Marine Renewables Industry Association

Submission

Commission for Energy Regulation Consultation Paper

Treatment of Small, Renewable and Low Carbon Generators outside the Group Processing Approach

April 29th 2009

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The Marine Renewable Industries Association (MRIA) was established in late 2008 to promote the wave and tidal aspects to Ocean Energy and to promote and represent the interests involved in the industry including developers, manufacturers, researchers and others. The Association's Council is broadly representative of the industry and includes Wavebob Ltd, Pelamis Wave Ltd, ESBI, Airtricity Ltd, Aquamarine Power Ltd, Fleming Energy Ltd, Ocean Energy Ltd, Deep Blue Renewables Ltd, Open Hydro Ltd, Open Ocean Energy Ltd while Enterprise Ireland and the Ocean Energy Development Unit of SEI attend as observers. The MRIA was recently launched formally by the Minister for Communications, Energy and Natural Resources, Eamonn Ryan TD.

This response is given following consideration of the Consultation Paper by the MRIA Council at its meeting on April 21st, 2009. As such this response focuses on impacts of grid connection processes on the emerging Marine Renewables industry in Ireland.

Ireland's Ocean Energy (Wave and Tidal, collectively Ocean Energy or Marine Renewables) resources are regarded as being amongst the most significant in the world. The best estimates available indicate that the Ocean Energy resource accessible annually amounts to 23.6TWh or over 80% of the Republic of Ireland's 2006 electricity needs. Government policy seeks to add Ocean Energy to Ireland's renewables capacity and this has been enhanced by the Government commitment to an initial target of 75MW generated from Ocean Energy by 2012 and 500MW by 2020.

Ireland has a significant further advantage: several of the leading global Marine Renewables device developers are Irish. However, at this key-research and development intensive-stage these companies will inevitably locate their manufacturing capacity (and the associated jobs) elsewhere if grid availability is hindered and/or uncompetitive connection costs apply.

The Marine Renewable industry is currently an early stage of development compared to established renewable technologies such as wind with most technologies at prototype testing stage and some having advanced to installation of small arrays. The cost of developing and deploying Marine Renewables projects are currently high as compared to conventional generation, due to the early stage of development of the technology. Furthermore, the fixed costs associated with installing offshore infrastructure can dominate the economics of early stage projects. As a result it is necessary for marine developers to install early stage commercial projects over a threshold which enable them to achieve investment hurdles. Based on the current costs of marine renewables and the support mechanism available in the Irish market this level is around a minimum of 7 – 10MW. In order to commercialise Marine Renewables and to seize

Ireland's opportunity to be the industry world leader, it is essential that these small scale demonstration arrays are supported through a streamlined, efficient grid connection process and uncompromised financial support.

The MRIA welcomes the CER consultation, particularly in its capacity to support Marine Renewables through their treatment outside the Group Processing Approach (GPA). It represents an opportunity to get early arrays underway and, as discussed above, these may be as large as 10MW to achieve economies of scale.

Having reviewed the proposals within the Consultation paper, MRIA would like to make the following comments.

1) *Pre-selection of Ocean Energy for processing outside the GPA on the basis of it being in the Public Interest.*

   MRIA welcome Marine Renewables Public Interest classification i.e. that marine power generators:

   - ensure security of supply by increasing the diversity of the fuel mix;
   - provide positive environmental benefits by minimising green house gas production (via inherent clean generation processes and the displacement of conventional generation) and through the potential to collocate with demand to reduce system loses.

   MRIA agrees with the Commission's conclusion that Marine Renewables meet the public interest criteria in terms of environmental benefits and security of supply.

   However, a case can be made for the development of different weightings in terms of Public Interest for different categories of technology eg Ocean Energy should 'score' ahead of CHP in terms of carbon offsetting

2) *Shallow Connection.*

   Of the shallow connection options outlined in the Consultation, MRIA supports Option 1, i.e.a qualifying generator is allowed to connect outside the GPA process regardless of the impact on other generators ahead of it in the GPA queue; and that the qualifying generator does not pay compensation to offset the impacts on generators ahead of it in the GPA queue.

   While MRIA understands Options 2-4 are designed to limit the adverse impacts to other connection applicants, imposition of financial penalties on

non-GPA technologies (in the form of compensation payments to interacting GPA generators), negates the benefits of being processed outside the GPA.

Financial support mechanisms will be key to delivering a commercially viable Marine Renewables industry in Ireland. Interaction penalties would have a negative impact on Marine Renewables generators both financially and through increased project risk. Furthermore, the financial support intended for Marine Renewables would be redirected to mature technologies ahead in the queue. MRIA therefore requests that the following considerations are borne in mind.

- Given the small scale (≤10MW) of Marine Renewables projects currently under development, the financial implications of interaction costs would be considerable. This is likely to discourage development of the industry in Ireland. At this time of great national stress, we must not loose our leading global position in Marine Renewables with its potential for substantial job creation

- Time-consuming and costly interaction assessments and settlement procedures are likely to delay and increase the complexity (and cost) of projects. At a time when Marine Renewables developers are at an early, cash intensive development stage, this could have a devastating effect on project success. Further, it may discourage private sector investment in Marine Renewables.

- Interaction assessment and settlement may afford rival firms the opportunity to deliberately delay Marine Renewables projects, in order to retain competitive leadership by inhibiting new market entrants. This would be easily achieved when Marine Renewables are at such a sensitive and early stage of development and could thwart the emergence of a Marine Renewables industry in Ireland.

- Imposing in any way a requirement for market rivals to agree financial terms is unlikely to promote the growth of an emerging industry. We need only look to the airline industry in the 1980s to see evidence of this.

In conclusion, MRIA supports Option 1 and recommends that interaction settlements (Options 2-4) are not implemented for the reasons given above.

If CER does not pursue Option 1, MRIA would recommend Option 4 as a secondary option but only with the amendment that: generators with a Marine Energy Converter (MEC) of ≤10MW (rather than 1MW) should be processed outside the GPA (as in Option 1). This exception should be specified upfront for the transparency and efficiency of the assessment process.

Finally, in general terms, the MRIA is in accord with the approach set out by the

Commission but believes that:

- the issues raised are complex;
- they will have a significant impact on the development of the Marine Renewables industry in light of the points made earlier;
- there is urgent need to resolve grid connection arrangements, particularly for emerging industries such as Marine Renewables;
- it is critical that such grid connection arrangements support the development of the Marine Renewables industry in Ireland.

Accordingly, the MRIA strongly believes that the suggestion for a Workshop made in the Paper should be exercised by the Commission to debate and clarify the issues before the Commission reaches a final decision.

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Chairman