29th July, 2011

Jamie Burke
Commission for Energy Regulation
The Exchange
Belgard Square North
Tallaght
Dublin 24
Ireland

Billy Walker
Northern Ireland Authority for
Utility Regulation
Queens House
14 Queen Street
Belfast
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Dear Jamie/Billy,

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

While SSE recognises the need for the TSOs to fully recover their respective allowable transmission revenue requirements associated with network costs, our key overriding concerns regarding the new TUoS methodology are that recovery obtains in a fair manner from all users of the system and that wherever possible, contributions from any other available sources are explored and accessed in order reduce the general burden on network users.

Fair Treatment of Network Users

On the first matter, there are a number of aspects that we will point out. However the two key points relate to the undifferentiated treatment of firm and non-firm generators under the TUoS methodology and the application of an 80% capacity factor for wind in certain of the modelling scenarios.

On the first point, on the basis of the fact that non-firm generators, operating as Autonomous Generator Units in SEM, are uncompensated for constraints, we do not view it as appropriate that they are treated same as firm generators by applying an installed MW capacity basis for calculating their TUoS charges. One possible solution would be a retention of and application on an all-Island basis the MWh charging basis currently in operation in the Republic. Another alternative would be to apply a threshold level of fixed MW TUoS charge (possibly related to the SEM de-minimis threshold) to non-firm generators, with the rest of their charging remaining on the MWh basis. The aim with any application here would be to reflect the financial outcome to different generator classes due to actions taken to affect their respective access to the network/s.

On the second point, given the very low frequency of wind capacity factors of 80%, we would question the suitability of applying such a factor in modelling scenarios for the TUoS methodology. We would recommend that the TSOs produce a frequency plot of wind capacity factors over the past

ten years at a minimum across the Island to provide a basis for assessing this choice of an 80% capacity factor.

On other matters, we would recommend that generators be provided with breakdowns of assets associated with their respective locations to enable them understand what charges levied them relate to. We would also question the basis for a statement made that the locational element of TUoS charging cannot go below zero for wind generators. We would also request more clarity on the treatment to be applied to new generators connecting to the system in later years under the proposed TUoS methodology, particularly when they do not achieve the planned delivery schedules. The request for clarity would as well extend to how slippages in delivery timelines of the network build-out will be managed.

Finally, we would recommend consideration for a system of generator rebates for network outages be introduced to the proposed TUoS methodology.

Contributions from Other Sources

On the matter of exploring and accessing other available funding for contributions to the transmission revenue requirements, we would once again refer to the Inter-TSO Compensation (ITC) mechanism, provided for under European legislation. We have in the recent past made several representations on this matter, with the hope that by now the TSOs would have made a comprehensive address on the fund regarding its composition and distribution. We would make the call here again for a full exploration of the ITC mechanism by the TSOs to determine what level of contributions, if any, can be made to the allowed transmission revenue requirements.

Please do not hesitate to contact me if you wish to discuss any of these matters further.

Yours sincerely,

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