

ABO Wind Ireland’s response to the Regulatory Authorities position paper - “Principles of Dispatch and the Design of the Market Schedule in the Trading and Settlement Code”, SEM-10-060

ABO Wind Ireland [ABO] welcomes the opportunity to respond to the RA’s position paper.

ABO, as one of a number of national subsidiaries of the ABO Wind AG group, entered the Irish wind power industry in 2007 to develop a number of wind generation projects. ABO’s current portfolio of wind generation in Ireland includes a 20 MW project that was connected in June 2010, a 33 MW project in construction and a 14.8 MW project that is scheduled to start construction in 2011.

ABO employs 9 full time and 3 part-time staff at its Dublin offices. ABO has been encouraged by its experience in the Irish Market to date, however we are deeply concerned that the potential outcomes of the this paper may devastate investor certainty in renewable projects. If this situation were to occur with no additional proposals to address investment certainty, ABO Wind AG could not see how any further investment in this jurisdiction could be justified. The 20 MW and 33 MW projects are financed by foreign banks which might not be willing to finance any further projects in Ireland due to the increase in uncertainties.

Firstly, ABO fully supports the detailed response by IWEA on the twelve issues raised in the CER’s position paper. In addition, outlined below is ABO’s proposal on how to address the uncertainties on wind farm revenue that are emerging with increasing levels of constraint and curtailment and the treatment of access rights in the market. ABO’s proposal is in no way meant to undermine the need for the market design to adequately reward windfarms. ABO believes strongly that the 2009 RES-E directive (2009/28/EC) needs to be fully implemented into the market design and in the dispatch process by the TSOs.

ABO’s proposal does go some way outside the scope of this consultation but this only goes to highlight the need to address the over-riding issue of investor and funder certainty in the wind energy sector in a more holistic manner.

Increasing levels of uncertainty for windfarm revenue

Emerging from the “Wind in the SEM” consultation process is a number of issues that could result in increasing the uncertainty for windfarm revenue. These include:

- **Uncertainty on compensation for curtailment.** Even renewable projects with firm access may not have their full output included in the market schedule in the future if the technical criteria for inclusion in the scheduled are changed.
- **Development of transmission should be incentivised.** This consultation is considering the symptoms of delays to grid delivery rather than directly addressing the need to adequately incentivise the development of new transmission lines. There are also no clear proposals on how the reduction of curtailment will be incentivised.
- **The understanding of the access rules for Gate 1 and 2 projects are being undermined.**

This regulatory change will weaken investor and funder confidence in this sector!

One of the key questions for renewable generation sector is; where do you expect to get the certainty for your wind farm revenue, from the market or from the government support scheme.

The high level market design is dictated by a number of overarching principles including competition, security of supply and promoting renewables. However, REFIT is more focused in its objective to provide the financial certainty to fund renewable projects. In the recent NREAP submission the government commented that *“The scheme allows RES-E generators to secure the necessary investor confidence to finance debts”*.

It is clear to ABO that the increasing uncertainty for windfarm revenue should be primarily addressed in the REFIT scheme rather than in the SEM design.

The current rules of REFIT only guarantee the REFIT payment for metered generation. There are scenarios, depending on the value of System Marginal Price (SMP) compared to REFIT, where even generators with firm access will receive no additional revenue where energy is constrained or curtailed down. ABO proposes that REFIT be based on availability rather than metered energy.

It is understandable that basing REFIT revenue on availability will raise concerns that projects with high local constraints would construct earlier than if REFIT had have been based on metered generation. To address this issue ABO propose that REFIT is only based on availability after the projects scheduled firm access date. Prior to this date REFIT could be based on metered generation.

ABO's proposal for REFIT to be paid based on availability after the scheduled firm access date addresses all three of the emerging issues:

- **Uncertainty on compensation for curtailment** - projects will be receiving REFIT payments even if the projects are curtailed. This provides the certainty of windfarm revenue required from investors. This appears to be in line with the objective of REFIT and should not conflict with any REFIT 2 proposals already issued to the EU for approval.

This also provides a monetary incentive to the industry to provide the appropriate solutions to reduce curtailment. Any monies that would be paid to wind generators for curtailed energy could be paid instead to technologies that reduce curtailment, for example, storage or demand side management. This will drive the innovation required to make Ireland the world leader in facilitating high levels of renewables.

- **Development of transmission grid should be incentivised.** If generators are paid based on availability from the scheduled firm access date this provides the incentive to build the grid to meet these dates. The delivery of grid has been identified by the wind industry as the No. 1 barrier for the long term development of the industry. Currently it is proposed to incentivise the TSOs as part of the five year price review. This is completely inadequate as it does not provide a long term cost signal, it is not transparent and it puts the onus on grid delivery on the TSO alone. It is only with strong policies such as using the scheduled firm access dates that the entire industry can be properly challenged to meet the renewable targets.

It is important to note that this proposal to use the scheduled firm access dates would show a practical and sincere government commitment to its renewable targets.

- **The understanding of the access rules for Gate 1 and 2 projects are being undermined.** The ABO proposal will go a long way to addressing the concerns of changing from a gate order to a pro-rata approach. The majority of Gate 1 projects will already have firm access based on the schedules in the original connection offers. All of Gate 2 is scheduled to have firm access by 2014/15. Therefore Gate 1 and 2 projects will be paid for availability, reducing the concern of increased constraints. Modification to AER contracts may also have to be considered.

There is an onus on the CER to address and find a solution to the increased constraints for Gate 1 and 2 projects. Although not as acceptable as the option of respecting the existing access rules for these projects it may be an acceptable compromise.

ABO understands that the responsibility for the decision on how REFIT is calculated is shared by the DCENR and CER. As per CER-08-236, the CER appears to have been guided in its decision by the terms and conditions of REFIT set by the DCENR. To ensure that the issues emerging from the Wind in the SEM consultation are resolved to the satisfaction of the RAs and the Industry, ABO would respectfully request that the CER consult with the DCENR on the proposals included in this response.

If ABO can be of any further assistance in clarifying any of the above points raised, please do not hesitate to contact us.

Sincerely,

Emmet Egan

For and on Behalf of

ABO Wind Ireland Ltd.

