



Endesa Ireland response to:

SEM-11-036 – Generator Transmission Use of System Charging 2011/12 Indicative Tariffs

&

SEM-11-037 – Locational Signals Project: All-Island Generator TUoS Methodology

Endesa Ireland welcomes the opportunity to respond to these consultation papers. Endesa Ireland's comments are set out below.

Uncertainty of Indicative Tariffs

As stated by Endesa Ireland in its response to SEM-11-018, we believe that it is not possible to assess that consultation and the present one in isolation. On that basis, it is of concern that SEM-11-036 states in its Introduction that the indicative TUoS tariffs included in the paper are subject to finalisation after a decision has been taken on the issues outlined in SEM-11-018. Endesa Ireland argues that the issues raised in both consultations are inter-related and responses to both should be considered together.

In addition, SEM-11-036 states in Section 4 that TUoS charges may change on the basis of decisions by the CER and UR approving total transmission revenue in each jurisdiction. As the indicative tariffs are based on assumed allowed revenue, the indicative tariffs could be quite different to final tariffs.

If the RAs intend to dramatically change the indicative tariffs set out in SEM-11-036, or the principles upon which they are based, then a proposed decision should be published to give market participants the chance to make a meaningful response. This piecemeal consultation does not allow participants to gain a holistic overview of the proposals and to respond accordingly.

All-Island recovery

The indicative tariffs reflect the all island network expected to be in place in the 2016/2017 tariff year. It would seem reasonable that if the allowed revenue for these investments is to be recovered on an all-island basis, then the investments themselves should be approved on an all-island basis.

Under the SEM, the all-island transmission network is operated as a single network by the two system operators. Endesa Ireland considers that it would be more appropriate for SoNI and EirGrid to work together to develop a single transmission investment plan for the island, rather than two separate investment plans. This would be consistent with ENTSO-E's intention to publish regional transmission investment plans

Endesa Ireland would also note that payments under the Inter-TSO Compensation (ITC) mechanism are not appropriate in an all-island market and requests clarification on any such payments made by either TSO. While the TSOs have argued that this is an EU requirement, Endesa Ireland would note that the SEM is granted an exemption to the interconnector rules as

the North-South interconnector is treated as a transmission line. We consider that a similar argument should be employed in relation to ITC payments, that under an all-island market structure there are no transit flows.

Locational Signal

Endesa Ireland is concerned that the locational incentive rationale is not being consistently applied by the RAs; it was stated during the TUoS workshop (22nd June 2011) that tariffs for each node may not be a reflection of the tariffs a new generator connecting at these nodes would face. If this is the case, the tariffs are not a locational signal for new investment, contrary to the objective of the SEM high level design to achieve harmonised locational TUoS tariffs.¹ This objective was restated in the current paper and in SEM-11-081:

The SEM Committee considers that transmission arrangements should provide appropriate signals to transmission users of the costs that they impose on the transmission system. On the basis of these signals, users can make informed decisions concerning their use of the transmission system. This should, other things being equal, lead to more efficient development and use of the transmission system.²

Transmission charging...have an important role to play in the provision of appropriate signals to users. ... The TUoS charges should, therefore, provide signals that enhance the efficiency of network investment in the longer term.³

Endesa Ireland believes proposes that the TSOs should provide tariffs (fixed for 5 years) for the locations where they consider new investment should be located. Endesa Ireland is concerned that the situation at Aghada and Whitegate, where locational signals became dramatically less attractive after the stations had been built, will deter prospective investors, or alter the basis upon which investment decisions are made once a station has been built.

Fixed Tariffs

Endesa Ireland is concerned that tariffs may not in reality be fixed for five years, as decided by the SEM Committee in SEM-10-081. The TSOs have indicated that TUoS charges will be recalculated and updated annually, taking account of updated investment plans, and Plexos data, which will include updated fuel price forecasts, wind generation, etc. It is likely that there will be significant k-factors at the end of each 5 year period. Also, new generators may face significantly higher TUoS rates than existing generators, which would be unduly discriminatory and a barrier to new entry.

Endesa Ireland requests that indicative tariffs are provided for all new generators 2 years in advance of their proposed commissioning date, and that they be fixed for 5 years.

TUoS charges for non-firm generators

The TSOs have argued that non-firm plant with priority dispatch have the similar access to the transmission system as firm generators, provided there are no constraints. Therefore, the argument goes, there is no reason for non-firm TUoS to be different from firm.

¹ [AIP-SEM-42-05](#)

² [SEM-11-036](#)

³ [SEM-10-081](#)

While access is similar for firm and non-firm generators, there are still significant differences, in particular, non-firm generators receive no payments when constrained down. In addition, non-firm generators without priority access do not have similar access to the transmission system, particularly those who are consistently out of merit. Endesa Ireland considers that on this basis, a single methodology for calculating TUoS is not justified. Non-firm generators do not receive the same level of service and in particular those that do not have priority dispatch. Endesa Ireland considers that the level of service received must be recognised and charged accordingly.

Charging Distribution-connected generators

Endesa Ireland agrees with decreasing the threshold at which distribution connected generators must pay TUoS charges to 5MW, however, outcome is perverse and results in a decrease in the TUoS collected from distribution connected generators.

As outlined in Endesa Ireland's response to SEM-11-018 it is proposed that all generators should benefit from the provision where the first 5MW of installed capacity is not subject to TUoS charges. This is considered to result in a fair means of collecting TUoS revenue as these distribution-connected generators do have an influence on the level of flows on the transmission system; transmission connected generators should not pay extra as a result of this proposal.

Methodology Statement – SEM-11-037

Sections 6 – Dispatch and Load Flow issues and Section 7 - Cost Issues

Endesa Ireland requests that the list of assets driving the locational charge for each generator be published. It is fair that generators know what assets they are paying for, what timeframe they are expected to be delivered within and what other generators are to 'share' these assets. There is no reason why this information should not be made public and market participants are unable to properly analyse indicative tariffs without this information.

Endesa Ireland also requests that EirGrid publish the 'share' of each asset being paid for by each generator, and under which of the four load flow scenarios. Endesa Ireland is concerned that as the 'high water mark' of capacity usage (ie under the scenario where usage is highest) is used to determine the share to be paid by each generator, more than 100% of the cost of the asset could be recovered by the locational element. If this is the case, there should be a pro-rata reduction of locational charge for that asset.

Section 6.3 – Treatment of assets that are cancelled

If the investment in an asset is cancelled, Endesa Ireland believes that any contribution made by a generator towards this asset should be refunded, or netted off against subsequent years' TUoS charge.