

Coillte'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

Introduction

Coillte welcomes the opportunity to respond to the Regulatory Authorities (RAs) position paper.

Coillte have circa 400 MW of joint venture and 100% owned projects at various stages of development in Gate 2 & 3. Coillte fully supports the detailed response by IWEA on the twelve issues raised in the CER's position paper. Outlined below are additional comments by Coillte on the proposed position paper.

General Comments

The key elements that determine the revenue from a wind farm in Ireland are currently all in some form of consultation or review. These include REFIT, Constraint and Curtailment, TUoS, TLAF and Capacity Payments. The review of these critical aspects is all happening in separate work streams, and in some cases being managed by different bodies. Although these issues are interrelated in terms of their impact on the financial viability of wind farm projects there is no holistic approach by the DCENR and the RAs to ensure their decisions when viewed in combination still allow renewable projects to be financially viable.

The critical question that needs to be addressed is; where should renewable projects receive the revenue certainty required to make the investments decisions? Should the certainty be provided by the market or the REFIT support mechanism? It is Coillte's opinion that this is primarily the role of the REFIT scheme. In the recent NREAP submission the government commented in relation to REFIT that "*The scheme allows RES-E generators to secure the necessary investor confidence to finance debts*". As it is currently designed the REFIT scheme does not properly recognise the impact of constraint or curtailment on wind farm revenues. To provide the certainty required by funders of renewable projects the REFIT revenue should be based on the available output of the wind farm rather than the metered output.

Almost all of the key issues in the proposed position paper are heavily influenced on how the principle of priority dispatch for renewables is implemented. The 2009 RES directive is very strong on the rights of renewables for priority access and dispatch. Coillte welcomes the RAs proposal to respect priority access for renewables in absolute terms apart from very exceptional circumstances. However it is important that the RAs request the TSOs to provide exact details of how priority access will be implemented in dispatch. Greater transparency in the dispatch process will be required to give confidence that the directive is being implemented in full.

The RAs decision to defer any changes to the market schedule does provide regulatory uncertainty. Although the market will have to change to meet its high level objectives there is a need for a clearer policy roadmap for how the market will develop.

In the previous consultation it was concluded that there is no need for a separate concept or definition of curtailment. Non-firm generators will not get any compensation if they are included in the market schedule but excluded from the dispatch schedule. The argument as to why a non-firm generator is not compensated for constraint is clear but there is no clear reason why a non-firm generator is not compensated for



curtailment. Firm access and the reasons for curtailment are not interrelated. Coillte would propose that a market mechanism is put in place to ensure non-firm generators are compensated for curtailment.

Options of how to change the market schedule to address the increasing number of non-firm generators have been considered in this consultation process. This is only a symptom of the real problem of grid delivery. Serious consideration should be given to providing incentives to the TSOs through the market rather than as part of five year price reviews. Great Britain has recently introduced the Connect and Manage approach which incentivises the TSO through the market. Greater consideration should also be given by the RAs to the Deemed Firm proposal.

Coillte view as positive the proposals in the RA paper for the requirement for the TSOs to report on curtailment, to develop priority dispatch rules and to continue to investigate the technical issues and solutions associated with high penetration levels of wind generation. Coillte suggest that the scope should be expanded to include non-firm constraint.

Yours sincerely

A handwritten signature in black ink that reads "pp Uva Power". The signature is written in a cursive style and is positioned above a horizontal line.

Mark Foley

Managing Director

Coillte Enterprise