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Dear Sirs,

RES response to the Proposed RAs Option for All-Island Harmonised Transmission Loss Adjustment Factors (TLAFs) - Proposed Decision Paper

RES UK and Ireland Ltd is part of the RES group of companies. RES has been developing wind projects on the island of Ireland since the early 1990s, having developed 14 operating wind farms and 1 single turbine in Northern Ireland and 4 operating wind farms in the Republic of Ireland, totalling over 241MW. RES currently owns or operates over 134MW of wind capacity across Ireland. In addition RES has a further 35MW in construction or with planning consent.

The proposed transmission loss adjustment factors (TLAFs) arrangements have a direct impact on the revenues we secure from our operational projects, the value of projects currently in development, and the finance terms available for those projects. We welcome the opportunity to respond to the proposed RA's option for all-island harmonised TLAFs.

Headline Comments

- We welcome the move towards a uniform TLAF across all generators in the SEM.
- We advocate that the level of the uniform TLAF from October 2010 should be set to 1 rather than the suggested level of 0.98.
- Of the enduring options outlined, option 5 is RES' preferred option.
- RES supports the Irish Wind Energy Association (IWEA) response.

RES welcomes the move to a uniform TLAF for all generators in the SEM. A uniform TLAF will bring greater stability and reduce uncertainty over projects' revenues. In general RES support differentiated charges as they can lead to more efficient use of the system, reducing costs overall. However, such benefits can only be achieved where charging arrangements are able to influence market participants' behaviour, for example over where to locate new projects. In the SEM, however, it is not possible for market participants to act upon such signals as the location of wind developments in the foreseeable future is governed by the locations already awarded connection dates in Gate 3. The volatile and unpredictable TLAFs created under the current arrangements create uncertainty over revenues for owners and developers, which is in itself inefficient, and adds difficulty to the financing of projects. Given the volatility of charges and the constrained benefits available from locational TLAFs it is preferable to create arrangements which are transparent, stable and predictable. A uniform TLAF achieves this.

TSOs' Long Term Options

RES supports option 5 with a uniform TLAF of 1. RES believes a uniform TLAF would provide certainty for generators. RES considers such certainty to be a considerable benefit and would outweigh the costs of potentially sub-optimal economic operation of the system. It is reasonable for the uniform TLAF to be set at 1 as the REFIT price is calculated with the assumption of a TLAF of 1. Given that market prices are likely to fall with higher TLAFs, the net effect on the market is minimal. The additional simplicity that a TLAF of 1 will

bring will be of benefit to the market. RES also believes a prompt decision by the RAs will be of benefit to the market as a permanent solution is crucial to creating the certainty needed in this area of the market. If further analysis is needed it must be undertaken immediately so the long term methodology can be finalised as soon as possible.

RES supports the RAs' ambition to move towards splitting TLAFs for market scheduling and dispatch purposes if the efficiencies secured outweigh the implementation costs. However, RES believes the benefits of splitting dispatch and market scheduling TLAFs in terms of optimal system operation are likely to be highly constrained by other operational obligations. As a result the costs of introducing such arrangements are unlikely to be outweighed by the benefits; it is probably worthwhile to fully assess the likely benefits and costs of such a move as proposed.

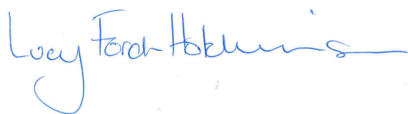
TSOs' Short term option

RES supports the intention for the short term arrangements to reflect the longer term structure as far as possible. As a result RES supports the proposal to introduce a uniform TLAF for both dispatch and market scheduling from October 2010. However, for the reasons stated above, RES is in favour of a uniform TLAF of 1 rather than 0.98.

RES looks forward to studying the analysis of the enduring arrangement proposals in 2011, in particular the realisable benefits of splitting TLAFs. However, until the assessment of the likely costs and benefits of splitting is carried out and it demonstrates there to be a clear net benefit, RES does not believe that different TLAFs should be used for market scheduling and dispatch purposes.

RES supports the views presented by the IWEA. If any points made in this response require further clarification, please don't hesitate to contact RES.

Yours sincerely,



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