

The 2009 Renewable Energy Directive and Wind in Ireland

Grattan Healy, 20th January 2011

DIRECTIVE 2009/28/EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 23 April 2009 on the promotion of the use of energy from renewable sources and amending and subsequently repealing Directives 2001/77/EC and 2003/30/EC

Since renewable energy comprises the only set of energy sources that can truly address the three key aspects of energy policy, namely competitiveness, security of supply and environment, this is a critical Directive on the EU's road to meeting its medium and longer term energy goals. Similarly, Ireland's imminent transposition of this Directive facilitates Ireland's ongoing switch to a sustainable economy from an energy point of view.

The 29 articles of the Directive cover a wide range of issues affecting all forms of renewable energy, as well as storage, fuels and the electricity and hydrogen vectors.

Some of the more important articles affecting wind in Ireland would be:

Article 3, imposing binding targets and obliging Member States to take the necessary measures;

Article 4, requiring a National Renewable Energy Action Plan (NREAP);

Articles 6 to 12 dealing with Inter-Member State actions;

Articles 13 & 14, requiring the reduction of administrative barriers, information and training;

Article 15 on Guarantees of Origin;

Article 16 dealing with grids;

Articles 22 & 23 dealing with reporting by Member State and the Commission;

and Article 27 dealing with transposition of the Directive.

Ireland has decided to transpose with a Statutory Instrument (secondary legislation), and while the 5th December 2010 deadline has been missed, the legislation is believed to be imminent.

Significant obligations

Under Article 3 (and Annex I), Ireland is expected to source 16% of its gross final consumption of all forms of energy in 2020 from renewable sources. Under Article 4, Ireland has submitted an NREAP to the Commission showing how it believes this is to be done. However, there are considerable concerns about the optimistic nature of this plan, relying as it does on dampened demand and rather optimistic expectations in heat and transport.

Article 13 requires Member States to streamline and reduce administrative barriers to RES projects. Experience to date in Ireland is the opposite. So it is important for the wind industry to put forward proposals to reduce the growing administrative barriers in grid, planning and support. Simplification needs to become a major policy objective to reflect the rules in Article 13, otherwise Ireland is likely to be in breach of the Directive.

There are widespread expectations that the Guarantees of Origin required under Article 15 will help realize some of the 'green' value in the output of renewable plant, though that is not really their purpose. These 'GOOs' are not available in Ireland yet, and in fact the attribution of electricity to the various energy sources is compromised by the nature of the All-island wholesale pool market (SEM). Inter-Member State trading options covered by Articles 6 to 12 may cause the need for these GOOs, and even other 'green' trading mechanisms.

Probably the most significant obligations for all Member States arise under Article 16, dealing with grids. The main ones are:

- subject to reliability and safety: priority (or guaranteed) access; priority of dispatch and avoidance of curtailment; and guaranteed transmission and distribution (Article 16.2).
- grid development (Article 16.1);
- transparent and non-discriminatory costs (Article 16.3);
- reflection of grid benefits in transmission charges (Article 16.8).

Signification Options

The RES Directive provides Member States with a number of options when transposing it, which usefully provides Member States with the comfort that they may legally choose from the options presented. The most significant ones are in Article 16, dealing with grids:

- priority or guaranteed access (Article 16.2b);
- contestability of connection construction (Article 16.5);

- sharing of grid connection costs (Article 16.4).

According to the NREAP, Ireland believes it has a system of priority access for renewable energy sources. Given that many fossil plants have connected ahead of renewable plants, and at least 10,000MW of wind is waiting to connect, this is highly questionable. The system certainly isn't guaranteed access either, given that the planning on most projects expires (currently after 5 years) before the grid is available, which can take 15 years for full firm access.

Ireland has now introduced contestability at distribution level as well as transmission level, so the full option under Article 16.5 has been exercised.

Currently, projects connecting to the grid must pay for all shallow works associated with their connections, and the deep distribution works, but not the deep works in the transmission system. Deep works are integral parts of the network, and automatically owned by the network owner (ESB Networks). In most cases connection assets shared between different projects also become part of the network, as they must be controlled by the network operator, and this is even true where they are built contestably by the projects themselves. Over-ground connection works dedicated to individual projects also normally have to be owned by the network owner, under legacy laws dating back to 1927.

As NOW ireland (www.nowireland.ie) have demonstrated to DCER, this is economically inefficient, since the capital cost to projects is roughly twice that of the network owner. It is thus contrary to Ireland's own 'Better Regulation' rules, which require that such excess costs should be justified, and this has not been done. Furthermore, these huge costs act as a barrier to market entry for RES projects, and hugely and unnecessarily complicate and already complex grid connection system.

Conclusions

Assuming for now that Ireland will fully reflect the various obligations it is under in the transposition of this significant Directive, then the focus of debate is around the how these obligations are implemented. To meet these obligations will require that Ireland:

- properly maintain full priority dispatch under the SEM, and avoid curtailment, which is by no means clear under the current review being undertaken by the SEM Committee;
- properly guarantee transmission of electricity from wind; this obligation has existed since the RES-E Directive in 2001, so that the Irish authorities have had plenty of time to implement grid development and appropriate

policies in order to avoid curtailment; so where the authorities prefer to pay for less than the optimal network required under Article 16 (including adequate interconnection and storage), then they must fully compensate all RE generators for any constraint or curtailment;

- adjust transmission charges to reflect the benefits of embedded generation.

As regards 'Options', the current grid access rules for wind in Ireland are neither 'priority' nor 'guaranteed', and significant changes will be required before it can be said that either option has been implemented.

To enable this to happen, we will need a time limit for grid access (say three years from application to firm access), and a policy like the UK 'connect and manage' could help in this respect. The 'Gate' process also needs to be simplified and telescoped in terms of time (the next point is highly relevant). Then we could return to a normal grid access system that enables 'shovel ready' projects to proceed, while minimising grid speculation.

Finally, probably the most important single change that can be made is a rule requiring the party who owns grid to pay for it (while maintaining contestability of actual build). That would simplify the rules, thereby radically simplifying the 'Gate' process and reducing grid connection delays. And it would be the most economically efficient system, in line with Ireland's 'Better Regulation' policy.