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Mr. James Mc Sherry,
Commission for Energy Regulation,
The Exchange,
Belgard Square North,
Tallaght, Dublin 24.

18 November 2010

Consultation on “Principles of Dispatch and the Design of the Market Schedule in the Trading and Settlement Code”

Dear James,

We thank you for the opportunity to comment on the above consultation.

Issues 1 & 2: Alignment of Market Schedule and Dispatch & Allocation of Infra Marginal Rents behind constraints.

We concur with the stated position of the SEM Committee on Issues 1 & 2 (which are related) i.e. that changes should occur only if and when the test of “level of material harm” to consumers would be met. We suggest that recognising the new realities of gas as a cheap, low carbon fuel, is very much in the interests of the consumer – not only in the short term, but also in the medium and long term.

The modelling of the future price of gas (Appendix 3 of 8 July 2009 SEM-09-073) appears not to take into consideration recent developments in the world’s natural gas markets. There is no certainty of high gas prices in the foreseeable future. Recent discoveries such as the US shale gas resources suggest that there are sufficient gas reserves for well over 150 years. Modelling gas prices on a link to Brent oil post 2017 seems highly inappropriate. We respectfully suggest that the SEM Committee revisit this subject in light of recent developments in world gas markets. We note that the baseline study used (IEA’s World Energy Outlook 2008) is now over two years old and has been revised twice, most recently this month. The latest IEA study (9th Nov 2010) makes much of the growing gas resources that are available to the world’s consumers, and the likely moderating effect this will have on world gas prices for the foreseeable future.

Developing highly capital intensive wind generation and the associated development of the electricity grid, to accommodate it - based on questionable assumptions (e.g. high gas price) is a very risky policy with long term implications for the country. All of this cost, which will impact consumers and taxpayers in one way or another, seems rash and particularly so in the current economic climate.

Consideration should be given to the research by Dieter Helm, Professor of Energy Policy at Oxford University. Professor Helm has stated that the most cost-effective way of decarbonising the UK, at least in the short term, would be to switch from coal to cleaner burning gas. Switching 4 to 5 GW from coal to gas, would give similar CO2 reductions as wind but at a cost of only £5 to £7 billion compared to a cost of circa £100 billion to achieve similar reductions through offshore wind.

At the public forum on the consultation paper (Dundalk 12 October), there was discussion on the likelihood that many wind generation projects will not receive bank financing unless changes are made in the market payment structure, so as to provide a secure source of revenue. The inference is that many of these projects require additional subsidies to compete in the market. The consequences of inappropriate government incentives are well known and should not be replicated in the energy market.

Policy aimed at reducing electricity prices in Ireland, should be set so as to allow all of the different power generation technologies to compete on a level playing field and not have some (e.g. peat and wind) subsidised directly or indirectly at the expense of others.

On Issue no 4 (Priority of Dispatch), we note the SEM Committee's focus on the costs associated with providing absolute priority. On determining priority between different categories of generation currently enjoying priority dispatch, the SEM Committee appears to think that it would be reasonable that wind be given precedence over CHP. However, while the Government has set a target of 40% energy from renewable by 2020, the Government has also set a target of 800 MW of CHP by 2020. In addition, the Government has granted Priority of dispatch to High Efficiency CHP – enshrined in S.I. 499 of 2009. We believe it would not be reasonable, or within the prerogative of the SEM Committee, to downgrade the priority of dispatch for High Efficiency CHP to below that of wind.

On the other issues raised in the consultation paper, we give our comments in the attached appendix.

Yours sincerely,

Martin Regan,



Commercial Manager.

Appendix 1 (Shannon LNG letter to CER dated 18 November 2010)

Issue	Description	Summary of issue	SLNG Comment
1	Alignment of Market Schedule and Dispatch	Seek to ensure that infra marginal rents are allocated to units that are of real value to real time operation.	See comments in letter
2	Allocation of Infra Marginal Rents behind constraints	Spells out the kind of policy measures implied in carrying out general principle of Issue 1. SEM Committee's position is that any change to the status quo would only arise if and when there was evidence of 'material harm' to consumers.	See comments in letter.
3	Least Cost Dispatch	TSOs should continue to dispatch system to minimise production costs disregarding concept of firmness	SLNG concurs with SEM Committee position
4	Interpreting priority dispatch	Primarily deals with cost of providing absolute priority rather than qualified priority. Secondly, how to distinguish between different technologies which have priority	See comments in letter
5	Information provision by TSOs	TSOs should continue to provide information on technical issues in the light of increasing wind generation	SLNG concurs with SEM Committee position
6	Grid Code	TSO should continue to place emphasis on and enforce Grid Code	SLNG concurs with SEM Committee position
7	Deemed Firm Access	The SEM Committee believes there is no convincing case to allow generators 'deemed firm access' in advance of	SLNG concurs with SEM Committee position

		completion of system reinforcements	
8	Hybrid Plant and priority dispatch	SEM Committee acknowledges legal uncertainty on status of hybrid plant. Issue to be kept under review	No comment pending clarification
9	SMP when demand met by price takers	Regulatory Authorities propose that PFLOOR remain as a lower limit to SMP	No comment
10	Quantity of generation paid PFLOOR	RAs propose that quantity of generation receiving PFLOOR should not exceed system demand	No comment
11	Tie breaks	RAs propose that, in tie breaks, de-loading should be pro-rata as determined by TSO	No comment
12	Treatment of variable price takers in Schedule	Virtual price takers should be bound by same rule as other generation.	No comment