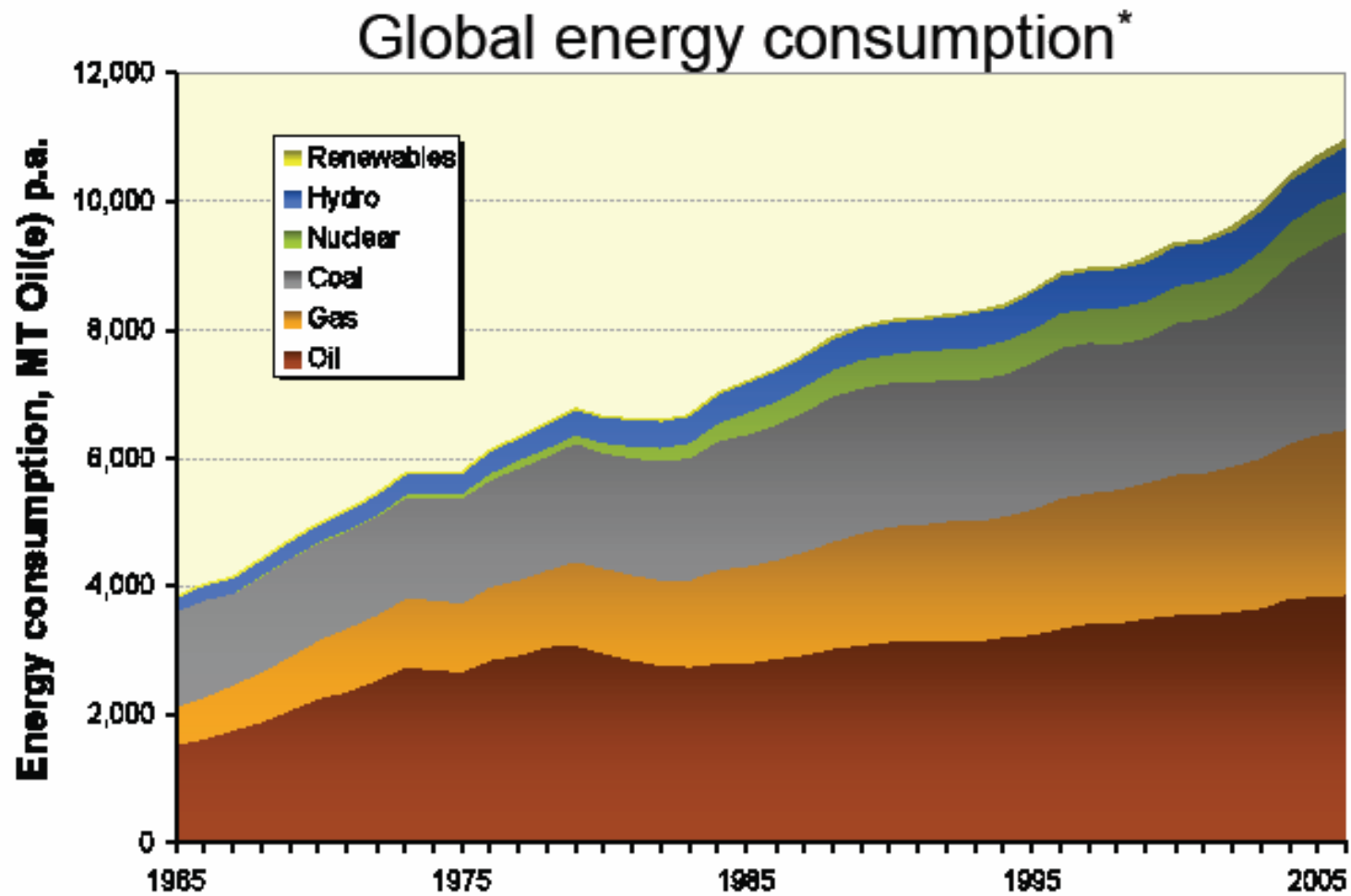


Synergy Group - Update



Meitheal na Gaoithe Annual Workshop
“Energy Rich Ireland”
14 November 2008

. . . and heavily dependent on fossil fuels



*BP Statistical Review of World Energy

Global Fossil Carbon Emissions

Consumption (2006)



3.1* billion tonnes

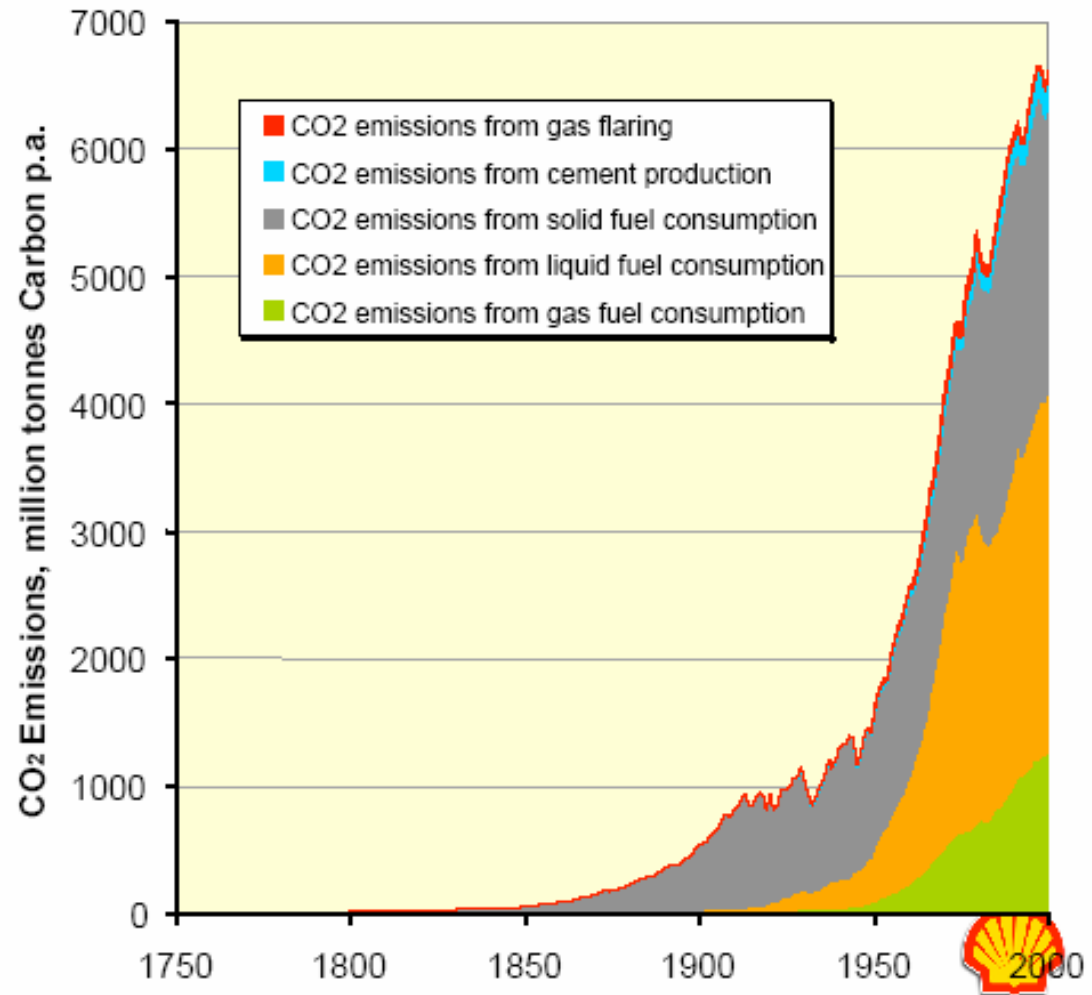


3.9* billion tonnes

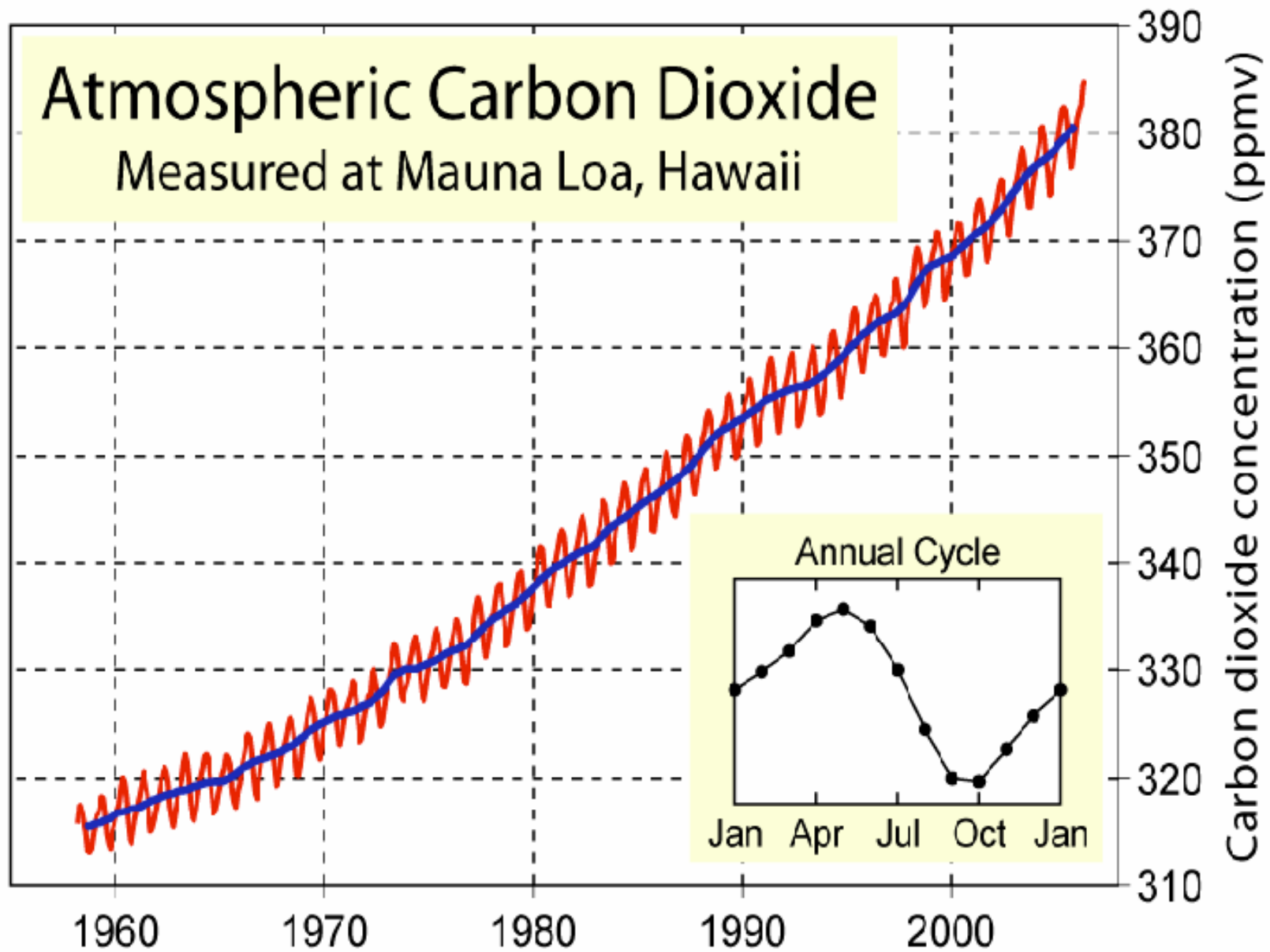


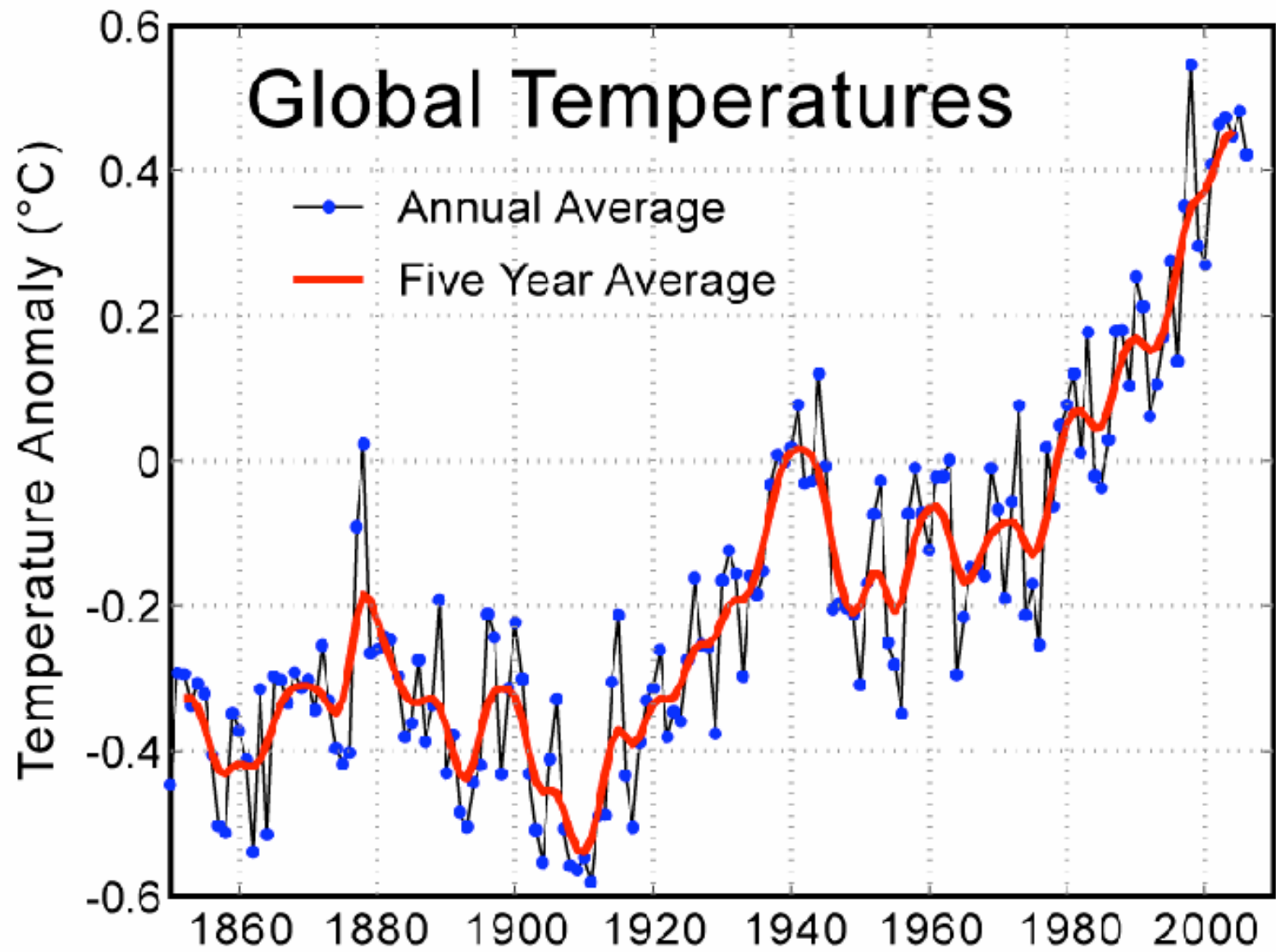
2.6* billion tonnes

*oil equivalent p.a.



Atmospheric Carbon Dioxide Measured at Mauna Loa, Hawaii





EU 2050 (illustrative)



Solar (50 GW)



Wind (50 GW)



Coal / CCS (50 GW)



Hydro (50 GW)



Biomass (50 GW)



Nuclear (50 GW)



Coal (50 GW)



Gas (50 GW)



Direct use (5 EJ)



Vehicle (20 million)



High efficiency vehicle



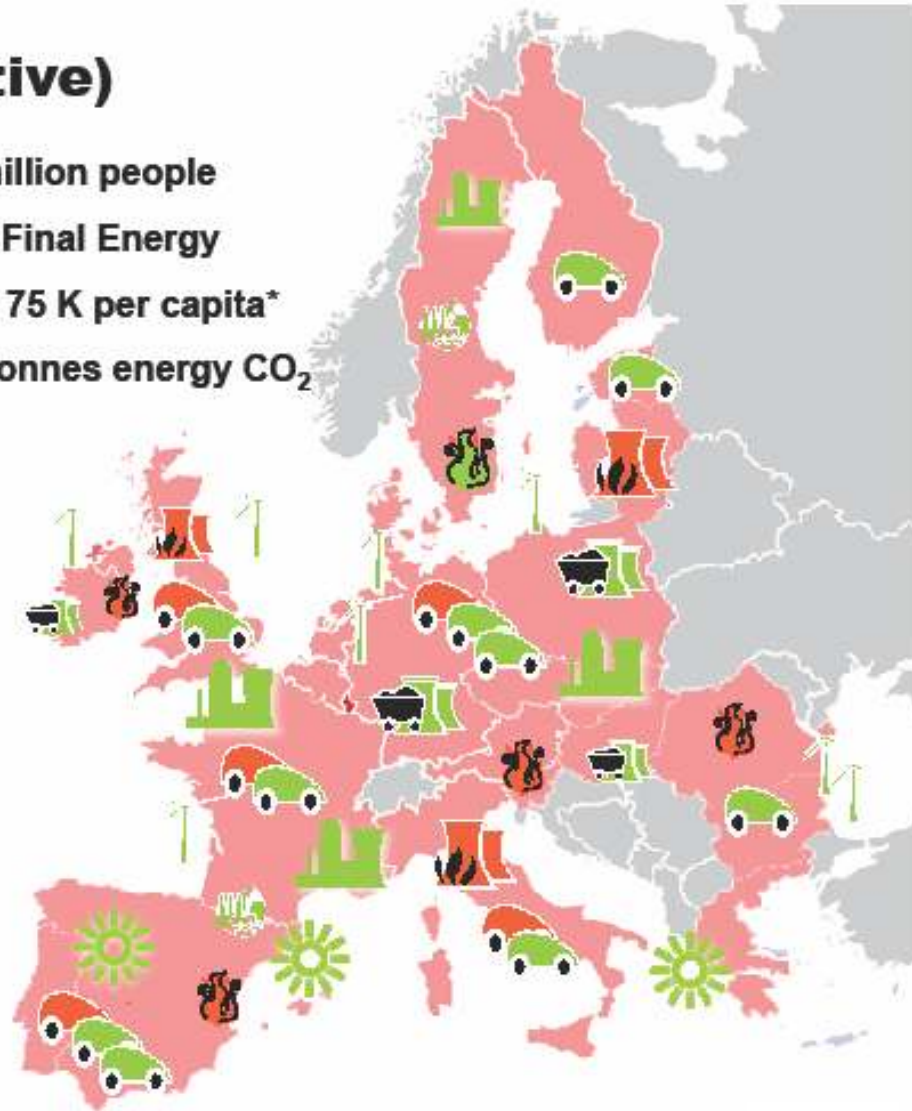
Alternative fuel vehicle

460 million people

42 EJ Final Energy

GDP \$US 75 K per capita*

1.7 billion tonnes energy CO₂



* USD 2000 (ppp)

How can all this be achieved ?



Government
policy will
be important



Overview

- Starting point ...
- What has been achieved to date ...
- Outstanding issues ...
- Next steps ...

Starting point ...

February 2008 ... the Connection Offer

- Lack of a programme and firm connection date with the connection offer
- Lack of clarity in timing of consents process
- Absence of information sharing procedure during consents phase

Starting point ...

February 2008 ... the Connection Offer

- Lack of detail and full transparency in costs quoted in the quotation letter (“QL”)
- Broad and vague ‘Assumptions’ and ‘Pass Through Costs’ (> open-ended contract price)
- Absence of incentives on EirGrid/ESB Networks to commence and complete the ‘Company Connection Works’

Starting point ...

February 2008 ... the Connection Offer

- Absence of transparency and time commitments by ESB regarding reimbursement of payments following termination of connection agreement
- Absence of transparency and time commitments by ESB regarding refunds to the Developer where subsequent projects connect to its project's connection works

Starting point ...

Two General Principles

- Certainty of time for delivery
- Certainty and transparency of cost of delivery

Starting point ...

...the Process...

- Synergy/IWEA Combined Principles Paper (29 Feb 08)
- Meetings with EirGrid and ESB Networks, chaired by CER
- EirGrid response
- ESB Networks response
- Synergy Consistency Check 1
- TSO + DSO Proposed Connection Policy Consultation documents
- Synergy Consistency Check 2
- CER Connection Policy Consultation (CER/08/145)
- Synergy submission to CER/08/145 (19 Sep 08)
- Synergy bilateral meeting with CER (7 Nov 2008)

Achieved to date ...

Distribution System ... in the Connection Offer

- An **outline programme** (in Gantt chart format)
 - work-streams and critical path to achieving Consents Issue Date, Connection Works Completion Date + Operational Date
- **Identification** of connection **elements** requiring **planning permission** and from whom
- DSO **Senior Manager** named as **responsible** for delivery of connection

Achieved to date ...

Distribution System ... in the Connection Offer

- DSO proposes **additional cost estimates** be introduced at offer stage:
 - Civil works costs for stations + cables (assuming ‘normal site conditions’)
 - 110kV cable costs greater than 1km (CER approved standard charge)
 - Site purchase costs (DSO will provide site dimensions to Developer)
 - Need for temporary transformer where up-rating takes place (DSO to develop a set of costs for each type of possible up-rating)

Achieved to date ...

Distribution System ... on Acceptance

- DSO Senior Manager appoints DSO **Project Leader**
- DSO Project Leader contacts Developer + provides **information on programme delivery**
 - including information on when the various elements of the pre-deliverable process will be completed e.g. route selection, approach to consult with landowners, way-leaves, preparation + submission of planning ...

Achieved to date ...

Distribution System ... at Consents Issue Date

- **Updated programme** (in Gantt chart format)
 - work-streams + critical path to Connection Works Completion Date + Operational Date
- Developer to provide information on projected timeline for wind turbines (+ other equipment) delivery

Achieved to date ...

Distribution System ... Construction Phase

- Prior to 2nd stage payment (i.e. 55%) DSO Project Leader arranges **meeting** with Developer
 - **outline construction programme** for connection
 - agree schedule of **progress review meetings**

Distribution System ... Energisation Phase

- Prior to wind farm connection, **information exchange**
 - on requirements to be put in place

Achieved to date ...

Distribution System

- If serious issues arise > escalate to Senior Manager
- Where freehold/100 yr leasehold in substation not possible
 - DSO willing to consider a leasehold interest of less than 100 years in a substation site on case by case basis
- Termination rights
 - modification: DSO's right to terminate does not include where it is due to DSO's own default

Achieved to date ...

Distribution System

- DSO proposes Revised Payment Schedule
 - **10% connection charge**: on signing connection agreement
 - **55% connection charge + any known estimated pass-through costs**: within 30 business days of request for payment + before DSO construction work begins
 - **25% connection charge + any known estimated pass-through costs**: within 30 business days of request for payment and 1 calendar month before Operational Date
 - **10% connection charge + outstanding pass-through costs**: 1 calendar month after the Operational Date (release of export data by MRSO to market would be contingent on final payment)

Achieved to date ...

Distribution System

- LCTA, **Rebates** and Fees (CER/08/077: CER Decision)
 - LCTA: to include civil works costs for cabling and transformer costs
 - **Rebates**: to an initial developer when a 3rd party chooses to connect via the same assets, based upon the actual assets constructed (whether these assets are LCTA method or not); further consultation on period for which rebates apply, valuation of assets and administration of payments

Achieved to date ...

Transmission System ... Background

- Contestability rights afforded to transmission connecting parties
 - certain issues responsibility of connecting party
 - lead-time for completing shallow connection works can largely be controlled by connecting party
- Schedule 10 of Transmission Connection Agreement
 - sets out regular (usually monthly) progress meetings, consenting, construction and commissioning processes

Achieved to date ...

Transmission System ... in the Connection Offer

- **Quotations** may be given for **overhead + underground** as part of Connection Offer (extra costs)
- **Identification** of connection **elements** requiring **planning permission** and from whom
- Certain **Assumptions** amended

Achieved to date ...

Transmission System

- Issues/concerns regarding plant/materials delivery can be discussed at regular progress meetings
- Termination due to abandonment clause amended
- Where freehold/100 yr leasehold in substation not possible
 - willing to consider a leasehold interest of less than 100 years in a substation site on case by case basis

Achieved to date ...

Transmission System

- Transmission standard charges and timelines (until end 2009)
 - CER/08/167: consultation closed on 10 Oct 08
 - Proposed: charges binding; timelines indicative
- EirGrid proposes delivery timescales be reviewed following CER's consultation on standard charges and timelines for transmission works

Outstanding issues ...

...Meeting with CER (7 Nov 08)

- Contractual or collaborative approach
 - Proposed pre-offer meeting between Developer + TSO/DSO to review draft offer
 - Proposed meeting between Developer + TSO/DSO to select preferred route (prior to submission of planning permission application)
 - Proposed fixing timeline from 55% stage payment
 - Incentive mechanism: proposed contingency for penalties included in connection cost OR cap penalties at % of project value
- Procurement: public tendering of all subcontracts
- Capacity Bond: CER open to proposals from Synergy

Outstanding issues ...

- Deemed firm date: planned end date of the project
- Contestability of distribution system connections
- **[Model form agreement with landowners]**
- DSO + TSO internal approvals to be included in programme
- G10 testing resources
- TSO: Grid Code Testing Cost (are still proposed as pass through rather than fixed)

Next steps ...

- Synergy to revert on level of LD's and contingency
- CER publication of proposed decision setting out detailed principles
- Consultation on proposed decision (Jan 2008 envisaged)
- CER publication of final decision + SOs' suite of draft documents comprising connection offer
- **[Consultation on draft suite of documents]**

Thank you !

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