Renewable Energy Systems Limited
Beaufort Court, Egg Farm Lane, Kings Langley
Hertfordshire WD4 8LR, United Kingdom
T +44 (0)1923 299 200 F +44 (0)1923 299 299
E info@res-group.com **www.res-group.com**

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

12 October 2011

Dear Sir/Madam,

Re: Treatment of Price Taking Generation in Tie Breaks in Dispatch in the SEM.

Thank you for the opportunity to respond to the proposals for dispatching price taking generation in a tie-break situation.

RES is one of the world's leading independent renewable energy project developers with operations across Europe, North America and Asia-Pacific. RES has been at the forefront of wind energy development since the 1970s and has developed and/or built more than 5GW of wind energy capacity worldwide, including projects in the UK, Ireland, France, Scandinavia and the United States. We also have a large additional portfolio under construction and in development.

RES has been developing onshore wind projects on the island of Ireland since the early 1990s, having developed 14 operating wind farms and 1 single turbine in Northern Ireland and four operating wind farms in the Republic of Ireland, totaling over 241MW. RES currently owns or operates over 134MW of wind capacity across Ireland. In addition RES has a further 64MW of wind capacity with planning consent in Northern Ireland, and a development portfolio across the island of Ireland.

Our response focuses on 8 areas that we would like to focus on, these are: the order of dispatch as set out in the hierarchy; the hierarchy applied to wind generation; de-committing non-renewable generation; the constraint groups; the constraint lists; the interaction between constraint groups and constraint lists; excess generation and the definition of firm access quantities (FAQs) in Northern Ireland.

Order of Dispatch within the Hierarchy

We are surprised to note that the interconnector is positioned above wind in terms of the hierarchy. This appears to give rise to the situation where an interconnector may not be used in export mode, despite a curtailment event occurring in the SEM.

Our understanding is that this will be mitigated through a process of counter-trades by the system operator to ensure that such a situation does not arise. However we would encourage the Regulators to fully explore how this will operate in practice and conditions under which counter-trading will occur. Currently it is not clear how this 'market' solution is preferable to a re-defined hierarchy where the interconnector is in principle constrained from importing in a constraint situation. If the system operator is minded to maintain the hierarchy as is currently proposed, then we would urge them to monitor the situation and intervene promptly if counter-intuitive flows appear to arise.

Hierarchy Applied to Wind Generation

Within the consultation document there are three categories defined: wind farms that should be controllable but aren't; wind farms that are controllable; and wind farms that are not required to be controllable. We would urge the system operators to clarify the sites that are considered to come into each of these categories as we suspect that that there may be difference in the opinions of the site operators and the System operators on the categories that specific sites are attributable to.

Furthermore we would like to confirm the compensation arrangements that are payable to the final category - wind farms that are not required to be controllable. Our understanding is that under current regulations there is no effective mechanism for receiving compensation for curtailment. If this is the case then this should be rectified.

De-committing non-renewable generation

It is our understanding of the proposals that constrained generation will not be de-committed but rather constrained down to a minimum stable generation. We consider this position to be mistaken, with the potential to combine poor generating efficiencies of thermal plant with an unnecessary curtailment of renewable generation.

At RES we accept that a certain level of synchronous (spinning) reserve is required to maintain grid stability, and that further reserves will be required to maintain security of supply. However, maintaining generation at minimum levels unnecessarily rather than de-committing them will do little to provide either system security or emission reductions.

Constraint Groups

We appreciate the objective of defining constraint lists in advance. However, we would encourage the regulator to define these as precisely as possible at an early stage and identify the sites that will be covered within these regions.

It is very important to define how constraint groups can be expected to change, and the process for either extending or removing constraint groups. It is necessary that all investors are protected on the basis of the policy and reasonable public information available at the point of investment. Changing the definition of groups, moving sites into/out off a constraint group, or changing the constraint lists once they are defined would significantly undermine investor confidence unless it is an improvement arising from a constraint being lifted.

Furthermore we would urge the Regulators to state the principles as set out in the constraint lists should be applied to any sites that may be covered by constraints in the future. This appears to be particularly pertinent to Northern Ireland, where the N-S tie has the potential to impose more general constraints in Northern Ireland.

Constraint Lists

We agree that the sites that have a higher Firm Access Quantity (FAQ), i.e. that have typically been operational for the longest period, should have their rights to grid access and dispatch prioritised relative to sites that have made more recent investment decisions. More recent investors should be more aware of the impact curtailment on their investment decisions.

Regarding the categories that have been proposed, however, it is hard to judge whether the three categories proposed are appropriate or not, as the total installed capacity covered by each of the categories is not clear. It is therefore hard to understand whether category is too broad to be effective.

Interaction between constraint groups and constraint lists

A key concern that we have surrounds the interaction between constraints groups and constraint lists. From the consultation document it appears that if a constraint occurs in a region outside of the constraint group, then that constraint will be applied to all generators on a pro-rata basis. We disagree with this approach.

The reason for this is that, it seems very difficult to have a set of rules that govern a set of sites where a constraint occurs within a zone. And then a second set of rules that govern the same set of site (plus additional sites) when the constraint occurs outside of the zone.

Secondly it would be our view point that the principles established for constraints should be applied as a general principle. This will build investor confidence in that they know how any future constraints will be managed. Having different rules for different groups is likely to undermine confidence and cause confusion.

It is our opinion that the principles applied to the constraint groups should be applied to all sites whether in a pre-identified constraint group or not.

Excess Generation Events

In principle we are supportive of the notion that all sites should be curtailed in an excess generation event on a pro-rata basis. The reason why we see a clear distinction between this and the constraint situation is that curtailment is a market risk that we think that it is correct for the generator to bear, whilst a constraint situation is a determined by the grid development reinforcements and new site development within a specific area. This is a risk which we should not expect generators to be able to effectively manage.

Definition of FAQs in Northern Ireland

We would like to stress that whilst we welcome the clarity that this consultation document has the potential to provide, there is a significant amount of work to do in Northern Ireland before this can be successfully implemented. Specifically the FAQs for NI sites (either existing or proposed) has not been formally defined. It is very important that this is rectified at the earliest opportunity and that a clear and consistent basis of defining the FAQ can be established. We note SONI is intending to consult on this shortly and it is our expectation that as a result of the consultation process the following information will be included to SONI offer of terms for TUoS Agreements:

1. Defined Firm Access Quantities, in accordance with SEM rules;
2. Where a generator's Firm Access Quantity is less than its Maximum Export Capacity, the associated deep reinforcement projects should be identified;
3. Timings of deep reinforcement projects;
4. Clear rules about how constraints will be managed; and,
5. Grid constraints reports for all generators with non-firm access.

We welcome the opportunity to respond to this consultation, if there are any questions surrounding the points that we have raised above then please contact me.

Yours sincerely,

Dave

David Handley
Energy Economics and Policy Manager
E dave.handley@res-ltd.com
T +44 (0) 1923 299 370