

Submission by Bord na Móna PowerGen

on

**Proposed RAs option for all-island
harmonised Transmission Loss Adjustment
Factors (TLAFs)**

SEM-10-039

Proposed Decision Paper
RAs preferred option for all-island harmonised TLAFs
Response to Consultation

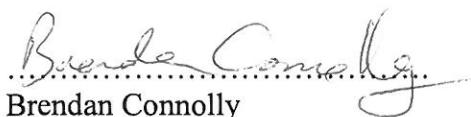
Bord na Mona welcomes the opportunity to respond to the consultation on the proposed direction from the Regulatory Authorities on all-island harmonised Transmission Loss Factors.

Bord na Móna has consistently argued that the incumbent loss factor mechanism was ineffective both in terms of the economic signal it gave to reduce losses and the locational signal given for optimal development of the transmission system. The mechanism was highly unstable, often giving punitive signals to generators who developed capacity in response to a previous positive TLAf signals. In addition, the ex-ante marginal loss factor approach was not effective in attributing losses to generators on a cost-reflective basis. For these reasons, Bord na Mona has argued in all of the previous responses on the TLAf issue that a uniform loss factor approach should be adopted to remove the risks associated with the volatility in the mechanism.

In this regard, Bord na Mona welcomes the decision to adopt a uniform loss factor methodology for the forthcoming tariff year. We believe that the analysis of the options in the proposed decision correctly identifies that a uniform loss factor approach will neither results in a significant deterioration in the efficiency of dispatch, nor result in sub-optimal transmission system development, due to lack of an appropriate locational signal. We would also agree that the appropriate level for the loss factor is at the average system loss, (estimated at 0.98), to more accurately reflect the cost of losses in the pool price.

The RAs have proposed to carry out an impact study of the ‘splitting’ option, as part of an overall study into minimising the cost of dispatch. The details of how the ‘splitting’ mechanism would work in practice are not clear, and it would be useful if more clarity is given to market participants at an early stage in the study. We welcome the sentiments expressed in the direction that the approach will be subject to a cost/benefit analysis, and that the losses approach will not be pursued if the costs outweigh the benefits. The cost/benefit analysis should consider the system costs of adopting a new loss adjustment mechanism, (amongst all market participants) and the impact of any additional volatility that the mechanism may introduce, relative to the uniform loss factor approach. In principle, Bord na Mona feels that the uniform loss factor mechanism should be considered as the default enduring solution, and should only be replaced if a very convincing case can be made for the splitting mechanism arising from the forthcoming impact study.

For and on behalf of
Bord na Mona PowerGen,



Brendan Connolly
Projects Manager,
Bord na Mona PowerGen.