



13th May 2011

Jamie Burke
Commission for Energy Regulation
The Exchange
Belgard Square North
Tallaght
Dublin 24

Re: Consultation on Locational Signals Project: All-island Generator TUoS, SEM-11018

Dear Mr Burke,

ART Generation Ltd welcomes the opportunity to respond to the RA's consultation paper. We are strongly opposed to the introduction of this retrospective change to policy without a material level of justification. The retrospective meddling with policy impacting on the financial viability of renewable projects is completely unacceptable and will only further undermine the ability for developers to attract financial institutions to invest in Irish projects. The CER has demonstrated yet again this week how far removed they are from the reality facing small enterprises in this country due to the ongoing financial crisis. This was clearly demonstrated in the publication on the first stage payments direction. The offer of a 10% discount on an annual basis based on a spurious and subjective consent date dictated by the System Operator is totally unacceptable.

ART Generation Ltd supports the IWEA response to the TUoS consultation. We have also included below additional comments on the proposal to reduce the TUoS charge threshold from 10 to 5 MW.

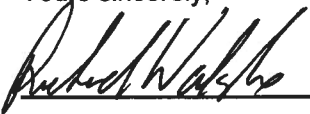
We are strongly opposed to these proposed changes on the following grounds:

1. The current policy of generators less than 10 MW not being charged TUoS has been in place since 2000 in Republic of Ireland (RoI) and not 2007 as referenced in the System Operators (SOs) document. Existing projects in the sub 10 MW range have advanced with financial models without TUoS charges on the basis of this policy. Any change to this policy would be a retrospective change. The principal of applying any changes retrospectively introduces additional market risk into the wind industry when the last thing we need is further uncertainty and additional costs. Retrospective changes to policies should only be made where there is a very compelling case.

2. The burden of these additional costs to small generators below 10MW are disproportionate to their size and would materially damage projects and in some cases place in a default position. This proposal is nothing short of profiteering by the SO with no additional support being provided. Can you please provide evidence of what additional support is being provided for these proposed charges?
3. The change of policy proposed should also be weighed against the materiality of the issue being raised. There are only a relatively small number of projects in the range 5-10 MW. From a review of all connected, contracted and Gate 3 projects in Rol, only 2% of the total installed capacity is in this range. When the first 5 MW is disregarded only 0.7% is in this range. Bringing only another 0.7% of capacity into the net for TUoS charging is not material to justify a retrospective change to an existing policy.
4. The Gate 2 wind farm project ART Generation is developing in South West Cork (8.75MW) is embedded into the distribution system. It is connected to a local 38 kV substation. This wind farm is a typical example of a renewable projects in the range 5-10 MW which is embedded into the distribution system.
5. The example provided in the SO paper is a relatively extreme example of how generators can impact on the transmission system. There does not appear to be balance within the SO paper to recognise the system benefits provided in many cases by embedded generation. Before any decision is made to reduce the threshold we request that more detailed analysis should be provided by the System Operators considering all generators in the range 5-10 MW. We request a further draft direction be issued and the above this analysis should be included.
6. This proposed change in policy also does not appear to align with the policy to encourage embedded generation. The EC Renewables Directives (2001/77/EC & 2009/28/EC) and the Electricity Market Directive (2003/54/EC) place obligations on Member States and their network operators in terms of their treatment of embedded generation. Included in these directives is a requirement for non-discriminatory charging policy with respect to energy from renewable sources.

Should you have any queries, or should you wish to discuss this matter further, then please do not hesitate in contacting me on the details provided below.

Yours sincerely,



Richard Walshe

Director