



SEM Committee
c/o Commission for Energy Regulation
The Exchange
Belgard Square North
Tallaght
Dublin 24

19th November 2012

Dear Mr Garrett Blaney

Re: SEM-12-090 proposed decision "Treatment of curtailment in Tie-Break situations"

HgCapital is one of the largest investors in EU renewable energy projects, including Irish wind projects. We are experienced investors, with a strong understanding of renewable energy regulation across Europe. Our investors include European, UK and United States pension funds, insurance companies and family offices, the very investors that the Republic of Ireland and other EU countries seek to attract to their energy and infrastructure sectors. We have invested and continue to invest in the Republic's wind energy sector, and it is with that view that we offer our views on the proposed change to the windpower "curtailment" rules under the above-referenced proposed decision (the "Proposed Decision").

EXECUTIVE SUMMARY

We support the Proposed Decision of the SEM Committee, which in our view takes a balanced approach in addressing the concerns of the variety of industry participants and stakeholders affected, including consumers. In line with our response to the previous consultation SEM-12-028, we support this Proposed Decision for the following reasons:

1. Reduces costs to consumers by reducing and removing compensation for curtailment to firm generators and decreasing the level of SMP by facilitating the build-out of wind projects and reducing the risk of significant under-build.
2. Is consistent with current regulation and practices and SEM prior consultations and therefore does not create any retroactive change disincentivising future investment. It

2 More London Riverside
London SE1 2AP
United Kingdom

T +44 (0)20 7089 7888
F +44 (0)20 7089 7999
www.hgcapital.com



strikes the correct balance between preserving the regulations under which existing investments were made and allowing continued growth in the sector.

3. Will allow the Republic of Ireland to achieve its RES-E 2020 targets.
4. Allows more new wind farms to proceed in the coming years, providing Ireland with much needed capital investment and jobs, and
5. Maintains a level playing field by not conferring new economic advantages on existing wind farms.

We have set out further detail to support each of these points in our previous response and will not repeat this information here.

We note that the Proposed Decision reduces and removes the levels of compensation to generators for curtailment. We do not see this as a retroactive measure given the uncertainty that has always surrounded this compensation (and the handling of curtailment itself). Our analysis indicates that the financial impact on projects – existing or new – would not be substantial. We believe that it is important for the long-term success of the renewable energy industry that the cost to the consumer is given full and careful consideration and that consumers are protected from any adverse financial impact from paying compensation to firm generators for curtailment.

ABOUT HgCAPITAL AND ITS INVESTMENTS IN IRELAND

HgCapital is Europe's largest institutional investment fund solely dedicated to investing in EU renewable energy projects. We are one of the three largest financial investors in EU renewable energy projects. Since 2004 we have raised over €900 million in equity capital from over 30 leading global institutional investors, including European, UK and US pension funds, insurance companies and family offices. In a world of scarce long-term capital, EU governments are increasingly looking to investors such as those that back us to bring patient, long-term capital to their renewable energy and other infrastructure projects. We are a bridge to that capital.

We have invested and continue to invest in onshore wind in the Republic of Ireland. We made our first investment in 2005 in a 32MW wind farm in Donegal and this year began construction of a 45MW wind farm in Kerry. Today we are partnered with an Irish wind development and construction company to develop, build and operate 300MW of new onshore wind projects over the next 36 months. Most of these projects are located on the West Coast of the Republic of Ireland.



These projects, if not affected by an adverse determination in the Consultation, are expected to bring the following benefits to the Republic of Ireland:

- Approximately €500 million in total capital investment, of which approximately €225 million will be spent with local Irish companies (construction, concrete, equipment rentals) and the balance for imported wind turbines.
- An average of 100 full time construction jobs during the 36 months whilst we are building.
- At least 30 new full time permanent jobs in rural areas in wind farm operations, maintenance, management, accounting and reporting.
- An average of €2.4 million per year payable in rent to local landowners.
- An average of €120,000 per year in benefits paid to local community funds.
- An average of €3.0 million per year payable in income taxes and local business rates.

CONCLUSION

HgCapital (as Europe's leading institutional investor in wind projects) supports the SEM Committee's Proposed Decision as it allows new investment to proceed, whilst supporting industry participants' legitimate expectations and minimizing cost to the consumer.

We would be pleased to discuss any part of our comments should you wish to do so.

Respectfully yours,

A handwritten signature in blue ink, appearing to read "Thomas S. Murley".

Thomas S. Murley
Director, Head of Renewable Energy, HgCapital

Direct Tel: 020 7089 7962

Mobile: 07989 387482

E-mail: tom.murley@hgcapital.com