



Raymond Skillen, SONI  
Mark Needham, Eirgrid

**Re:** SEM-09-060, Transmission Locational Signal Options

10 July 2009

Dear Mark/Raymond,

The IBEC Energy Providers Working Group (EPWG) welcomes the opportunity to respond to the aforementioned consultation. Please find attached comments that we hope prove constructive to the consultative process:

The industry feeling is that the TLAF/TUoS needs to be predictable, stable and cost reflective. Existing and new investors have serious concerns about the current regime (TLAF in particular) and feel that urgent action is required.

We feel that a balance needs to be struck between all of the requirements of the charging system. Currently, this balance is against stability and predictability. The current regime is not inherently cost reflective as it exaggerates the loss factors through the marginal approach it applies and allocates losses to generators alone. The argument for locational TLAFs is that it promotes efficient dispatch, but where those TLAFs are subject to significant forecast error, and not reconciled against actual losses, then the strength of this efficient dispatch argument is, in our view, weak.

Investors, whether for conventional and renewable projects, need to have this situation remedied to avoid barriers to entry and ensure projects are bankable with reasonably predictable running and profit margins.

The consultation paper fails to identify and quantify the significant market impact the current problems with TLAF's in particular have on commercial outcomes for plant. These impacts need to be considered fully in this debate.

The Group strongly supports a stable TUoS charge and uniform TLAFs. Signals are meant to incentivise behaviour. As generators are unable to respond to locational signals once the investment decision has been taken, the signal has no value.

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The only time that generators can respond to locational signals is when making the investment decision. Thus, the most efficient locational signal is provided as part of the connection offer where it should provide a stable long-term signal that can be relied upon in financing the generator investment. We recognise however that the basis for differential TUoS costs for new entrant generators needs to be based on system needs, and this may include the generator technology as well as a bias towards favourable locations.

As always, the IBEC EPWG is committed to working alongside the Regulators and Transmission Operators to deliver a stable and competitive electricity market in Ireland. The Group look forward to seeing how the TSO will both measure and minimise losses. We would welcome the opportunity to further explore the contents of this letter and invite you to contact [Erik.ODonovan@ibec.ie](mailto:Erik.ODonovan@ibec.ie) tel. 01-605 1672 to organise a meeting.

Kind regards

A handwritten signature in blue ink, appearing to read "G. Blaney". The signature is fluid and cursive, with a long horizontal stroke at the end.

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Garrett Blaney  
Chairman  
Energy Providers Working Group, IBEC