



Firm Access Methodology in Ireland – “EirGrid Proposed Methodology”.

SEM Committee Consultation Response

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1. INTRODUCTION

Oriel Windfarm Limited (Oriel) welcomes the opportunity to make a submission to the consultation on Offshore Connection Policy for the Phase 1 projects. Firm Access Methodology in Ireland “EirGrid – proposed methodology” (SEM-22-068).

The Oriel project is being jointly developed by Parkwind and ESB whose combined experience in delivering offshore projects and longstanding leadership in Ireland’s energy system has enabled the development of the Oriel windfarm project to a point where we are confident of our ability to deliver a 375 MW offshore wind farm into operation in an expedited time frame, using existing grid infrastructure. The Oriel project is ready to enter the first Offshore RESS auction and to submit a planning application to An Bord Pleanála. We urge the SEM Committee to ensure that the policy framework for Firm Access is clarified in advance of the auction opening next year.

At a high level the review methodology is a step in the right direction, however, Oriel has some serious concerns with the proposed offer date of firm access, which are detailed in the next section. Additionally, there are several other items where further clarity is needed to fully understand the impact of the proposed methodology and Oriel would welcome feedback on these before a Firm Access methodology is fully implemented.

2. KEY POINTS IN OUR RESPONSE

While there are elements of the proposed methodology that have merits and should be developed further, Oriel is concerned that the policy will not deliver key objectives such as minimising additional costs to end customers and supporting investor confidence. Delivering on these two key objectives will mean allowing project developers (renewables, thermal and newer technologies) to have certainty on Firm Access at a much earlier stage than in the proposal where it will only be provided after they meet the Consent Issue Date. This degree of risk is unacceptable for an investor when participating in any of the relevant auctions.

It is essential that Firm Access certainty is provided earlier in the project timeframe, ideally before any auction bidding. This is important to ensure that capacities bid in the auction can be delivered within the timeframe of the auction milestone dates, it is also important to ensure that bid prices committed in the auction can support project delivery, while at the same time minimising the need for the inclusion of risk premiums in auction bids. Therefore, a more suitable approach would be to provide a new project a timeframe for firmness when awarded a connection agreement and that the developer’s right to associated Firm Access follows a use-it or lose-it approach.

Oriel is concerned that while the Firm Access methodology in this paper may (1) allocate available firm capacity to newly connected generators and (2) provide location signals for where future firm access is expected to be available, the risk imposed by an unknown firm access date will act as a blocker to the delivery of renewables and meeting our renewable and decarbonisation targets.

- Annual Review

The proposed annual review is a positive change to the methodology and will assist in providing up to date locational signals for future firm access capacity as well as increasing the speed of firm access allocation. Oriel welcomes the proposal that this approach can also take account of up-to-date assumptions, for example if there was significant demand growth in a region, and that a non-firm generator could end up receiving firm access in a subsequent annual review.

While an annual review will improve the frequency of the investment signal, it is vital that the annual review doesn't result in misleading and inconsistent signals that could leave investor stranded due no fault of their own. Therefore, if the firmness (or date of firmness) can be identified at the point of the connection offer, the proposal to have an annual review is welcome.

- Treatment of firmness following provision (First to committed – First to be Firm)

It is unclear from Appendix D if the “First to commit – First to be Firm” under the Look Back approach will also be applied to the Look Forward approach. Greater clarity is required on this. While a perceived benefit of this “First to commit – First to be Firm approach” may be a quick delivery of projects, it increases risk on generators and could subsequently impact on its bid price in the auctions. Careful consideration needs to be applied to the trade-off between allocating Firm Access in the most optimised manner and the risk cost that the generator, and ultimately consumer, will have to pay.

Considering the complexity and interaction between the participant and EirGrid when confirming a connection agreement, commissioning date and other requirements (such as influencing projects), transparency on the process applied by EirGrid between multiple projects will need to be provided as the materiality that Firm Access can have on a project is substantial and EirGrid influence on this will be critical. Additionally, the role of EirGrid as the Offshore Transmission Asset Owner will need careful consideration when allocating Firmness on a first come first served basis.

- Certainty of FAQ

The biggest issue with the Firm Access Methodology is the proposal that projects are expected to (1) apply for Grid Connection, (2) qualify for RESS auction (3) participate in these auctions, (4) if successful, proceed to Consent Issue Date and (5) only then after all of these steps and expenditure, finally find out if, and when, the project may get Firm Access. While this approach may be borne out of trying to maximise Firm Access it is creating significant risks that an investor cannot mitigate and thus not achieve the desired objective of delivering investor confidence and in turn achieving optimal RESS auction results.

It is essential that Firm Access certainty is provided earlier in the project timeframe, ideally before any RESS or CRM auction bidding.

- “Made firm until constraints increase beyond the firm threshold”

In Appendix D “Step 2 Look Forward Approach” it states “[t]he early projects to connect in these areas are made firm until constraints increase beyond the Firm Threshold”. It is unclear what this statement means as throughout the rest of the paper the methodology seems to determine that once a project

is provided with firm access it retains it. This statement in Appendix D would appear to allude that a project that has energised and is made firm can subsequently lose firmness in the following annual reviews. This would not be an acceptable approach for developers or project funders and further clarity is needed.

3. RESPONSE TO SPECIFIC CONSULTATION QUESTIONS

Q.1 Comments are invited from interested parties on EirGrids proposed approach of having a time bound Firm Access date. Comment are also invites on alternative options (i.e ATRs etc). Should scheduled FAQ date be linked with ATRs, with more targeted delivery incentives? Please provide reasons and rationale for any views provided.

Oriel agrees with the proposal for a time bound Firm Access date, which should be based on a realistic estimate of the timelines required to completed ATRs. This is necessary to ensure the correct balance between providing an appropriate incentive for delivery of ATRs and minimising the potential exposure to consumers from providing firm access to projects too early, which could result in a very significant burden on the PSO.

Q.3 Comments are invited on whether stakeholders agree with the proposed approach of allocating partial Firm Access Quantities. Please provide reasons and rationale for any views provided.

Oriel are supportive of the move away from the previous approach of no partial firmness to the provision of partial firm Access Quantities. The all or nothing approach combined with the first committed – first firm proposal places excessive risk on large scale projects to the point that the reduced cost benefits from economies of scale would be eroded by the losses from non-firm access.

Oriel welcomes the new proposal, however, greater clarity on how the value of 20MW is determined and will be allocated would be welcome.

Q.4 Comments are invited from respondents on the proposed approach of allocating Firm Access to generators once they reach committed project phase (progress beyond Consents Issue Date). Please provide reasons and rationale for any views provided.

The consultation paper states, “the purpose of Firm Access is to achieve a balance between granting generators access to the network in advance of transmission reinforcements and to protect the end consumer from high constraint payments through better locational signals”. Oriel is concerned with the proposed approach of allocating Firm Access to generators once they reach committed project phase (progress beyond Consents Issue Date). The biggest issue with the Firm Access Methodology is the proposal that projects are expected to (1) apply for Grid Connection, (2) qualify for RESS auction/CRM auction/DS3, (3) participate in these auctions, (4) if successful, proceed to Consent Issue Date and (5) only then after all of these steps and expenditure, finally find out if, and when, the project may get Firm Access. While this approach may be borne out of trying to maximise Firm Access it is creating significant risks that an investor cannot mitigate and thus not achieve the desired objective of delivering investor confidence and in turn achieving optimal RESS auction results.

It is unclear from Appendix D if the “First to commit – First to be Firm” under the Look Back approach will also be applied to the Look Forward approach. Greater clarity is required on this. While a perceived benefit of this “First to connect – First to be Firm approach” may be a quick delivery of projects it increases risk on generators and could subsequently impact on bid price in the auctions. Careful consideration needs to be applied to the trade-off between allocating Firm Access in the most optimised manner and the risk cost that the generator, and ultimately consumer, will have to pay.

Considering the complexity and interaction between the participant and EirGrid when confirming a connection agreement, commissioning date and other requirements (such as influencing projects), transparency on the process applied by EirGrid between multiple projects will need to be provided as the materiality that Firm Access can have on a project is substantial and EirGrid influence on this will be critical. Additionally, the role of EirGrid as the Offshore Transmission Asset Owner will need careful consideration when allocating Firmness on a first come first served basis. In light of the above, Oriel does not believe a First to connect – First to be Firm approach is an appropriate or prudent approach.

It is essential that Firm Access certainty is provided earlier in the project timeframe, ideally before any RESS or CRM auction bidding. Therefore, Oriel believes a more suitable approach would be to provide a new project a timeframe for firmness when awarded a connection agreement and that the developer’s right to associated Firm Access follows a use-it or lose-it approach.

Q.8 Comments are invited from respondents on the Annual Review process. Please provide reasons and rationale for any views provided.

The proposed annual review is a positive change to the methodology and will assist in providing up to date locational signals for future firm access capacity as well as increasing the speed of firm access allocation. Oriel welcomes the proposal that this approach can also take account of up-to-date assumptions, for example if there was significant demand growth in a region, and that a non-firm generator could end up receiving firm access in a subsequent annual review.

While an annual review will improve the frequency of the investment signal, it is vital that the annual review doesn’t result in misleading and inconsistent signals that could leave investor stranded due no fault of their own. Therefore, if the firmness (or date of firmness) can be identified at the point of the connection offer, the proposal to have an annual review is welcome.