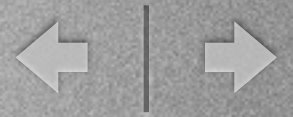




Renewables in SEM

Grattan Healy, NOW Ireland & MnaG
Dundalk, 12 Oct 2010



SEM & REFIT

- Renewables need secure revenue
- SEM won't provide secure revenue
- REFIT there to secure revenue
- SEM shouldn't undermine REFIT
- REFIT should cover SEM risks
- SEM must fully reflect grid rules in Directive (not just targets)
- Maximize RES revenue in SEM
- Minimize PSO costs





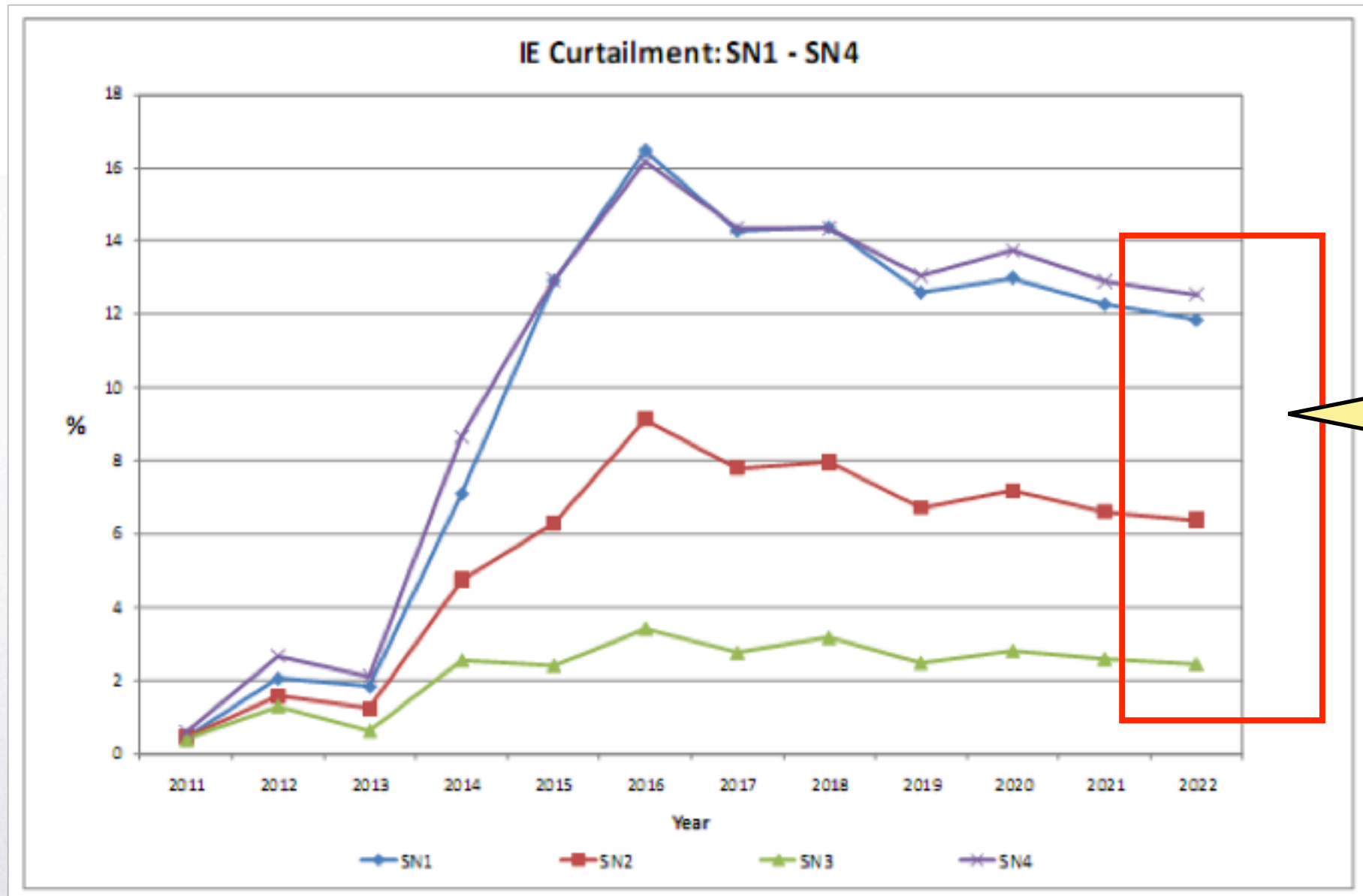
Context

- 40% national RES-E target
- 42.5% RES-E in NREAP
- 2009 RES Directive
- Growing constraints
- Emerging curtailment
- TLAFS, TuOS etc
- Threatened SEM non-dispatch
- Possible firm/non-firm blurring
- REFIT revenue being compromised
- REFIT uncertainty
- All-island dimension





Anticipating Curtailment



How we get here is open to discussion

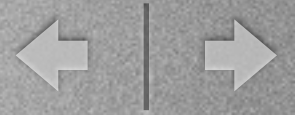
This endpoint is the bit that matters!



Market Schedule

Market Schedule is proposed
dispatch
Subject to EU access/dispatch rules
Priority dispatch to secure RES
production for climate and
security reasons
& to secure RES project revenue
Removing RES from Schedule on
cost not acceptable
Need interconnection to solve
excess generation events
Clear statement to close off such
risks as regards Market Schedule



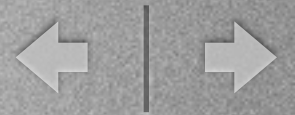


Avoiding Curtailment

RES Directive Art 16.2(c):
“Member States shall ensure the appropriate and market-related operational measures are taken in order to minimise the curtailment of electricity generated from renewable (s)...”

Ireland has to start taking measures NOW (including interconnection) to avoid curtailment and constraint





Access, Dispatch & Transmission

RES have:

- priority access (NREAP)
- priority of dispatch
- guaranteed transmission
(all subject only to technical constraints)

Extreme exception ok with full compensation

Clear rules and transparency

Grid access costs make no economic sense





Constraints

Addressing symptoms

- 'infra-marginal rents'

Should be tackling problem

- 'building grid'

Compensation costs incentivize

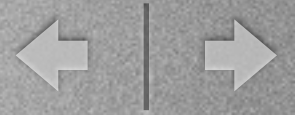
appropriate grid development

Apply in SEM not price reviews

Non-firm RES has priority over

non-RES





Develop grid

RES Directive Art 16.1:
“Member States shall take the appropriate steps to develop transmission and distribution grid infrastructure, intelligent networks, storage facilities and the electricity system, in order to allow the secure operation of the electricity system as it accommodates the further development of electricity production from renewable energy sources, including interconnection...”





Deemed firm

Refused by SEM Committee
Leaves outstanding risks for project
operational costs
RES (& consumer) funding higher
risk costs outside their control
Also leaves more uncertain
timelines for projects
That ensures planning can't be a
criterion for grid
'Connect and manage' a better
system
Ensures projects could build at
shallow date





Conclusions

Uphill struggle!

Legal & policy vacuum

Disjointed policy development

Regulatory uncertainty (3/4 years)

SEM decisions now critical path

Approach is working around grid
inadequacy - treating symptoms

Compensation costs incentivize
improvement - address problem

Secure RES rights & maximize
revenue in SEM, minimize PSO



“Cost issues today become security of supply issues tomorrow.”

Thank you for your attention

www.nowireland.ie
www.mnag.ie

‘PRESENTATION REMOTE’
WWW.WOOJI-JUICE.COM