



**EirGrid Policy for MEC Administration for Customers of the  
Transmission System Operator**

**Version 1.0**

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## 1. Introduction

This document outlines the policy for administering customer requested Maximum Export Capacity (“MEC”) changes for customers connected to the Transmission System. The purpose of the document is to capture in one place all CER decisions and directions relating to changes in MEC and EirGrid’s interpretation and implementation of same. This document applies to all Transmission customers who pay generator Transmission Use of System (“GTUoS”) charges under the GTS profiles set out in EirGrid’s Statement of Charges<sup>1</sup>.

This document does not cover the administration of MEC changes for customers connected to the Distribution System, this will be in accordance with DSO procedures, It should be noted however that Distribution connected customers who are liable for GTUoS charges and who reduce their MEC post Operational Date<sup>2</sup>, will pay GTUoS charges at the higher rate of MEC for a period of 18 months following receipt of the modification request by the DSO.

On application for connection to the Transmission System, each customer specifies the MEC value for their Facility. This MEC value is outlined in the Connection Agreement and is used as a basis for determining the level of works including Transmission System reinforcements required to deliver the customer connection. To recover the cost of the Transmission System reinforcements, the network capacity element of the customers GTUoS charge is based on the contracted MEC value.

The MEC reduction charge and Notice Period at different stages of the project life cycle are summarised as follows and expanded upon within this document.

Stage	Application	Commencement of Gate/System studies	Offer issuance	Commencement of construction	Operational Date
MEC reduction Charge <sup>3</sup> Per MW	None	€5,000	€10,000	€25,000	None
Notice Period <sup>4</sup>	None	None	None	None	18 months

<sup>1</sup> Updated annually and available at [www.eirgrid.com](http://www.eirgrid.com)

<sup>2</sup> As defined in their Connection Agreement

<sup>3</sup> Offer Programme administration charges will apply.

<sup>4</sup> Offer Programme timelines will apply.

## 2. Policy Context for Reductions in MEC

This section outlines the policy context and related charges for changing the MEC value at various stages in the project life cycle of the Facility from application stage to operational stage and is based upon the relevant provisions of the following documents:

- CER decision on Electricity Network Connection Policy (CER 09/138)<sup>i</sup> and CER Decision on Transmission Connection Agreements and Use of System Agreements (CER/13/045)<sup>ii</sup>
- CER decision on Connection Offer Policy and Process (CER/11/093)<sup>iii</sup>
- Letter from CER to ESB National Grid dated February 2005

### **Changes to MEC between Application Submission and Offer Acceptance**

**CER/11/093** applies to all generators connecting to the distribution and transmission system. Page 33 summarises the CER decision on Reducing MEC

#### *Reducing MEC*

*In the responses received from industry on this issue, it appears that the introduction of a charge of €5k/MW was interpreted as a penalty of sorts for reducing MEC – however since a reduction in MEC was not permitted prior to offer issue before now, at which point the cost of reducing MEC would be €10k/MW, the CER does not view this as a penalty, rather it is an incentive on applicants to submit applications for connection that are well considered.*

*The intention is to facilitate generators making decisions regarding their MEC at an early stage – indeed the reduced cost will also act to incentivise generators in this regard.*

### **Changes to MEC between Offer Acceptance and Operational Date**

**CER 09/138** applies to all generators connecting to the distribution system and all renewable generators connecting to the transmission system. Page 86 of ER/09/138 summarises the decision on MEC capacity bond and associated changes in MEC. The requirements of this decision are known as Bonding Regime 2 to distinguish them from the provisions which applied previously known as Bonding Regime 1.

#### *“5.9 Summary of decision on capacity bond*

*In summary, at any stage up until the start of construction, the developer may request a reduction in its MEC. This reduction can be for any amount and for any reason. The developer would be required at that stage to pay €10k for each MW by which it reduced its MEC. The developer would still have to pay its connection costs as detailed in its offer for its original MEC, unless it progresses a modification request through the normal process resulting in a revised offer with a different connection cost. One month prior to energisation (or two years after the Consents Issue Date, whichever is earliest), the developer would be required to put in place a bond (or similar equivalent) of €25k per MW for the MEC that they are requesting at that time.”*

It should be noted that under CER/13/145 these requirements now also apply to non-renewable generators connecting to the transmission. These requirements are reflected in section 24.3 of the General Conditions of Connection to the Transmission System<sup>iv</sup> and apply to all generators connected to the transmission system.

Note on Interpretation of CER/09/138

The CER decision paper does not explicitly address the implications of a change in MEC post construction commencement and pre-placement of MEC capacity bond. It is EirGrid's interpretation that the developer would be required to pay €25k for any reduction in MEC during this period. This interpretation is based on the explicit provision in the paper that the €10k per MW payment would only apply prior to construction commencement.

**Changes to MEC Post Release of MEC Capacity Bond**

The issue of how to manage a reduction in MEC post the release of the MEC Capacity Bond was addressed in a letter from CER to EirGrid (then ESB National Grid) which states the following:

*“Maximum Export Capacity (MEC) Administration Policy”*

*An MEC Administration Policy shall be implemented to address requests from generators to increase or decrease their MEC as a result of changing technical circumstances. This policy will ensure the consistent and equitable treatment of both generators and demand users and should be designed to deal with the issues of network capacity reservation, stranded costs and under-recoveries of planned TUoS revenues.*

*A generator requesting a reduction in MEC will be required to give an 18-month notice period for TUoS charging purposes.”*

### 3. Summary of CER Decisions and Directions

The main points are summarised below:

- The contracted MEC value for the Facility is outlined in the Connection Agreement;
- GTUoS is calculated based primarily on the MEC value which is specified in the relevant Transmission or Distribution Connection Agreement;
- A MEC security bond is required in accordance with the terms of the Connection Agreement;
- Where a customer wishes to reduce or increase their MEC value, they must submit to the relevant SO a Modification Application Request, which is a request in writing in addition to the associated modification fee to modify the Connection Agreement<sup>5</sup>. The new MEC value will be reflected in the modified Connection Agreement;
- Where a customer requests a reduction in the MEC value, the impact of this change on the GTUoS charge will not take effect until 18 months after the date that the System Operator receives the Modification Application Request ('Notice Period').
- Where a customer requests a reduction in MEC value, a set per MW charge may also apply, the amount of which depends on where the project is in its life cycle.
- For the purposes of GTUoS, the reduced MEC value will take effect on the first full day directly following the end of the Notice Period, provided that the modification to the Connection Agreement has been executed;
- Where a customer has a Connection Agreement and wishes to reduce their MEC then the respective clauses from the Connection Agreement apply and the customer must follow the Connection Agreement Modification process.
- A customer may request an earlier effective date for the reduced MEC. In this scenario, the higher MEC TUoS liability still remains for the Notice Period but is paid by the customer in a single payment covering the outstanding TUoS charges for the remainder of the Notice Period.
- The MEC value can be increased by a customer by submitting a Modification Application Request and fulfilling all relevant conditions including those of the modified Connection Agreement, the appropriate regulatory process<sup>6</sup> and the requirement to pay any additional connection charges.
- The MEC reduction charge and Notice Period at different stages of the project life cycle are summarised as follows:

<b>MEC reduction Charge<sup>7</sup></b>	None	€5,000 per MW	per	€10,000 per MW	€25,000 per MW	None
<b>Notice Period<sup>8</sup></b>	None	None		None	None	18 months
	↓	↓	↓	↓	↓	↓
	Application	Commencement of Gate/System studies	Offer issuance	Commencement of construction		Operational Date

**Figure 1: Schedule for MEC reduction Charge**

<sup>5</sup> In the event of plant or unit closure the customer must comply the all relevant notice obligations including the Grid Code notification process.

<sup>6</sup> See CER-09-099

<sup>7</sup> Offer Programme administration charges will apply.

<sup>8</sup> Offer Programme timelines will apply.

## 4. The Process for changing MEC

The Connection Agreement outlines the contracted MEC value and all terms and conditions relating to that value, including the requirement to put in place a MEC security bond. The MEC value can be changed by a customer by following the Connection Agreement Modification process and submitting a Modification Application Request and fulfilling all conditions of the modified Connection Agreement.

For TSO Demand Customers requesting a change in MEC, they should do so by using the “Customer Connection Form”. See <http://www.eirgrid.com/customers/gridconnections/demandconnections/>.

For TSO Generation Customers requesting a change to their MEC, they can do so by accessing <http://www.eirgrid.com/customers/gridconnections/generatorconnections/> and using the Application Form for Generation Facilities or Wind Generation Facilities (whichever applies).

Distribution Customers should apply directly to the Distribution System Operator for MEC changes.

EirGrid Customer Relations Team is available on 01 7026642 to address any Transmission System queries

### 4.1. Increasing the contracted MEC value

MEC increases are assessed and processed by the System Operator in the same way and following the appropriate regulatory process<sup>9</sup> as new connections. Existing capacity on the Electricity System is identified along with any shallow connection assets and Associated Transmission Reinforcements (“ATRs”) that are required to provide the revised MEC. The provision of the MEC increase is subject to the customer executing the modified Connection Agreement and fulfilling all of its conditions, including the requirement to pay any additional connection charges.

### 4.2. Reducing the contracted MEC value

It should be noted that once the MEC value is reduced, the additional capacity associated with the higher MEC value is surrendered and made available for other parties seeking to connect to the Electricity System. Any subsequent request to increase MEC will be treated as a new connection application.

The procedures and conditions for reducing MEC at different stages of the project life cycle are as follows:

#### 4.2.1.Reduction in MEC value of an Application in the Connection Queue

In accordance with the terms of the COPP, prior to inclusion in a Gate (or other regulated application processing system) and studies commencing, a customer can reduce their MEC. There will be no refund of any application fees paid to date<sup>10</sup> or MEC reduction charge applied. A Modification Application Request to reduce the MEC value must be submitted to the System Operator.

#### 4.2.2.Reduction in MEC value within a Gate Pre-Offer Issuance

In accordance with the terms of the COPP it may, in certain circumstances, be prudent to allow a reduction in MEC that would be beneficial to a project(s) without having a negative

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<sup>9</sup> See CER 09/099

<sup>10</sup> See EirGrid Statement of Charges for details

impact on other projects (in some cases it could have a beneficial impact). The System Operator will assess the request against the following criteria:

- The reduction in MEC can be accommodated without negatively impacting on costs for other parties.
- The reduction in MEC can be accommodated by the System Operator without negatively impacting on the delivery date of connection offers within a Gate.

If the request is permitted, a MEC reduction charge of €5,000 per MW of reduced MEC applies. A modification fee will also apply.

#### **4.2.3. Reduction in MEC value Post Offer Issue to Start of Construction<sup>11</sup>**

As per CER decision on Electricity Network Connection Policy (CER 09/138), all Transmission connected renewable generators and all generators that are connecting to the Distribution System may reduce their MEC by any amount post offer acceptance and up to the start of construction. A MEC reduction charge of €10,000 per MW of reduced MEC applies for any project with an MEC > 5MW, connecting to the Distribution System, and any renewable generator connecting to the Transmission System who requests a reduction in their MEC post offer issue and up to the start of construction. In addition the generator reducing their MEC will be liable for any stranded asset costs

#### **4.2.4. Reduction in MEC value from Start of Construction to Energisation**

As per CER decision on Electricity Network Connection Policy (CER 09/138), all Transmission connected renewable generators and all generators that are connecting to the Distribution System may reduce their MEC by any amount after the start of construction and up to Energisation.

A MEC reduction charge of €25,000 per MW of reduced MEC applies for any customer who request a reduction in their MEC after the start of construction and up to the Energisation.

#### **4.2.5.Reduction in MEC value Post Energisation to Operational Date**

To request a reduction in MEC post Energisation, the customer is required to apply to the System Operator who issued their Connection Agreement. The impact of this change on the GTUoS charge will not take effect until 18 months after the date that the System Operator receives the Modification Application Request ('Notice Period') i.e. during the Notice Period, GTUoS charges will continue to be levied at the existing MEC level.

For the purposes of GTUoS, the reduced MEC value will take effect on the first full day directly following the end of the Notice Period provided the modification to the Connection Agreement has been executed.

A customer may request an earlier effective date for the reduced MEC. In this scenario, the higher MEC TUoS liability still remains for the Notice Period but is paid by the customer in a single payment covering the outstanding TUoS charges for the remainder of the Notice Period. Where such an arrangement has been requested payment of this up-front payment will be a condition of the modified Connection Agreement. The revised MEC value will take effect on the first full day following execution of the modified Connection Agreement. For

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<sup>11</sup> known as Consents Issue Date for Transmission projects.



clarity and regardless of how the payment is made, the total liability of the generator will be payment of GTUoS at the higher MEC for the Notice Period

#### **4.3. MEC Phasing**

In the event that the customer requests to change their MEC in phases, then the System Operator will examine the feasibility of such a request. The ramping schedule must be explicitly requested and outlined in the Modified Application Request. Any such request would have to go through the Connection Agreement Modification process and be consistent with all other policies with regard to the Notice Period, TUoS impact etc.

The ramping period up to the full MEC level granted by the System Operator to the Customer must be achieved within eighteen (18) months. All dates related to the ramping schedule including date of full MEC would form part of the modified Connection Agreement. Once the full MEC value is reached, TUoS charges are payable for a minimum of eighteen (18) months at that level. Any changes to the ramping schedule can only be processed through the Connection Agreement Modification process again.

#### **4.4. Fees**

Where a customer requests an increase in the MEC value, a full application fee is payable. Where a customer requests a reduction in the MEC value, a connection modification fee is payable, details of which are available in the Connection Offer Process (COP) Schedule and Modification Fees Schedule in EirGrid's Statement of Charges.

## 5. Relationship between MEC and Transmission Use of System Charging

GTUoS charges comprise two elements, System Services Charges which are designed to recover system operating costs, and Network Capacity Charges which are designed to recover the cost of making the network available for the customer. The Network Capacity Charge is based on the contracted MEC.

### 5.1. System services charges

System Services Charges relate to the recovery of non-wires costs. These charges recover the costs arising from the operation and security of the Transmission System. Specifically, these charges recover the costs associated with ancillary services and system support services. EirGrid pays the costs of these services to the providers of such services and users pay EirGrid a System Services Charge in respect of these costs. For further detail on the System Services Charge refer to EirGrid's Statement of Charges.

### 5.2. Network Capacity Charges

Network Capacity Charges are primarily related to recovery of wires costs. These charges recover the costs for the use of the Transmission System infrastructure for the transportation of electricity in Ireland. Around 75% of the total wires related costs are recovered from demand users and the remaining 25% from generators, see Figure 2 below.

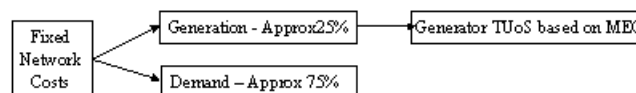


Figure 2: Generator TUoS based on MEC

GTUoS is a charge that is based on the generator's contracted MEC value and is locational in nature i.e. the charge depends on which part of the system the generator connects to. The Transmission System is designed to allow the generator export to its contracted MEC value at a particular location.

For further detail on the Network Capacity Charge refer to EirGrid's Statement of Charges.

### 5.3. Impact of MEC changes on the Transmission System

GTUoS tariffs are designed to ensure that generators optimally chose an MEC level that is appropriate for their needs. Should this level change at any time, it has implications for the Transmission System.

#### 5.3.1. MEC Reduction

In the event that a customer reduces their MEC then there are significant implications for the Transmission System and Transmission Use of System tariffs.

#### TUoS revenue under recovery

As GTUoS is levied on the total sum of MECs across the Transmission System, any reduction in MEC will lead to a TUoS under-recovery in a particular charging period. This has

implications for future TUoS levels with the likelihood, all other things being equal, that TUoS charges would rise over time.

#### Asset stranding

The Transmission System is designed to accommodate the MEC values of connecting Customers which can drive significant Transmission Reinforcement projects. Any reduction in MEC values could therefore result in the stranding of Transmission Assets. MEC administration policy is designed to minimise the risk of stranded Transmission assets by encouraging customers to request the optimal MEC value for their Facility based on long run need.

## 6. Billing

For TUoS billing purposes, changes in MEC will be made effective in line with the Statement of Charges. MEC increases made during a Charging Period will be made effective for charging purposes on the day for the full day. MEC reductions will be made effective from the first full day of the next Charging Period following completion of the Notice Period.

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### Footnotes

<sup>i</sup> Available at: <http://www.cer.ie/en/electricity-distribution-network-current-consultations.aspx?article=2c22a3a8-a3d1-4f3a-8c22-2d891f1d3a71&mode=author>

<sup>ii</sup> Available at: <http://www.cer.ie/en/electricity-transmission-network-decision-documents.aspx?article=cce588c4-33a8-45cb-9b35-029ca1c65aeb>

<sup>iii</sup> Available at: <http://www.cer.ie/en/electricity-distribution-network-current-consultations.aspx?article=f60275f5-1442-4330-93f3-895a68f861b3>

<sup>iv</sup> Available at: <http://www.eirgrid.com/media/GeneralConditionsofConnectionandUseofSystem.pdf>

## Appendix – Process of Applying to EirGrid to Modify MEC

