

# **REFIT & Grid Charging**

Grattan Healy

Energy Adviser, board member SEI

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# The issues

1. Project costs too high
  - Turbines
  - Grid
  - Overheads
  - Financing costs
2. Project risks too high
  - Uncoordinated policies
  - Major project delays
  - Inadequate REFIT support
  - Planning expiry

# Costs

- Turbine costs appear to be improving due to more supply competition, recession/cost of commodities
- Grid costs escalating due to greater inclusion of high voltage shared assets (220kV) and cabling
- Large professional input due to complications
- Risks and financial crisis leading to higher financing costs

# Project risks

1. Absent coordination between planning, grid and REFIT
  - eg: in Germany support implies grid connection
2. Up to 10 year delay from grid application to connection
  - charging policy makes complicated
  - moratorium caused ongoing grid 'bubble'
3. EU State aids clearance delays
4. Inadequate REFIT support
  - now small projects can't be built or sold
5. Five year planning currently too short

# Possible solutions

## **REDUCE RISKS & COMPLICATION**

1. Simplify grid through 'who owns pays' (and refund Gates 1 & 2); extend contestability;
2. Target 2 years from application to connection
3. Strategically plan Distribution System
4. Modify REFIT to:
  - avoid state aids
  - raise price floor and share upside
  - 8c or so for small projects (+ capacity & 15%)
5. Minister Gormley proposing to make 10 year planning standard
6. Move towards single grid owner/operator

# 'WHO OWNS PAYS' grid policy

- **Each party pays for the grid they will own**

(after brief consultation with our Northern counterparts in SEM)

- as there would be no 'connection offers' or any of the related complication, it would hugely simplify the process and get us out of the enormous mess we are currently in with 12,000MW waiting to connect, much of which is not real (another bubble we need to avoid!);
- it would reduce costs to projects in the immediate term, reducing the needed REFIT support across the board;
- it would also reduce cost to the consumer overall by having 'shared' grid assets written off over 30 to 50 years rather than 5 to 7 years by commercial projects, and they would be financed at much lower AA rates not commercial finance rates;
- by making the party that will own pay, the cost will be optimized, while at present they are maximized, unnecessarily increasing the cost of renewables in Ireland (eg: use and re-use of second hand equipment).

# Adequate REFIT support

- Recent study the CER and its Northern counterpart (NIAUR) showed that increasing the amount of wind on the system from 2000MW to 6000MW would reduce wholesale costs by 15%, so there is no valid excuse for any more delay, rather an economic incentive;
- our most secure source of energy is locally owned generation, not large un-dynamic foreign or State-owned corporations;
- locally owned generation is more innovative and also contributes most to the local and national economy;
- it is more sustainable and in keeping with the 'local' principles of 'green' politics;
- RES Directive objectives.

# REFIT Price

- Require a better guaranteed price under REFIT for the smaller scale generation projects (such as wind and biogas), in order to bank the projects
- the current price, even with supplier revenue under REFIT ('supplier lite'), isn't enough to be able to bank the projects, so they must be sold;
- the large companies, even the State owned ones, are no longer buying small projects (even up to 10MW), so huge numbers of projects with maybe thousands of MW face extinction;
- the 'who owns pay' grid policy would mean the energy price guarantee required under REFIT is less - approx 8 cent (+ supplier, capacity payments).