

# **Single Electricity Market Committee**

## **Transmission Connection Charging Statements: A Decision Paper**

**SEM-08-028**

**14<sup>th</sup> March 2008**

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# I INTRODUCTION

In Ireland, section 35(1)(b) of the Electricity Regulations Act, 1999, requires EirGrid to prepare a statement for the approval of the Commission for Energy Regulation (the “CER”) setting out the basis upon which charges are imposed for connection to the transmission system. Similarly, in Northern Ireland, Condition 30 of the licence to participate in the transmission of electricity granted to SONI requires SONI to prepare and obtain the approval of the Northern Ireland Authority for Utility Regulation (“NIAUR”) to a statement setting out the basis upon which charges will be made for connection at entry or exit points on the transmission system.

The High Level Design<sup>1</sup> for the all-island Single Electricity Market (SEM) includes a harmonised shallow connection charging regime for transmission-connected generators on the island. The SEM Committee<sup>2</sup> has determined that this is a SEM Committee matter within the meaning of the legislation. Accordingly, following further, more detailed, consultation and decision on this policy<sup>3,4</sup>, in December 2007 the SEM Committee published a consultation paper requesting views on draft connection charging statements reflecting the detail of this policy, as proposed by EirGrid and SONI.

Two responses were received to this consultation, and this paper reviews these responses and presents the decisions of the SEM Committee in respect of the issues raised, along with approval of the finalised statements.

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<sup>1</sup> “The Single Electricity Market (SEM) High Level Design Decision Paper”, AIP/SEM/42/05, 10 June 2005.

<sup>2</sup> The SEM Committee is established in Ireland and Northern Ireland by virtue of section 8A of the Electricity Regulation Act 1999 and Article 6 (1) of the Electricity (Single Wholesale Market) (Northern Ireland) Order 2007 respectively. The SEM Committee is a Committee of both CER and NIAUR (together the Regulatory Authorities) that, on behalf of the Regulatory Authorities, takes any decision as to the exercise of a relevant function of CER or NIAUR in relation to an SEM matter.

<sup>3</sup> “Connections and Transmission Use of System for Generation: A Consultation Paper”, AIP/SEM/72/06, July 2006.

<sup>4</sup> “Generation Connection Policy: Decision Paper”, AIP/SEM/114/06, September 2006.

## **II RESPONSES AND VIEWS OF THE REGULATORY AUTHORITIES**

Responses were received from Quinn Group and Premier Power Limited.

### ***II.1 Statements not identical***

#### **II.1.1 Response received**

One comment was that the EirGrid and SONI statements were not identical and that, at some stage, this could lead to a dispute between Generators or Suppliers claiming inequitable treatment.

#### **II.1.2 Views of the Regulatory Authorities**

The Regulatory Authorities consider that differences between the charging statements for EirGrid and SONI, providing each has been approved by the Regulatory Authorities, would not necessarily constitute grounds for a dispute. Whilst each Regulatory Authority has a statutory obligation to promote competition and also to have regard to the need to avoid unfair discrimination between consumers in Northern Ireland and consumers in Ireland, this does not require the charging statements in Ireland and Northern Ireland to be identical. The Regulatory Authorities consider the statements sufficiently similar that these statutory objectives are met, and that a harmonised all-island shallow connection charging methodology for generators connecting to the transmission system is delivered.

### ***II.2 Timelines***

#### **II.2.1 Response received**

One comment was that the charging statements do not provide any clear timelines.

#### **II.2.2 Views of the Regulatory Authorities**

In Northern Ireland, the timescales for the making of offers is specified in Condition 25 of SONI's licence. In Ireland, the timescales are documented in "Connection Offer Process: Process for Connection to the Transmission System in Ireland"<sup>5</sup> and, for renewables, in a number of documents published

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<sup>5</sup> "Connection Offer Process. Process for Connection to the Transmission System in Ireland", ESB National Grid, 01 July 2003, <http://www.eirgrid.com/EirgridPortal/uploads/General Documents/Process for Connection.pdf>.

by the CER as part of the processing in batches/Gates of renewables under the group processing approach<sup>6</sup>.

## **II.3 Connection/System Boundary**

### **II.3.1 Response received**

One comment was that the respondent objected to the proposed definition of the connection / system boundary. The respondent stated that the proposal was a significant departure from the common interpretation of the principles described in the SEM High Level Design Decision Paper<sup>7</sup> of June 2005. The respondent further stated that the proposed approach is the most suitable for connection of large-scale conventional power generation and discriminates against the interests of industrial electricity consumers and the development of wind farms.

### **II.3.2 Views of the Regulatory Authorities**

The connection / system boundary in the draft connection statements is defined as being,

*“those assets which are installed to enable the transfer of the Maximum Export Capacity (MEC) or the Maximum Import Capacity (MIC) of the User(s) located at the Connection Point, to or from, as appropriate, the All-Island Transmission Networks, subject to sub-paragraph 4.2”*,

with sub-paragraph 4.2 stating,

*“In deciding which assets are required to enable the transfers referred to in sub-paragraph 4.1.1, power flows other than those to or from the User(s), are disregarded”*.

The Regulatory Authorities acknowledge that this definition is a modification to earlier proposals, i.e.

*“The transmission companies ... recommend that consistent application of the Guiding Principles by the different transmission companies would be*

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<sup>6</sup> For example, “Gate 2 Connection Offers - Timeline and Direction”, 27 February 2007, <http://www.cer.ie/GetAttachment.aspx?id=052de7d1-c5af-4bcf-96c3-7233eda5bfb0>

<sup>7</sup> “The Single Electricity Market (SEM) High Level Design Decision Paper”, 10 June 2005, AIP/SEM/42/05.

*ensured by treating lines connecting new transmission stations to the deeper infrastructure always as infrastructure”<sup>8</sup>,*

by potentially requiring the connectee to bear the cost of reinforcements between the substation to which the generator is connecting and the rest of the system.

Nevertheless, the earlier policy is open to such modification, subject to consultation. The December 2007 consultation paper proposed the definition, as per the draft connection charging statements, and pointed out that this is consistent with the EirGrid practice over the last number of years, which has been combined with locational TUoS charging.

Furthermore, it is not clear to the Regulatory Authorities how the proposed approach discriminates against the interests of industrial consumers and renewable generation. The Regulatory Authorities consider that, whilst it is possible that reinforcement costs could possibly be proportionately higher for smaller users, the provision of section 4.2, which requires the power flows from other users be ignored, means that such reinforcements are more likely to be needed for large, rather than small, users.

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<sup>8</sup> “Connections and Transmission Use of System for Generation: A Consultation Paper”, July 2006, AIP/SEM/72/06.

### III ADDITIONAL CHANGES

SONI has made a number of further changes to the consultation draft of its statement. Apart from a number of typographical changes, changes of substance are:

- (i) Pre-vesting assets that need to be replaced or modified as a result of a user request (i.e. other than as a result of necessary replacement due to asset condition) are to be paid for by the user, not through TUoS charges (section 3.9);
- (ii) The percentage O&M charge has been specified (section 3.11);

together with the following clarifications:

- (iii) The term "*User's Connection Point*" has been changed to "*transmission node to which the User connects*" (section 4.1.2);
- (iv) The amount of the first instalment of the application fee has been specified (section 7.4);
- (v) The term "*obligation to pay*" has been changed to "*decision on whether or not to levy a charge*" (section 7.7);
- (vi) Table 1, specifying connection offer application fees, has been completed;
- (vii) Table 2, specifying indicative costs, has been completed.

Since the consultation draft, EirGrid has removed dependencies on the Connection Offer Process document in section 7.

Finally, Section 8.2 of EirGrid's statement has been amended from the draft to reflect that a connection charges bond is no longer required from a user upon acceptance of the offer, but rather by the consents issue date - the definitions in section 11 have also been changed to reflect this. This change may assist connecting parties from a cash-flow perspective and reflects a recent direction by the CER<sup>9</sup>. It is not considered to represent a significant material difference with SONI's statement as SONI (unlike EirGrid) requires applicants to have secured planning consents by the connection application stage.

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<sup>9</sup> See the link <http://www.cer.ie/GetAttachment.aspx?id=6bb43b1c-6e65-445f-93d2-79a19e5a58aa>

## **IV DECISIONS**

The SEM Committee approves:

- (i) SONI's connection charging statement, as attached at Appendix A (SEM-08-029); and,
- (ii) EirGrid's connection charging statement, as attached at Appendix B (SEM-08-030).

As the SEM develops, the charging statements will be kept under review and changes made as appropriate.