



**Chambers
Ireland**
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Chambers Ireland Submission to the Commission for the Regulation of Utilities for the Offshore Connection Policy – Phase 1 Projects Consultation

July 2022

Chambers Ireland's Perspective on Offshore Renewable Energy

Chambers Ireland, the voice of business throughout Ireland, is an all-island organisation with a unique geographical reach. Our 40 members are the Chambers of Commerce in the cities and towns throughout the country – active in every constituency. Each of our member Chambers is central to their local business community and all seek to promote thriving local economies that can support sustainable cities and communities.

In September 2019, our Network pledged to advocate for and support the advancement of the Sustainable Development Goals. In doing so, we use the Goals as a framework to identify policy priorities and communicate our recommendations, and we have a particular focus on five of the goals encompassing decent work and economic growth (SDG 8), sustainable cities and communities (SDG 11), advancements in gender equality (SDG 5), viable industries, innovation, and infrastructure (SDG 9) and progress in climate action (SDG 13).¹

We use these Goals as a lens for interpreting and prioritising our policy proposals. The issue of offshore renewable energy is particularly important to our Network as it is a critical element to our national climate action response. As Chambers Ireland outlined in its white paper on maximising the benefit of developing the national wind energy industry and the national grid², the Irish business community is deeply interested in our national potential to develop an offshore renewable energy industry, and offshore wind in particular.

¹ The Chambers Ireland SDGs. Available at: <https://www.chambers.ie/policy/sustainable-development-goals/chambers-ireland-sdgs/>

² Chambers Ireland white paper on maximising the benefit of developing the national wind energy industry and the national grid. Available at: <https://www.chambers.ie/wp-content/uploads/2021/01/Chambers-Ireland-white-paper-on-maximising-the-benefit-of-developing-the-national-wind-energy-industry-and-the-national-grid.pdf>

Contents

Chambers Ireland’s Perspective on Offshore Renewable Energy	2
Key Points	4
Consultation Questions	6
Do you agree with the application of the outlined existing regulatory policies to Offshore Phase 1 projects?.....	6
What is your view on the CRU’s proposals on connection charging policy for Offshore Phase 1 projects?.....	7
If you disagree with the proposals, please provide alternative solutions with evidenced reasoning. The proposals are as follows:	7
Connection charge methodology as per existing onshore policy with a clarified schedule of payments.	7
Clarification that Operation and Maintenance, Decommissioning and Reinstatements costs would be paid by the asset owner (EirGrid) after full transfer of assets.....	7
Generators liable to GTUoS and DTUoS as per existing policy.	7
What is your view on the CRU’s proposals in the following aspects of Full Connection Offer and Connection Agreement validity and conditionality? If you disagree with the proposals, please provide alternative solutions with evidenced reasoning. The proposals are:.....	8
The overall timeline and approach proposed by EirGrid regarding the conditionality and validity for a full connection offer including:.....	8
EirGrid will issue a Full Connection Offer (Connection Agreement and Offer Letter) within a target of 90 business days from the application for a Full Connection Offer by a successful ORESS 1 project.	8
The offer validity will be the later of either 6 months after issuance of the full grid connection offer or 3 months after receipt of the planning consent for the project.	9
A longstop date on this validity period for the offer of 30 June 2025 will apply to prevent capacity hoarding. .	10
Projects need to be in receipt of planning consent prior to EirGrid executing the Full Connection Offer. Projects can still accept the Full Connection Offer and pay the First Stage Payment in advance of receipt of planning consent.	11
The termination of a project’s Maritime Area Consent (MAC) will result in the termination of the Full Connection Offer or the executed Connection Agreement.	11
What is your view of the CRU’s proposals on Connection Offer Policy and Process (COPP) rules that need to be changed for Offshore Phase 1 as shown in Table 4? These proposals include rules for Hybrid Plant, Changes in MEC, Phasing of Connections, Changes in Generation Type and Term of the connection agreement. If you disagree with the proposals, please provide alternative solutions with evidenced reasoning.....	12
What is your view of the CRU’s proposals on the COPP rules that do not need to be changed for Offshore Phase 1 as shown in Table 5? If you disagree with the proposals, please provide alternative solutions with evidenced reasoning.	13
With reference to the MEC Capacity Bond, how could the Capacity Testing Period be better aligned with expected ramp up rates of offshore wind farms whilst also protecting the consumer and TSO interests?	14
What is your view of EirGrid’s proposed breakdown of information to be provided in the Grid Connection Assessment? Should other information be included?.....	14

Key Points

As the impact of climate change has become ever more obvious, Chambers Ireland has become more active in calling for action in this area.

Even if this was not something which we needed to do to meet our commitments to reduce our CO₂ emissions, it is something that we ought to be doing as a country because of the myriad of benefits:

1. Offshore wind has the capacity to transform our economy by helping us become a net exporter of electricity.
2. The operations and maintenance associated with offshore windfarms have the potential to bring thousands of high-quality, highly skilled, highly paid jobs to our economically disadvantaged regions for several decades.
3. Early engagement with the challenges associated with deep-water floating platforms will allow us to nurture a high-technology capital intensive and highly skilled industry that has growth potential over generations to come.
4. The European Green Deal is ideally timed to allow us to access cheap capital at quantity over the coming decade.
5. The abundance of energy at a zero marginal cost creates huge opportunities for the hydrogen industry.
6. In increasingly politically turbulent times, it will offer us energy security by removing the political risk that we suffer as a result of being at the edge of Europe, and at the end of very long supply chains.

The positions have been developed by the Chambers Ireland Network through our submissions on the Wind Energy Development Guidelines³, the Commission for the Regulation of Utilities consultation on Price Review Five⁴, Grid Development Policy for Offshore Wind⁵, our Budget Submissions for 2022⁶ and for 2021⁷, our General Election 2020 Manifesto⁸, our submission to the Department regarding ORESS 1⁹ and Offshore Wind Phase 2¹⁰, and various events and symposia which we have co-ordinated to raise the salience of climate action.

The development of our offshore renewable energy industry is one of the greatest economic opportunities for our country since we joined the European Economic Community. With over \$5 trillion in investment in offshore renewables expected over the coming decade¹¹, the bulk of which will be in green hydrogen and wind energy, for the current administration a nationally critical task for the coming years will be facilitating our access to the coming green energy boom.

If successful, such a legacy project would see Ireland become energy self-sufficient in the first instance, it will allow us to export excess energy to the European grid and will also allow us to take prominent position in nascent industries such as deep-sea offshore windfarm construction, while also allowing us to be first movers in the skills intensive offshore platform industry. It will give us a foothold in the export of green energy derived hydrogen/ammonia which will have the secondary benefit of reducing the carbon emissions of domestic industries such as farming through offering clean alternatives to fossil fuel derived fertilisers, while also helping other states decarbonise through the substitution of green energy alternatives for industries such as aviation, shipping, transport, steel production, etc. which require energy dense alternatives to the fossil fuels which they have a dependence on.

³ <https://www.chambers.ie/wp-content/uploads/2020/02/Chambers-Irelands-submission-for-the-Public-Consultation-on-the-revised-Wind-Energy-Development-Guidelines.pdf>

⁴ <https://www.chambers.ie/wp-content/uploads/2020/09/Chambers-Irelands-submission-for-the-Public-Consultation-on-Price-Review-5-Electricity-Networks.pdf>

⁵ <https://www.chambers.ie/wp-content/uploads/2020/08/Chambers-Irelands-submission-for-the-Public-Consultation-to-Inform-a-Grid-Development-Policy-for-Offshore-Wind-in-Ireland.pdf>

⁶ <https://www.chambers.ie/wp-content/uploads/2021/07/Chambers-Ireland-Pre-Budget-Submission-for-2022.pdf>

⁷ <https://www.chambers.ie/wp-content/uploads/2020/09/Chambers-Ireland-Budget-Submission-2021-September.pdf>

⁸ https://www.chambers.ie/wp-content/uploads/2020/01/Chambers-Ireland_Election-Manifesto-2020.pdf

⁹ <https://www.chambers.ie/wp-content/uploads/2021/12/Chambers-Ireland-ORESS-1-submission.pdf>

¹⁰ <https://www.chambers.ie/wp-content/uploads/2022/05/Offshore-Wind-Phase-2-Consultation.pdf>

¹¹ Morgan Stanley Utilities Research Note 10 Nov 2020 "Energy Transition Titans: Big Oil's Big Threat Is Overblown"

Consultation Questions

Do you agree with the application of the outlined existing regulatory policies to Offshore Phase 1 projects?

Chambers Ireland agrees with this position. The current onshore connection policy was established and has been in existence since 2011. This policy has been primarily derived from the CRU (Commission for Regulation of Utilities) decision on “Connection Offer Policy and Process (COPP)” (CER/11/093), as well as a number of supplementary decisions in particular areas. This means that there is over a decade worth of experience in the application of this policy, and it has been proven over this time to be effective and fit for purpose.

Where issues have arisen in the practical application of this policy, it has been subject to different reform measures over the years that have aimed to clarify, update or amend different points as needed in order to ensure regulatory certainty and to reflect changing practices and advancements in technology.

Using the existing policy framework will ensure developers and agents do not need to familiarise themselves with a whole new technical rulebook. Having crossover between onshore and offshore policy is practical and appropriate where it meets the needs of both sectors.

However, caution should be exercised in future, as any updates to this policy will need to be carefully evaluated for potential impact on both onshore and offshore markets. Common policy areas could potentially diverge, and standalone policies may need to be adopted.

In the interim, ensuring regulatory certainty, clarity and consistency for ORESS 1 projects will reduce risk and mitigate potential delays, as sections of the policy framework are already operational for onshore projects in a number of common areas. This means that offshore operators can benefit from relying on an established precedent and operational knowledge on the application of this policy.

What is your view on the CRU's proposals on connection charging policy for Offshore Phase 1 projects?

If you disagree with the proposals, please provide alternative solutions with evidenced reasoning. The proposals are as follows:

Connection charge methodology as per existing onshore policy with a clarified schedule of payments.

Clarification that Operation and Maintenance, Decommissioning and Reinstatement costs would be paid by the asset owner (EirGrid) after full transfer of assets.

Generators liable to GTUoS and DTUoS as per existing policy.

Chambers Ireland agrees with the outlined proposals on connection charging policy.

Using the connection charge methodology which is based on the pre-existing onshore policy is a reasonable course of action as is tried and tested.

As discussed previously, we believe these proposals will offer clarity and regulatory certainty for developers in the market as existing precedent exists for operators to rely on. This reduces the risk for offshore renewable energy projects.

There is a significant lack of clarity about the calculation of GTUoS and DTUoS which needs to be addressed as early as possible.

What is your view on the CRU's proposals in the following aspects of Full Connection Offer and Connection Agreement validity and conditionality? If you disagree with the proposals, please provide alternative solutions with evidenced reasoning. The proposals are:

The overall timeline and approach proposed by EirGrid regarding the conditionality and validity for a full connection offer including:

EirGrid will issue a Full Connection Offer (Connection Agreement and Offer Letter) within a target of 90 business days from the application for a Full Connection Offer by a successful ORESS 1 project.

This measure is reasonable. We need to see these projects delivering electricity to the grid at the pace with which we need them to become active.

It is important that projects are offered certainty and that Ireland's electricity generation can both rapidly diversify and become carbon neutral. Given the current geopolitical uncertainty, rising inflation and the increased cost of energy, we need to be making more progress in landing offshore electricity.

A target of 90 business days between application and issuance of a Full Connection Offer is a reasonable measure and should be maintained.

In order to aid the decision-making process, EirGrid should ensure that streamlined procedures are in place and that there are adequate resources to process applications and issue Full Connection Offers within this guaranteed timeframe.

The offer validity will be the later of either 6 months after issuance of the full grid connection offer or 3 months after receipt of the planning consent for the project.

In principle, this concept is reasonable, as it should reduce speculative engagement with the ORESS 1 auction, it should also put the developers under pressure to finalise as much as possible in advance of being granted a Full Connection Offer.

This puts an onus on developers to be proactive and is a positive enforcement mechanism that will benefit the Irish domestic energy sector with a quick and efficient connection to the network.

We would caution that there may be potential risks and pitfalls associated with these strict deadlines that may be prohibitive for developers. If there is a lack of capacity or resourcing issues within the TSO, the developer will be absorbing some risk under this current proposal.

If this is the case and elements of the contractual agreement lapse, then developers may be left in a difficult position, as the current model does not factor in a re-application or appeals process. This may result in many of the projects being delayed en masse until 30 June 2025. Therefore, it may be advisable to include an additional clause that would ensure the TSO is incentivised to deliver within the six-month timescale. This would provide more legal certainty for projects and reduce any potential risks of delays.

A longstop date on this validity period for the offer of 30 June 2025 will apply to prevent capacity hoarding.

In principle, this concept is also reasonable, as it should prioritise effective delivery and would ideally achieve the objective of preventing capacity hoarding.

But, there are concerns within the industry however that this will not be useful in terms of preventing capacity hoarding as it is believed that attempts to hoard will play out as part of the auction process. More efforts will be needed to ensure that the that the auctions themselves will not be gamed.

Furthermore, as the consultation document noted, the DECC's ORESS 1 Consultation response proposes the Planning Consent Longstop as 30 June 2028. This means that planning consent must be secured with no Judicial Review proceedings outstanding against this consent beyond that date.

It is likely that delays in deployment will probably (if they arise) occur as a result of circumstances which are beyond the control of the developers.

Therefore, Chambers Ireland would suggest that the CRU should construct an internal plan to cope with projects that may be delayed beyond the proposed 2025 deadline. Such delays may be very likely to occur, and sufficient contingency planning should be put in place now to manage any such instances.

Projects need to be in receipt of planning consent prior to EirGrid executing the Full Connection Offer. Projects can still accept the Full Connection Offer and pay the First Stage Payment in advance of receipt of planning consent.

This measure is reasonable. Planning consent should be a pre-requisite for any projects that wish to execute a Full Connection Offer.

It is however a fair concession to allow projects to still accept a Full Connection Offer and to pay the first stage payment in advance. This allows for administrative activity to progress but, ultimately, planning consent must be confirmed before connection can take place.

The termination of a project's Maritime Area Consent (MAC) will result in the termination of the Full Connection Offer or the executed Connection Agreement.

This measure seems to be fair, reasonable, and good.

Maritime Area Consent is a new innovation derived under the Maritime Area Planning (MAP) Act. Chambers Ireland is supportive of this new State consent mechanism that forms part of a transformational series of reforms to the planning process for offshore renewable energy.

Maritime Area Consent is integral to this new legal framework, therefore, termination of a project's consent should result in the termination of the Full Connection Offer or the executed Connection Agreement.

What is your view of the CRU's proposals on Connection Offer Policy and Process (COPP) rules that need to be changed for Offshore Phase 1 as shown in Table 4? These proposals include rules for Hybrid Plant, Changes in MEC, Phasing of Connections, Changes in Generation Type and Term of the connection agreement. If you disagree with the proposals, please provide alternative solutions with evidenced reasoning.

It is Chambers Ireland's view that hybrid plants should not be excluded from Phase 1. We have consistently stressed our concern that current plans will not afford us the capacity to produce sufficient Offshore Renewable Energy to meet our 2030 emissions targets. Hybrid plants offer us a way to help achieve those targets.

Given the location of our thermal plants, they are typically well suited for landing offshore renewable energy. They are already on industrial coastal sites and much of the needed infrastructure has already been built. An added benefit of Hybrid projects is that they will facilitate the deep-water floating offshore wind projects that are likely to be available by 2030 but are currently not considered.

The effects of geopolitical upheaval (namely the war in Ukraine) makes our energy security more important than ever before. Including hybrid plants would help futureproof our ability to cope with external geopolitical pressures by strengthening our energy security. It would therefore be useful if existing transmission grid infrastructure, such as the transmission lines which service thermal plants, could be paired with offshore energy projects.

Hybrid plants would be useful additions to the energy mix as these are likely to be anti-correlated in terms of usage and load. This means that when offshore energy projects are generating power, there will be less demand for energy from thermal plants.

Bearing in mind the fact that there is less flexibility when working in the sea environment, Chambers Ireland welcomes the proposed changes to the Maximum Export Capacity (MEC).

We believe that it is reasonable to obtain a reduction of €10,000 per MW after the FCO application, and prior to the commencement of the construction of the Connection Works.

For the same reason that there is less flexibility when working in the sea environment, Chambers Ireland agrees with the proposals regarding changes to generation type and temporary phasing. The proposal to disallow temporary is especially welcome considering the urgent requirement to complete the plan. Similarly, the proposals to not permit a change of generation type and the proposed terms of the Connection Agreement are reasonable.

What is your view of the CRU's proposals on the COPP rules that do not need to be changed for Offshore Phase 1 as shown in Table 5? If you disagree with the proposals, please provide alternative solutions with evidenced reasoning.

Chambers Ireland agrees with all the COPP rules that do not need to be changed for Offshore Phase 1 but notes that timeliness will be crucial for project delivery of electricity to the grid.

The proposal for offer validity to either be 6 months after the Full Connection Offer or 3 months after receipt of the planning consent for the project is good, as the deadline should reduce speculative engagement with the ORESS1 auction and put developers under pressure to finalise much in advance of their application.

Additionally, the proposal of a longstop date on this validity period for the offer of 30 June 2025 applying to prevent capacity hoarding is good in principle but it should be noted that the 2028 DECC timeline suggest that the commission should have an internal plan to cope with projects delayed beyond the 2025 deadline.

With reference to the MEC Capacity Bond, how could the Capacity Testing Period be better aligned with expected ramp up rates of offshore wind farms whilst also protecting the consumer and TSO interests?

Chambers Ireland does not have a view.

What is your view of EirGrid's proposed breakdown of information to be provided in the Grid Connection Assessment? Should other information be included?

Regarding the Grid Connection Assessment, Chambers Ireland believes the proposed breakdown of information is reasonable. Nonetheless, we submit the following points regarding Grid Connection Assessments:

- a. In the past, we noted that planning consent will be an inevitable issue in the context of Grid Connection Assessments. We envisage this problem being solved when the new division of the High Court which will deal solely with environmental and planning decisions is set up in early 2023.
- b. There is also a risk the Grid Connection Assessment will become the de facto mechanism for choosing which developers can bid, as every bid will have been made contingent upon a pre-existing agreement between the developer, the DSO, and the TSO. A solution might involve multiple developers using a particular connection node on the network, but an existing GCA for a development may stymie the creation of a more complex and more efficient, option.
- c. Chambers Ireland would like to reiterate that it is important that setback requirements are not included in any Grid Connection Assessment. We therefore welcome that this is not included in EirGrid's proposal.