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Confidential Response	N

30th November 2022

RE: SEM-22-076 - Best New Entrant Net Cost of New Entry (BNE-Net CONE) Consultation Paper

Dear Sem Committee,

Kilshane Energy Limited (KEL) welcomes the opportunity to respond to the consultation SEM-22-076. KEL was awarded a ten-year capacity contract for a 293MW Open Cycle Gas Turbine project (The Project) located within the Greater Dublin Locational Capacity Constraint area in the T-3 2024/25 CRM auction (T-3) held in January 2022. The T-3 auction was atypical and supplementary to the T-4 2024/25 CRM auction that failed to delivered the necessary capacity requirement. KEL are working towards delivery of new capacity for October 2024.

KEL Response to SEM-22-076

KEL would like to express its disappointment and disbelief at the overall results of the study. It is regrettable that in the current economic and manufacturing crisis we are experiencing worldwide, which is stretching supply chains across the globe and driving inflation to unprecedented levels not seen during the last thirty years in Western Europe, the study presented by the SEM Committee is showing a Cost of New Entrant lower than the previous study commissioned by Poyry four years ago. As a developer working towards delivering new capacity, KEL is in constant discussion and negotiation with engineering companies, Original Equipment Manufacturers (OEM) and Engineering, Procurement and Construction (EPC) companies. The final and binding costs we are receiving are an order of magnitude higher than those presented in the report, and we would question the validity of the costs

presented. We have seen costs for all energy services and components escalate dramatically over the last year to figures much higher to the ones recognized in the report. KEL believe we have seen the real consequence of these increases with the recent terminations of awarded new capacity contracts.

More specifically;

1. KEL does not believe the unit chosen for the CONE complies with the Eirgrid Grid Code for the minimum dispatchable load. CC.7.3.1.1 (k) of the Grid Code states;

Each Generation Unit, shall, as a minimum, have the following capabilities:

*(k) Minimum Load not greater than 50% of Registered Capacity for CCGT Installations and **not greater than 35% of Registered Capacity for all other Generation Units** [emphasis added]. For CCGT Installations whilst operating in Open Cycle Mode as a result of combined cycle plant capability being unavailable, the Minimum Load of each Combustion Turbine Unit must be not greater than 35% of the Registered Capacity divided by the number of Combustion Turbine Units.*

Section 3.11.2 OCGT modelling and performance of the CEPA report states, under flexibility;

Minimum gas turbine load 40% [emphasis added]

Hot start time: 20 minutes

Ramp rate 8%/min

It is KEL's view that the unit chosen to base the CONE, is not grid code compliant.

2. The report includes an allowance on the PEACE calculated cost of 8.4% based on the Price Purchase Index increase from February to June. As of today, PPI for September has already been published and the increase from February to September only is 20.6%. This increase in the EPC value would filter into all EPC related costs.
 3. KEL would suggest it is unrealistic that in a current environment with annual inflation above 10%, the long-term inflation assumption is 2%.
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4. The use of agricultural land prices as a proxy for site procurement is unrealistically low given the site-specific nature of power station development and subsequent planning challenges.
 5. The connection costs are also unrealistically low. They assume overhead lines are used and available spare bays in the substation. We believe these assumptions are flawed given that most recent developments at transmission level have been connected via underground cable and the obvious challenges gaining planning permission for overhead transmission lines. The second North-South Interconnector project is a good reference case.
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