



VIRIDIAN

Power & Energy

**Response by Viridian Power & Energy to
Single Electricity Market Consultation
Paper SEM-11-036**

***Generator Transmission Use of System (TUoS)
Charging – 2011/12 Indicative Tariffs***

25 July 2011

1. Introduction

Viridian Power and Energy (VPE) welcomes the opportunity to respond to this consultation paper and to further engage with the Regulatory Authorities (RAs) and the Transmission System Operators (TSOs) on the issue of all-island generator Transmission Use of System (TUoS) charges. VPE have responded to the respective consultations on this issue to date, including most recently SEM-11-018, and we would ask that this response be read in conjunction with the views previously expressed.

This consultation paper calls for comments on;

- Indicative all-island Generator TUoS tariffs proposed by the TSOs to the SEM Committee for the tariff year 1st October 2011 to 30th September 2012 (SEM-11-036); and
- A Generator TUoS methodology statement developed by the TSOs, which details the steps taken by the TSOs in calculating these indicative tariffs (SEM-11-037).

This response is structured so as to first reiterate some of the points made in response to previous consultation papers as part of this work stream that are considered to still be relevant. Following this, comments specific to the current consultation are submitted.

VPE also endorses the response of the NEAI, of which it is a member, to this consultation.

2. General Comments

As part of this consultation and the all-island Generator TUoS work stream more generally, it is important to ensure that the RAs are seen to adhere to following best regulatory practice. To this end, VPE considers there to be an immediate need to address a number of issues that have emerged as part of this work stream and, from time to time, in other consultations. These issues are specifically but non-exhaustively, characterised as the need for;

- A review the suitability of the TSOs effectively leading the debate on important regulatory issues. To the extent that the objectives of the TSOs and RAs diverge, the suitability of any such arrangement would seem to become more tenuous as such arrangements effectively provide an interested participant (TSO) with a disproportionate voice in the necessary debate surrounding important changes to the SEM.
- Formal consultation timetables that are adhered to and not expressly long such that they contribute to ongoing uncertainty in the SEM.
- Quantitative analysis of the identified risks and impacts of the proposed recommendations on the SEM.

Comments specific to this consultation (SEM-11-036/7)

Firstly, VPE has no basis upon which to question whether the TSOs correctly implemented their Generator TUoS methodology statement which details the steps taken by the TSOs in calculating the indicative tariffs (SEM-11-037). If one is to assume that the TSOs have not erred in these calculations little can be said on the outturned tariffs, apart from addressing assumptions that have been made and the provision of further detailed information.

On the assumptions, it is necessary that those included in the modelling are both realistic and result in plausible and robust outcomes. Greater transparency of the process undertaken by the TSOs, including generator specific reports, would assist further in the understanding of the indicative tariffs, as published.

One issue that appears to emerge from the TSOs approach, identified as arising from the SEM Committee decision (SEM-10-081) to fix tariffs for a period of 5 years, is the possibility that two generators located in close proximity to each other can effectively pay different GTUoS tariffs based on two different systems depending on time of connection and system developments. Such a situation may be likely to create the possibility of introducing unintended incentives into the market. It is therefore considered important that the RAs, along with the TSOs as instructed, consider this potentially significant issue in further detail prior to finalising their determinations on the enduring tariffs and tariff approach.

One of the most significant shortcomings of the current consultation paper is its failure to address the outstanding issues for decision arising from SEM consultation paper SEM-11-018. The indicative tariffs as published represent just one set of possible outcomes and as such fail to fully inform respondents of the possible implications for tariffs of alternative combinations of issues yet to be decided. At a minimum, it is considered necessary for these consultations to be developed in parallel with indicative tariffs published for a range of possible scenarios, reflecting the outstanding decisions yet to be made by the SEM Committee into which the resulting indicative tariffs would appear to be an important consideration.

Finally, in light of any future decision on all-island Generator TUoS it is important that these tariffs are reflected in the BNE calculation and where necessary that the BNE be updated to reflect prevailing GTUoS rates for the period for which they are both to apply.

In conclusion, VPE considers the current consultation to be incomplete and requiring significant further work to present a full set of possible indicative tariffs. Greater transparency in relation to generator specific tariffs is also called for. Furthermore, it is suggested that additional work be undertaken to investigate the potential risks and incentives introduced by the proposed 'fixing' approach. Finally, it is urged that the RAs ensure that best regulatory practice is being followed as part of this work stream.