



**Response to:**

Treatment of Losses in the SEM: Consultation by the SEM Committee (SEM-11-098)

## **Introduction**

ESB Wind Development (ESBWD) welcomes the opportunity to respond to the consultation on the Treatment of Losses in the SEM. ESBWD is one of the leading developers of wind farms on the island of Ireland, with a large portfolio of operational wind farms, along with a pipeline of development projects. How losses are treated in the SEM is of considerable importance to our business, as whatever TLAFs are applied in the market in both the long term and the short term will affect both our operational wind farms and those in various stages of development.

## **Comments on the consultation**

As a significant investor in the wind generation sector in the SEM, ESBWD must make key decisions and assumptions at the point of committing to an investment decision. It is crucial to have as much transparency and predictability as possible with regard to the components that can have a long term impact on the original investment decision. Once an investment decision is taken there is relatively little recourse available to a generator to respond to subsequent changes in TLAF, which could have a large impact on the economics of a wind farm project. Long term stability and predictability of TLAFs is therefore of utmost value to investors in the wind sector, and in the view of ESBWD this is the key attribute that the TLAF methodology should provide.

With this in mind ESBWD propose that a uniform TLAF should be adopted in SEM. This would remove the volatility in TLAF values that has occurred in the last number of years with locational TLAFs, and that would also continue to exist to a lesser extent with compressed TLAFs. In the analysis provided in the consultation document that was carried out by the RA's absolute differences between the different TLAF methodologies were very small, and no compelling rationale for using a locational TLAF emerged. Against this backdrop a single long term uniform TLAF is the most suitable way to remove volatility and provide a more suitable and stable environment for investors in renewable generation in the SEM.

If you have any questions or would like to discuss any of the matters raised further please contact:

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