =>5MW projects. RES is the owner of an operational >5MW wind farm in Northern Ireland that would be considered fully firm under SONI's proposed rules, but which has recently started to experience grid constraints and it is understood that these constraints have arisen through <5MW projects being permitted to connect, after the RES project in question has connected, without sufficient grid related control or constraint. These <5MW projects are effectively being permitted to jump the constraint queue, which in turn raises the following questions:

- Are current connection arrangements being applied at distribution voltage supporting effective competition?
- And is this undue discrimination in favour of such small generators?

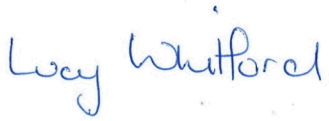
SONI needs to consider arrangements to ensure that the proliferation of <5MW generation does not give rise to further situations of this type in which constraints are imposed on projects that would otherwise be considered “firmer” than the <5MW generation connected in the same section of distribution system. RES understands that this issue requires further consideration in co-ordination with NIE as DSO and would welcome the opportunity to support the development of appropriate arrangements.

9. Moyle Assumptions in ITC Model

RES welcomes the proposal for SONI to liaise and co-ordinate with Eirgrid on the despatch of interconnectors within the ITC studies, presumably to ensure consistent treatment. RES also notes the SONI proposal to dispatch Moyle “at various levels within the physical limitations” within the ITC studies in order to reflect the likely full range of interconnector activity going forward. RES would encourage SONI, in considering this full range of interconnector activity going forward, to take account of the introduction of system and market measures (counter trades) in order to avoid the phenomenon of interconnector import to the All Island market coinciding with periods of high wind generation. RES has written separately to Eirgrid on the importance of the timely introduction of TSO systems and processes that will support system and market interconnector measures if the rationale for the establishment of interconnectors is not to be undermined.

I hope that you find the comments contained in this response helpful. If you wish to discuss please do not hesitate to contact me.

Yours sincerely,



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