



**MIC Administration Policy for Customers Connected to the
Transmission System**

Version 3.0

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1. Introduction

This document outlines the policy for administering customer requested Maximum Import Capacity (MIC) changes. It is an update to the original MIC administration policy which was approved by the CRU in January 2003. This document does not apply to distribution connected parties. Unless otherwise specified, the terms in this document are as defined in the General Conditions of Connection and Use of System.

Customers affected by this policy document pay Transmission Use of System (TUoS) Charges based on the relevant DTS profile as set out in EirGrid's Statement of Charges¹. On application for connection to the Transmission System, each customer specifies the MIC value for their Facility and this MIC value is outlined in the Connection Agreement and is used as a basis for determining the level of 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 DTS charges is based on the contracted MIC value.

This document also outlines the steps involved in changing MIC value and the main points are summarised below:

- The contracted MIC value for the Facility is outlined in the Connection Agreement
- Unauthorised usage charges apply if the contracted MIC value is exceeded
- The Network Capacity element of DTS charges is calculated based on contractual MIC
- A MIC security bond is required for demand users (MIC security bond does not apply to generators) on offer execution in accordance with the terms of the Connection Agreement;
- Where a customer wishes to reduce or increase their MIC value, the customer must provide a Modification Application Request which is a request in writing in addition to the associated modification fee to modify the Connection Agreement. The new MIC value will be reflected in the modified Connection Agreement
- Where a customer requests a reduction in MIC value, the customer must provide EirGrid with eighteen (18) months' notice (the "Notice Period"). The Notice Period applies from the date that EirGrid receives a Modification Application Request
- DTS charges will continue to be applied based on the original contracted MIC value for the duration of the Notice Period
- The reduced MIC value will take effect on the first full day of the next Charging Period, as defined in the Statement of Charges, 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 MIC. In this scenario, the higher MIC 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 a customer has a Connection Agreement and wishes to reduce their MIC then the respective clauses from the Connection Agreement apply and the customer must follow the Connection Agreement Modification process.

2. The Process for changing MIC

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

¹ Updated annually and available at <http://www.eirgridgroup.com/>.

For Demand Customers requesting a change in MIC, they should do so by using the Customer Connection Form.

See <http://www.eirgridgroup.com/customer-and-industry/becoming-a-customer/demand-customer/>

For Generation Customers requesting a change to their MIC, they can do so by accessing: <http://www.eirgridgroup.com/customer-and-industry/becoming-a-customer/generator-connections/> and using the Application Form for Generation Facilities or Wind Generation Facilities (whichever applies).

EirGrid Customers and Stakeholders Team is available on +353 (0)1 23 70472 to address any queries.

2.1. Increasing the contracted MIC value

MIC increases are assessed and processed by EirGrid in the same way as new connections. Existing capacity on the Transmission System is identified along with any additional connection assets that are required to provide the revised MIC. The provision of the MIC 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.

2.2. Reducing the contracted MIC value

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

When requesting a reduction in MIC, the customer is required to provide EirGrid with eighteen (18) months notice of its intent to reduce its MIC value. **This Notice Period will commence on the date that EirGrid receives the Modification Application Request.** During the Notice Period, DTS charges will continue to be levied at the existing MIC level. The reduced MIC value will take effect on the first full day of the Charging Period 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 MIC. In this scenario, the higher MIC TUoS liability still remains for the Notice Period but is paid by the customer in a single upfront payment covering the outstanding TUoS charges for the remainder of the Notice Period. As the single upfront payment is an estimate (based on consumption pattern and TUoS rates), EirGrid has provision to resettle at the end of the Notice Period. Agreement to pay this up-front payment will be a condition of the modified Connection Agreement. The revised contracted MIC value will take effect on the first full day of the next Charging Period directly following execution of the modified Connection Agreement.

Note: The level of the PSO (Public Service Obligation)² levy is charged based on contracted MIC at the time of supplier billing.

2.3. MIC Ramping

In the event that the customer requests to change their MIC in phases, EirGrid will assess the feasibility of such a request on receipt of a Modification Application Request. The ramping schedule must be explicitly requested and outlined in the Modification Application Request. This request will be processed through the Connection Agreement Modification process and will be consistent with all other policies with regard to the Notice Period, TUoS impact, etc.

² For further details of the PSO levy (including current rates), please refer to www.cru.ie

2.3.1 Ramping Up MIC

The ramping up period for the additional MIC requested cannot exceed eighteen (18) months³. All dates related to the ramping schedule including the date on which the full MIC will be achieved will form part of the modified Connection Agreement. A maximum of 3 steps is permitted for the ramping schedule. If at any time during the ramping period the customer submits a request to reduce the MIC then the eighteen (18) month notice period for a MIC reduction will apply. Notwithstanding the MIC applicable at the time the request is received, the customer must pay TUoS at the maximum level of the ramping schedule for an eighteen (18) month period before the MIC reduction will apply. Any changes to the ramping schedule will require a modification to the Connection Agreement and will be processed through the Connection Agreement Modification process.

2.3.2 Ramping Down MIC

An eighteen month notice period for reducing MIC applies. If a customer wishes to reduce MIC over an extended period of time they can request a ramping down schedule. The ramping schedule commences 18 months after the notice is provided and must be completed within an additional 18 months. All dates related to the ramping schedule including the date on which the final reduced MIC will be achieved will form part of the modified Connection Agreement. A maximum of 3 steps is permitted for the ramping schedule. If at any time during the ramping period the customer submits a request to further reduce the MIC then the eighteen (18) month notice period for that MIC reduction will apply. Any changes to the ramping schedule will require a modification to the Connection Agreement and will be processed through the Connection Agreement Modification process.

2.4. Fees

Where a customer requests an increase in the MIC value, a full application fee is payable. Where a customer requests a reduction in the MIC value, a modification fee is payable. Details of fees are available in EirGrid's Statement of Charges.

3. Relationship between MIC and Transmission Use of System Charging

DTS charges comprise of 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 MIC.

3.1. 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.

3.2. 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. See Figure 1 below:

³ Customers may seek to extend the ramping schedule in constrained areas. EirGrid will allow a reasonable number of steps/ramps in the MIC ramping schedule.

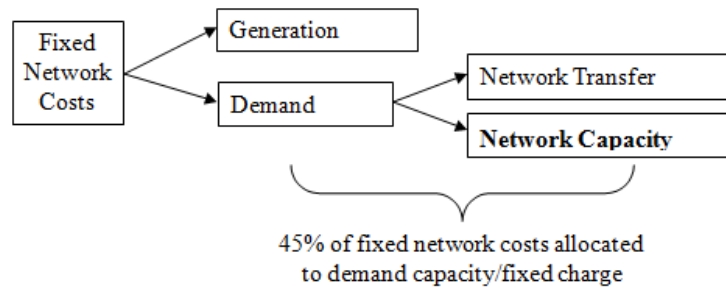


Figure 1: Demand Network Capacity Charge

The network capacity element of the Network Capacity Charge is based on the contracted MIC value and is designed to incentivise customers to select a level of MIC that meets their capacity requirements.

The MIC value is extremely important because it generally represents the extent to which the transmission network has been designed to serve the customers and it places an upper limit on the total demand that a customer can place on the network. The MIC should therefore be high enough to meet a customer's requirements. Since TUoS tariffs are charged based on the MIC value of each customer, a contracted MIC value in excess of a customer's requirement will result in that customer incurring capacity charges higher than necessary.

Conversely, if the MIC value is set too low and a customer exceeds the contracted MIC value then penalty charges, or *Unauthorised Usage Charges*, will be applied in order to reflect the fact that the network has not been designed to meet these levels and to discourage use above the MIC value⁴.

3.2.1. Charging Bandwidth

This Network Capacity Charge does not strictly levy the charge based on MIC value. Recognising that some degree of variation may be required by customers, the charge has been designed with a bandwidth to allow for seasonal and other variations in demand. See Statement of Charges for details.

3.3. Unauthorised Usage Charge

Unauthorised Usage Charges are applied to customers who exceed their contracted MIC value, in accordance with the terms of the Connection Agreement and the Statement of Charges.

3.4. Impact of MIC changes on the Transmission System

The Network Capacity Charge is designed to ensure that generators optimally chose a MIC level that is appropriate for their needs. Should this level change at any time, it has implications for the Transmission System.

3.4.1 MIC Reduction

In the event that a customer reduces their MIC value, 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 MICs across the Transmission System, any reduction in MIC 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.

⁴ The application of these penalty charges does not preclude EirGrid from instructing a customer to reduce demand or from de-energising a customer if system security requires

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

4. Billing

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

Appendix

