



IWEA response to the Joint Regulatory Authority All-Island Generator TUoS Consultation

13 May 2011

The Irish Wind Energy Association (IWEA) welcomes the opportunity to respond to the Joint Regulatory Authority All-Island Generator TUoS consultation.

In a letter to both regulators, the CER and the UR, on the 18 January 2011, IWEA raised our concern that given the extent of the changes proposed and implications for industry, IWEA had expected that a proposed decision would be published with details on the proposed tariffs before the consultation process arrived at a final decision and that there would be an opportunity for industry to comment on the proposed decision. IWEA raised our concern that a final decision paper was published with the required detail on tariffs not provided. The lack of information provided in the decision makes it very difficult to determine exactly how this new methodology will work and the implications for industry are very unclear.

IWEA in particular remains concerned that the cumulative impact these charges may have on wind generators will be excessive however this impact cannot be assessed in the absence of tariff data.

IWEA also noted that there is an action on EirGrid to provide indicative tariffs and we requested that both the methodology and tariff data are open for consultation on publication of the tariffs.

IWEA again notes that it is difficult to comment on the options presented in this current consultation paper without having indicative tariffs so that the impact of the options can be clearly seen. In the TUoS consultation decision paper that was published in December 2010 it clearly states as one of the next steps that the TSO would publish indicative tariffs for consultation in Q1 2011. Considering the complexity of the methodology being proposed it is extremely difficult to appropriately comment without having an adequate understanding of the likely outcome of the decisions. It is IWEA's understanding that the indicative tariffs and the methodology will be consulted in May/June 2011 and so considering that the tariffs are expected to apply from 1st October 2011 there now appears to be limited time for the consultation process and the publication of final tariffs. IWEA would request clarification on the proposed timelines going forward.

IWEA notes that indicative tariffs were provided in the TSOs consultation paper in November 2009. However as the analysis provided was based on 2008/09, very few of the new transmission lines required as part of Grid25 or RIDP are included in the dynamic analysis. It is possible that the dynamic charge could increase substantially for wind farms when the transmission reinforcements required for Grid 25 and RIDP are considered.

Calculation Methods for All-island Generator TUoS Tariffs

It is noted that there are significant differences in the level of generators TUoS charges in the two jurisdictions. The 2010 average TUoS in NI is €214/MW/Month and the weighted average TUoS in ROI in 2010 is €530/MW/Month. Further explanation of the difference in the levels of these charges should be provided.

IWEA position

IWEA supports the harmonisation of TUoS charges on an all-island basis. This removes Option 3 from consideration as it proposes that the 25% generator contribution is collected in each jurisdiction depending on the TUoS costs in that jurisdiction only. IWEA is neutral to the decision between Option 1 and Option 2 as both collect generator revenue with the same harmonised method.

While IWEA supports the harmonisation of TUoS charges on an all-island basis, we believe that in order for this to be fair and transparent, the Allowed Revenue would also need to be determined on an all-island basis. It does not seem appropriate that charges in one jurisdiction would be applied to cover costs in another jurisdiction without the proper consultation processes in place as to what these costs would be.

IWEA notes that EirGrid and SONI already benefit from inter-TSO compensation payments. These payments are meant to compensate TSOs for cross-border electricity flows. IWEA requests clarification as to whether an all-island TUoS charge would constitute a double-recovery for the TSOs since the inter-TSO compensation is already included in the allowed revenue. This has not been addressed in the proposal.

Fixed Tariff Options

In the regulators decision it was proposed to fix the tariffs for 5 years. There are now a number of options proposed:

- 1) To fix the tariff level for generators absolutely today
- 2) To fix the tariff level for generators absolutely on anticipated future requirements
- 3) To fix the tariff relatively (allowing for changing generation portfolio and TUoS revenue requirements)

IWEA position

IWEA would like to re-emphasise that these options are difficult to assess without indicative tariffs and knowledge of the elements driving the different levels of charges. It is unclear how potential delays on grid delivery and the build-out rate of generation will be managed.

The first option to fix the tariff level for generators for 5 years provides the most certainty for generators and removes volatility. This is a particularly important time for the financing of wind farms. IWEA supports this option, however clarity is required as to how the transition from non-firm to firm charging would be managed in this scenario. It is essential that if a project is expected to have firm

access within the 5 year period that the transition to higher charges is only made when the required infrastructure has been delivered or deemed firm access provided as these projects will still receive a lower level of service and will face higher level of constraints.

The second option “Fixing Absolute Tariff Based on Future Requirement” assumes a certain level of project build-out and infrastructure development. If this is assumed level of development is not met generators may be expected to pay for infrastructure that is not being delivered. This is especially of concern where projects have non-firm connections.

The TSO preferred option “Fixing the tariff relativity” is not really ‘fixing’ the tariffs as such and therefore not in line with the RAs decision in December last year. The issue with current system for TUoS tariffs was not the relative disadvantage the tariff put you at compared to a competitor, but that the tariffs values were unpredictable and were volatile year on year. The relativity angle was an issue in terms of the other locational signal TLAFs for conventional generators as a small change in TLAF relative to a competitor could move you above or below them in dispatch.

Non-firm generators TUoS

This section provides the option of charging TUoS for non-firm generators on a per MW basis as per firm generators or on a MWh charge basis to allow for reduced service when constrained, and recognises the different approaches that currently apply in ROI and NI.

Consideration needs to be given to the fact that non-firm generators are not compensated when constrained, therefore charging non-firm and firm generators on a like for like basis for TUoS is not appropriate. Non-firm generators do receive a lower level of service and will face higher level of constraints than firm generators. Also temporary connections will receive a lower level of service again in that there may be even higher level of constraints for these connections. It is unreasonable to make them pay on the same basis as firm generators. The SEM rules differentiate between firm and non-firm generators and so the revenue streams of each are different. Non-firm generators will not get paid if they are constrained / curtailed off but firm generators do. It is therefore unfair that the costs facing the generators in the SEM should not differentiate.

IWEA position

IWEA requests that the current ROI position of being charged on a MWh basis be maintained and implemented on an all-island basis as it reflects the lower service during the non-firm period.

Distribution Connected Generators TUoS – Threshold Level

The consultation proposes to reduce threshold from 10 MW to 5 MW but only charge for capacity above 5 MW.

IWEA position

The current policy has been in place since 2000. IWEA strongly reject any application of a change retrospectively as would impact on projects financed under the current policy. Retrospective changes add to investor uncertainty and should be avoided.

IWEA would also like to question why these changes are being proposed considering the scale of issue. The changes of policy proposed should 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. In total in ROI it is only 2% of the total installed capacity and only 0.7% when the first 5 MW is disregarded. The impact of an additional 5MW of no charge for all projects also needs to be taken into account. This proposed change in policy also does not align with the policy to encourage embedded generation.