

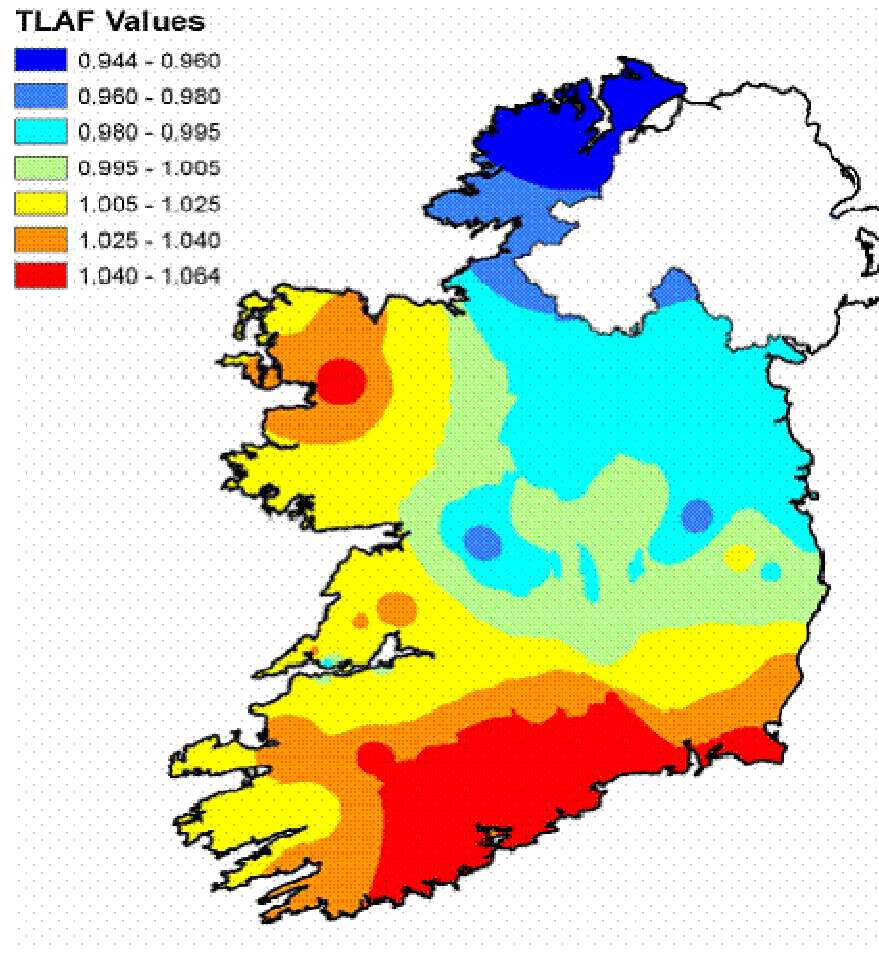
Preferred Options to be considered for the Implementation of Locational Signals

IWEA Position
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9 December 2009

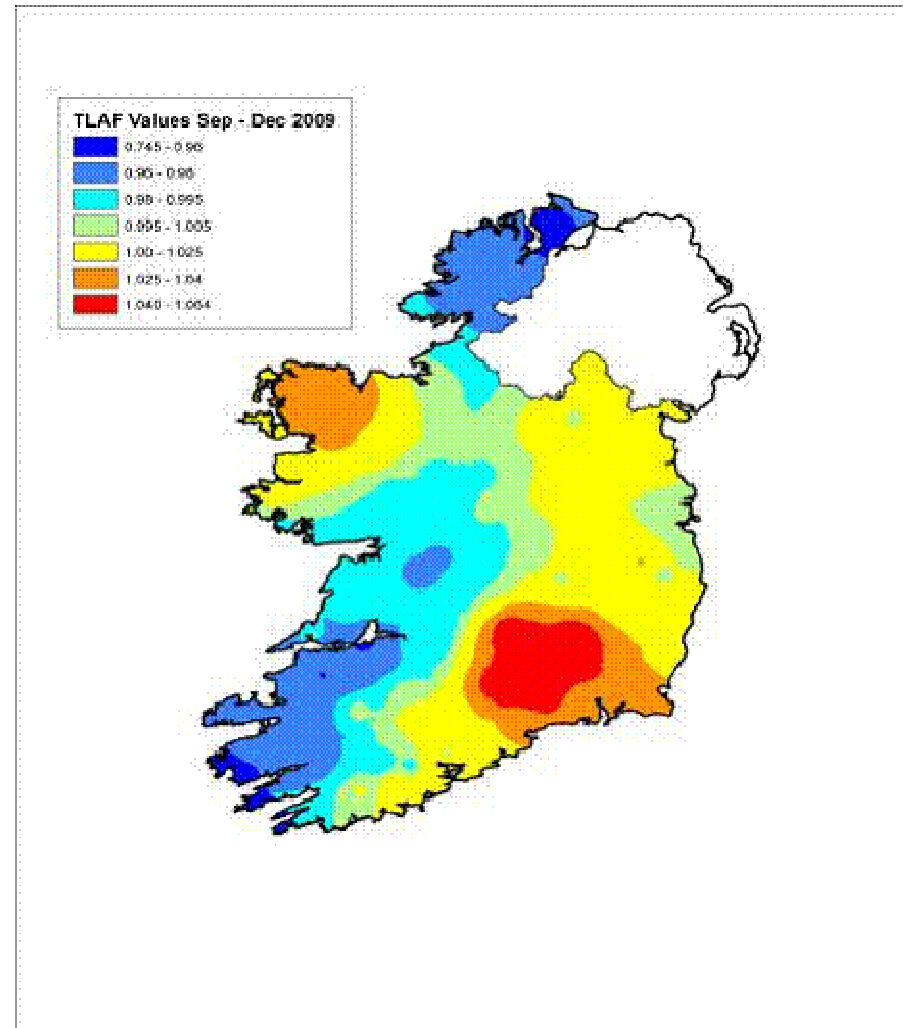
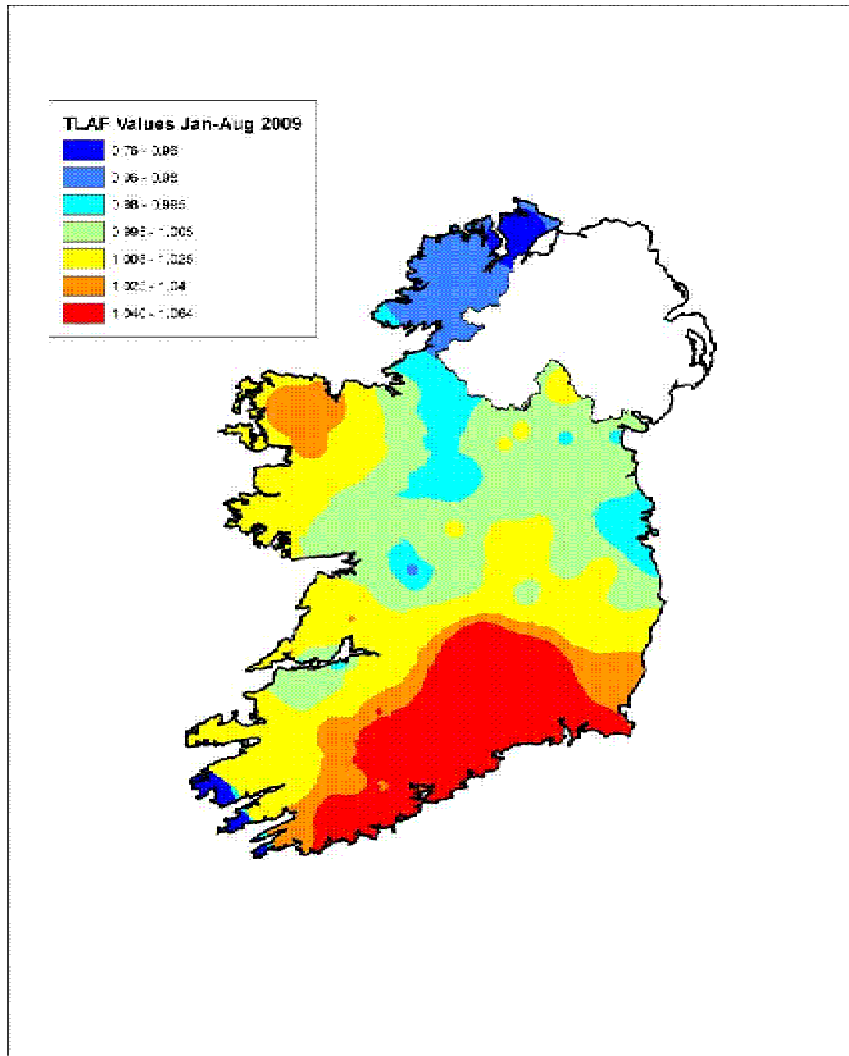
Current Situation

- TLAFs have significant bearing on the **viability** of generators
- TLAF **volatility** goes straight to the bottom line of generators
- Material **risk** to revenue
- Material effect on **competitiveness**
- A **volatile** TLAF system **diminishes investment** returns
- **Lack of predictability** will **undermine investments** going forward
- TLAFs **significantly impacted** by the appearance & disappearance of load
- In **direct contradiction to the Gate 3 process** of date order and central planning within GDS

2008 TLAF Values



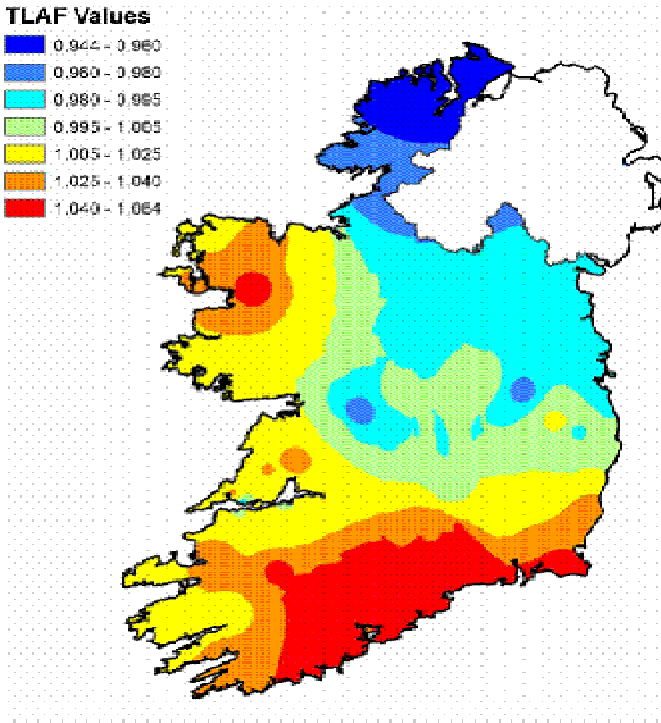
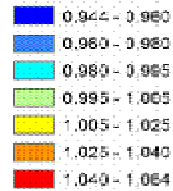
2009 TLAF Values



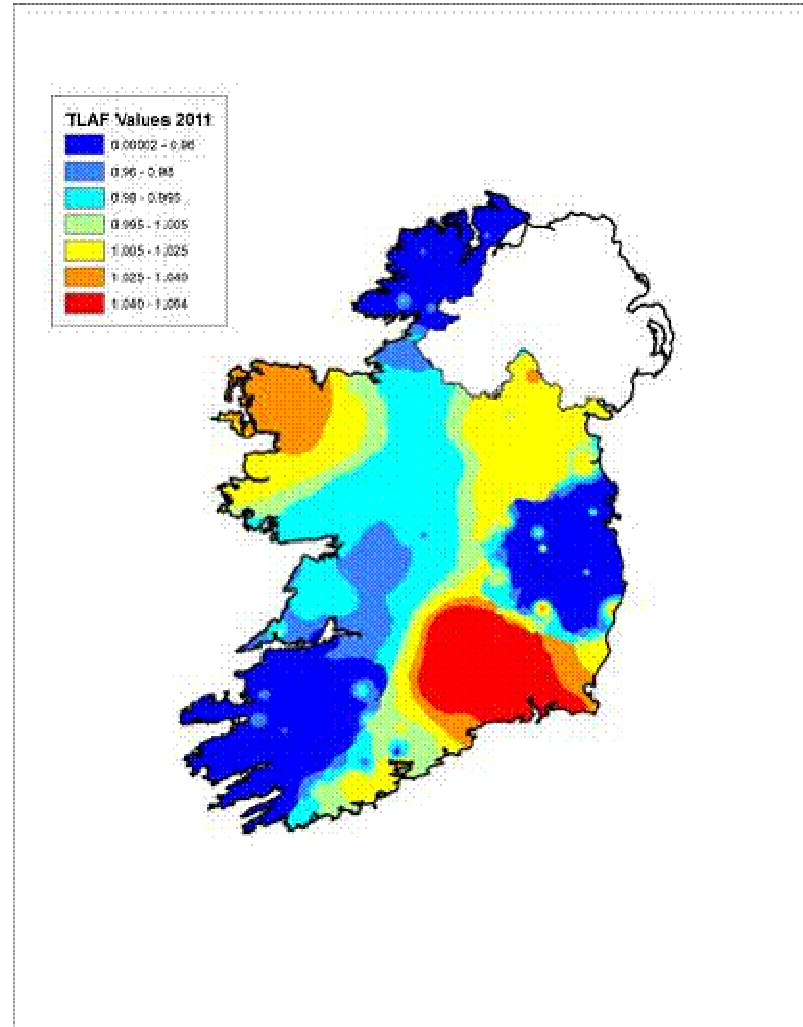
2008 Vs 2011 TLAf Values

TLAF Values 2008

TLAF Values



TLAF Values 2011



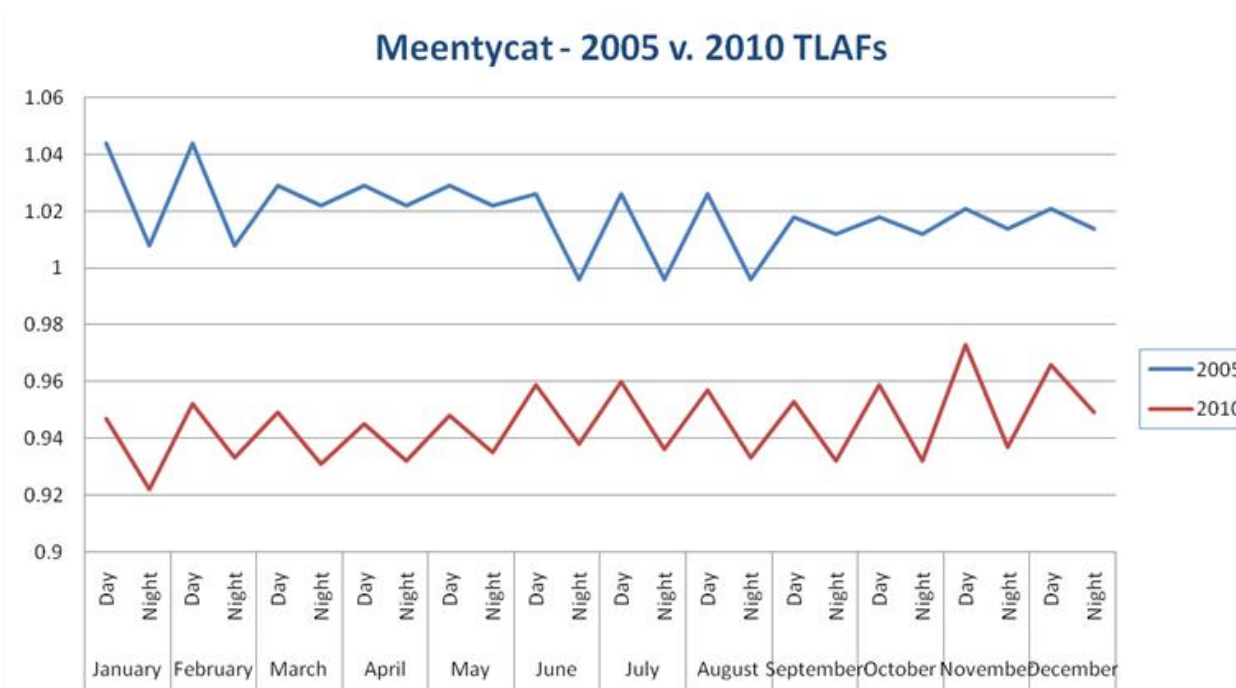
Financial Impact of Proposed 2010 TLAFs

- Taking a Wind farm of 45MW Capacity
- Between 2009 and 2010 experienced a 5% TLAF decline
- Resulting in €485,000 loss
- More than significant

Meentycat Example

- 2004 TLAFA Average approx 1.068
- 2005 TLAFA Average approx 1.019
- 2008 TLAFA Average approx 0.95
- 2011 TLAFA Indicative average approx 0.969
- Draft 2010 TLAFA average approx 0.945

Change from 2004 to 2010 of approx 12%



IWEA's Interim View of Options Paper in General

- Good academic analysis on the treatment of locational charging within its own context
- Focus given purely on TSO perspective
- Perspective very narrow – cannot judge cost reflectivity without looking at characteristics of generation type
- Opinion presented that Volatility, Predictability and Transparency are **non-economic** factors a grave concern
- Transparency presented in particular as of lesser importance
- Continued focus on a non-existent need for locational signal

IWEA's Interim View of TuOS Proposals Presented

- Reduction of threshold from 10MW to 5MW a threat to viability of many small developers
 - Many small projects viability contingent on being under 10MW
 - Would also affect quite a number of older projects coming out of support
 - Cannot be applied to existing projects
- Proposed option of 40% postage stamp not resolving issues presented
 - Difficult to take an informed view
 - Need to know what the changes would be in 3 / 4 years time when responding to new generation

IWEA's Interim View of TLAF Proposals Presented

- 3 Step Strategy presented seems reasonable
- However huge concern over extracted protracted timelines & unnecessary complexity
- If ultimate solution desired by System Operators is the TSO Purchase of Losses, why is this 5+ years hence
- Work should begin immediately on measurement of losses

IWEA's Interim View of Timelines Presented

- Short Term should be **Q1 2010**
 - Flatten TLAF's to 1.000
 - Work to begin on planning for roll out of metering infrastructure
- Medium term should be **1/2 years**
 - Splitting option to be considered for dispatch purposes
- Long term should be **2/4 years**
 - TSO to Purchase Losses

Questions to Ask?

- How reasonable is it to expect 5 years of regulatory uncertainty?
- Is there a positive cost/benefit case for having locational signals applied to renewable generators at all?
- Do any of the solutions presented help to promote the efficient location of generating plant ?
- Do any of the solutions presented support efficient real-time dispatch of the system or providing operating efficiencies?

Solution

- **Removal** of these non-value added location transmission connection incentives in context of strategic grid development
 - Flattening of TLAFs for all wind generation in Gate 1, 2 and 3

Benefits

- A Stable Investment Framework
- A Fair, Predictable and Transparent Operating Environment
- Consistent with the Grid Development Strategy

Thank You