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Jamie Burke
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Your Ref: SEM-11-018

13 May 2011

Dear Mr Burke and Mr Walker,

Locational Signals Project: All Island Transmission Use of System (TUoS) Charging

Thank you for the opportunity to respond to your joint consultation on proposed changes to TUoS charging for generators in the All Island Single Electricity Market (SEM). RES UK and Ireland Limited has been developing, constructing and operating wind projects on the island of Ireland since the early 1990s, and currently own and operate 6 wind farms in Northern Ireland (Lendrum's Bridge I&II, Altahullion I&II, Lough Hill and Gruig). As a leading independent developer and operator of renewable generators in the UK and Ireland, RES is uniquely placed to provide an active market view that is not compromised by affiliated business in conventional generation nor in ownership of licensed wires.

- i) **Calculation Methods:** RES notes that the consultation document effectively discounts Option 3. Northern Ireland has a target of providing 40% of its energy from renewable sources and, considering the current renewable project pipeline, meeting this target may be in jeopardy. Pursuing Options 1 and 2 exclusively would be to the detriment of the economics of new projects in Northern Ireland relative to Option 3. In light of this position, we urge Eirgrid and SONI to give further consideration to Option 3 in light of the broader targets for decarbonisation across the All-Island market.
- ii) **Fixed Tariff Options:** RES broadly agrees that, of the options considered, fixing tariff relativity would best serve the efficient operation of the market.
- iii) **Non-Firm Generator TUoS:** RES is concerned at the inferences made within the document that non-firm generator's receive a "lesser" service. There are a number of interpretations of "firm" connections, but our interpretation is that a connection's firmness relates to the extent of its financial right to access the market, rather than the physical robustness of its connection. We therefore ask for the Regulators' assurances that the effect of this consultation is entirely isolated from the issue of rights to access the system and that the rights of existing generators will not be affected by the outcome of this consultation.

We are concerned at the preferred way forward of non-firm connections being required to pay full TUoS charges as expressed in the consultation document. One of the purposes of the TUoS tariff methodology (as listed on page 26 of the consultation document) is that it should achieve “Differentiation in tariffing to send signals...”. If TSOs recover full TUoS for non-firm connections but are also not required to compensate generators for periods of constrained generation, how do the TSOs receive a signal to invest in order to remove network bottlenecks? Such an arrangement would not incentivise an optimum balance of network investments and constraint payments, it is therefore economically inefficient.

The consultation document also asserts that charging TUoS on a pure connection capacity (MW) basis is the correct approach because it reflects investment drivers. Recent consultations in Great Britain on transmission charging (Project TransmiT) are not entirely in line with this thinking and a transmission charging regime based on a mix of capacity (MW) and network usage (MWh) has been advocated by a consortium from Strathclyde and Birmingham universities. We recommend that Eirgrid and SONI review and consider some of the issues and views outlined in the recent Project TransmiT documentation¹.

iv) Distribution Connected Generators TUoS – Threshold Level: RES understands the Eirgrid and SONI assertion that the proliferation of distribution connected generation is reaching levels that, in themselves, provoke the need for development of the transmission system. We would emphasise the view that distribution connected generation also has the potential to offset local load and therefore defer or even avoid the need for transmission investment. Application of generic transmission charging arrangements for distribution connected generation should therefore be conducted on the basis of a methodology that, to the extent practicable, avoids undue charging of generators that bring such benefits. However, RES understands that the principle of charging distribution connected generators is not under full consideration in this document. Assuming that this is to remain, the proposed change of only charging for MEC in excess of 5MW would appear more equitable than the current arrangements.

I hope that the above comments are clear and that you find them helpful in refining your further thinking.

Yours sincerely,



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<http://www.ofgem.gov.uk/Networks/Trans/PT/WF/Documents1/Draft%20report%20for%20roundtable%20discussion%20Strath%20Birm.pdf>