



Generator Transmission Use of System
Charging 2011/2012 Indicative Tariffs
SEM-11-036

All Island Generator TUoS Methodology SEM-
11-037

Introduction

ESBI appreciates the opportunity to comment on this consultation paper. We have no objection to all or part of it being published by the Regulatory Authorities (RAs). This response is submitted on behalf of ESB Energy International, Independent Generation.

ESBI has carefully reviewed Generator Transmission Use of System Charging 2011/2012 Indicative Tariffs and SEM-11-036 & All Island Generator TUoS Methodology SEM-11-037.

ESBI key concerns with the consultation documents are;

- (1) Yearly increase of c £1.2m in charges applied to Coolkeeragh.
- (2) Accuracy of model, in particular, the suitability of using the summer min scenario to determine indicative tariffs.
- (3) Change which now defines export capacity as 430MW, (previously 413MW)
- (4) Use of locational signals & disparity with previous agreements

1. Increase in Coolkeeragh Final tariffs

The tariffs charged to Coolkeeragh ESB since 2006 are shown below:

Yr	Historic Tariffs					Indicative
	2006/2007	2007/2008	2008/2009	2009/2010	2010/2011	2011/2012
Weighted Tariff €/kW/yr	4.43	4.43	4.15	3.96	3.41	6.09

The 2011/2012 Indicative tariffs published represent an 85% increase in tariffs charged to Coolkeeragh. This equates to a monthly increase of £100k for next tariff year.

ESBI queries the reason for the increase in Coolkeeragh final tariffs, given that in ALL years listed tariffs have been designed such that 25% of allowed transmission

revenue is recovered from NI Generators. It was suggested at Dundalk GTUoS Workshop 22/06/2011 that this increase was due to the locational element now incorporated in the charge. The panel also stated that the current TUoS charges were artificially low due to N-S congestion charge which had not been applied for 2.5 years.

ESBI has no evidence of higher rates being levied previously. We would like further information on the higher TUoS rates prior to the 'hiatus' scenario suggested.

CESB queries the final tariff €6.12/kW/yr applied to the steam turbine export onto the 110kV system.

It is the view of CESB that power exported on the 110kV network supplies demand located in North West area. This is supported by the presence of the fast wind back scheme. TUoS charging methodology and tariffs should reflect this.

Additionally, we understand the tariff is based on a max export capacity on the 110kV system but note that protection systems are in place to limit export on the 110kV system to 160MW should the 275kV connection to Coolkeeragh be lost.

Therefore, in our opinion, €6.12/kW/yr is an inappropriate signal and does not reflect the cost imposed on transmission system by the steam turbine export.

2. Accuracy of Modelled Generation Output Charges used to define tariffs

The four tariff scenarios used to determine the locational element for the Coolkeeragh Steam Turbine tariff were supplied on request and are shown below.

<i>Node</i>	<i>WP tariff</i>	<i>S Min Tariff</i>	<i>SP0%W Tariff</i>	<i>SP80%W Tariff</i>	<i>Max tariff</i>	<i>Adjusted Tariff</i>	<i>Adj + PS Tariff</i>	<i>Final Tariff</i>
CLK ST	-1.86453	5.55701	-2.9696	-2.84839	5.55701	€2.58	€6.12	€6.12

It would seem that the Summer Minimum case is very much at odds with the other three scenarios. This, together with the fact that nothing close to the summer

minimum scenario has ever been seen, reinforces a view that the use of this for determining the Coolkeeragh locational tariff is highly questionable.

CESB also queries linkage between the high TUoS charges for Coolkeeragh and actual investment in the network to address the issues leading to those charges. A fairer system would take account of the actual usage of the system and charge accordingly.

ESBI has been advised that the unconstrained dispatch for the summer min load scenario is made up of wind at 68% of all island capacity, must run plant in ROI & Moyle importing at 205MW. Eirgrid's recently published TCG, valid from 10th June 2011, states C30 must be producing 260MW. ESBI feels that in a harmonised all island system, NI must run generators should be included in all dispatch scenarios and we query whether this would impact final tariffs.

ESBI notes that wind has been scaled back from 80 % to 68% (1781MW) to accommodate low demand scenario. A recent Eirgrid seminar states that to maintain sufficient inertia, max non-synch generation in a valley demand is 1205MW. In our opinion the TUoS methodology should be aligned to system rules.

3. Generator TUoS Charges charged on Capacity Basis (MW)

GTUoS was previously levied on 413MW. This originates in the "Use of System Agreement" (UoS) between SONI Limited and Coolkeeragh ESB which lists maximum export capacity as 147MW and 266MW for Coolkeeragh steam and gas turbine respectively. The consultation paper, however, indicates that final tariffs should now be applied to the Contracted MEC of 430MW for CCGT.

This change in methodology equates to an increased annual cost to Coolkeeragh of €104,402.

ESBI feels that tariffs should continue to be applied to 413MW which is the export capacity of the plant at reference conditions.

ESBI feels that the impact of indicative tariffs on BNE peaker calculation should be considered. Higher NI TUoS charges when applied to fixed plant costs should increase the BNE peaker cost and consequently the Annual Capacity Payments Sum reduction in 2012 ACPS would be revised to be more in line with the current pot.

4. Locational Signals

Previous system agreements for Coolkeeragh have reflected the positive locational benefits to the network from the strengthening of the North West region. These positive benefits are not reflected in the proposed TUoS charging regime.

The proposed methodology attributes 30% max of tariff to locational factors. While, locational based signals associated with a site may be considered by potential investors, they are unlikely to be a decision driver. A number of other factors influence decisions on where best to locate new generation plant. These include availability of gas, water, environmental permissions, and wind conditions. Moreover, high tariffs will not influence existing generators to relocate. This negates the usefulness of the locational element of the tariff.

5. Cost of Network

TUoS charges levied on generators and suppliers are designed so that investment drivers pay higher tariffs. A more effective system would be one which would incentivise the network owner to strengthen network in the longer timeframe.

6. Year to Year volatility

CESB would ask for clarity on the concept of fixing the TUoS tariff for five years.

7. Renewables

Calculations show that NI ESB Wind generators have a tariff which is 8% higher than NI average. Overall the tariffs have increased by 85%. ESBI would like further information into what is driving tariffs.

8. Conclusions

In conclusion, while ESBI has no objection to paying for support and investment in Transmission network, we feel that the 85% increase in revenue to be recovered from Coolkeeragh is overly penal. Our concern is that additional revenues will not be invested to drive down longer term tariffs from which Coolkeeragh would benefit.

We feel that the methodology used to determine Coolkeeragh final tariffs should be made more appropriate to actual system usage and rules.