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The Commission for Energy regulation,
The Exchange,
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Dublin 4

Billy Walker,
Utility Regulator,
Queens House
14 Queen Street
Belfast
BT1 6ED

Your reference SEM 11/018

13 May 2011

Dear Jamie/Billy,

Locational signals Project: All-Island Generator TUoS Consultation Paper

ESB PG welcomes the opportunity to respond to this consultation. However, ESB PG remains unclear as to what is the process for concluding the new tariffing arrangement. In the RAs' 2010 decision paper (SEM-10-081) various outstanding issues were raised some of which remain unaddressed by this consultation. E.g.

In respect of treatment of future costs:

'Various approaches to handling unexpected new build or delays of various durations to planned build have been proposed by the TSOs. However these detailed issues would require significant further development before the SEM Committee could approve.'

In respect of Use of Reverse MW mile based approach:

'The SEM Committee also separately requires the TSOs to fully explore, assess and report on the use of average load flow approaches as an alternative to the reverse MW mile based approach. This report should be prepared after completion of work on indicative tariffs for 2011/12 (and for following five year period).'

These issues and others from Section 4 of the decision paper remain unaddressed by this consultation and ESB PG would welcome clarity regarding the process by which these issues will be addressed, decisions will be made and tariffs developed and approved.

Notwithstanding the above general comments, ESB PG responds below to the specific recommendations proposed by the TSOs:

***Recommendation 1: Option Characteristics:
Implement Option 1 – All-island generation adjustment***

ESB PG agrees with the TSOs' recommendation and believes it best represents the original intent of harmonised tariffs.

***Recommendation 2: Mechanics– All-island generation adjustment:
Implement Option 3) c) – both TSOs share the recovery risk of cross-border flows on a ratio reflecting demand usage on the island e.g. ROI 75% & NI 25%,
subject to the RAs providing for the appropriate support.***

ESB PG agrees with the TSOs' recommendation that both TSOs should share the risk

***Recommendation 3: Inter year recovery
Inter year over/under recovery from generation to be added/subtracted to generation element of network revenue recovery in the subsequent year***

ESB PG agrees with the TSOs' recommendation but is unclear how practical it will be to have a 'year + 1' recovery period; with 'year + 2' appearing more practical to prevent further reconciliations.

***Recommendation 4: Fixed Tariff Options
Implement Option 3 "Fixing the tariff relativity".***

ESB PG agrees with the TSOs' recommendation that this option provides the best compromise between revenue recovery and price stability.

***Recommendation 5: Non-Firm TUoS
The TSOs are minded at this time towards arrangement which see a fixed locational MW charge levied on all generators regardless of their access rights status.***

ESB PG does not agree with the TSOs' recommendation and believes the status quo should be retained.

It is not a generator's decision to become 'non-firm', it is a status conferred on a plant due the inability of the transmission system to provide a level of service compliant with the transmission planning standards. It is entirely unfair on new plant with high levels of constraints that would otherwise be in merit to pay fully for a lesser service.

Once an investment decision is made, the onus should be on the TSOs to ensure that the transmission investment is made in a timely manner. The existing regime provides for the possibility of an incentive on the TSO to deliver on new build as expeditiously as possible and it is only appropriate that there should be an incentive on the TSOs to deliver on infrastructure in a timely manner. The TSOs are managing the new build and are hence best placed to manage the risk of delays. There is no sense in transferring even more aspects of the risk of transmission delays to generators as would be the case if this decision were made. It is ESB PG's contention that the risk of delay should rest with the party best positioned to manage the risk, i.e. the TSOs.

If the RAs are minded to endorse this recommendation, it is required at a minimum to:

1. Implement for new generators only. Existing generators have made decisions based on the existing regime; and
2. Delay implementation of the change until such time as there are strong incentives on the TSOs to meet deadlines for reinforcement.

Recommendation 6: Distribution Connected Generators TUoS – Threshold Level

The TSOs recommend that due consideration should be given by the SEM committee to lowering the threshold to 5MW with incremental MW charging to avoid step changes around the threshold value.

ESB PG agrees with the proposal to reduce the seams issues between transmission and distribution connections. However ESB PG believes the matter could be made more equitable again, if there was no differentiation between transmission and distribution connections i.e. the 5MW threshold with incremental MW charging should apply to both transmission and distribution connections. There is no rationale for inequity of treatment between transmission and distribution connections in respect of TUoS charging.

Should you have any queries in relation to the above response please do not hesitate to contact me.

Yours sincerely,

John Lawlor
Manager, Strategic Regulation
Strategy & Portfolio Development