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Your reference SEM-12-039

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Dear Brian/Jamie,

**Consultation on Draft Decision Paper on Generator Transmission Use of System charging**

ESB PG welcomes the opportunity to respond to this consultation and, as stated in our last response, looks forward to the conclusion of the TUoS consultation process which, like the TLAF consultation, has been a long and contentious process for the industry.

**General Comment**

ESB PG's fundamental issue here relates less to the proposed changes themselves but rather to their impact.

The proposed changes themselves were always expressed by the RAs as 'tweaks' and indeed the draft decision describes them in the same manner.

The proposed 'tweaks' in this instance have the very dramatic impact of changing tariffs by as much as 86%. Tweaks by definition should not produce dramatically differing results to the previously applied methodology.

It is therefore ESB PG's contention that consistent with the original intention of the process, retention of the status quo better reflects the intent of the RAs to at most 'tweak' with the methodology. Alternatively, ESBPG contends it is clear that the proposed TUoS methodology will produce more dramatic divergences between winners and losers than had previously been anticipated based on the 2011/12 tariffs. Against this evidence it would appear appropriate to re-consider the 30% locational tariff cap and reduce this figure significantly to 10-15% as the marginal based signal may be overstating the locational benefit/cost of specific locations (as is the case with TLAFs) with ultimate detrimental impacts on consumers, and dampening the signal would ameliorate this problem.

**Detailed Comments on Proposed Changes**

**1MW Function**

In the absence of using pro-rated generator dispatches (which is ESB PG's preferred option, as it takes fuel prices forecast variations, which can be very unpredictable out of the equation), ESBPG believes the continued use of the 1MW function using the existing rule set is appropriate.

**Adapting Methodology to include Assets built before Year Y in cost recovery**

ESB PG is against this proposed decision and largely suspects it is this proposed decision that has resulted in the vastly altered tariffs for 2012/13. As stated above tweaks in tariff methodology should not result in 85% changes in tariffs.

We believe this proposal has exposed the fact that the new dynamic tariff regime is likely to produce exaggerated locational signals in spite of the 30% locational signal cap. The 2011/12 tariff certainly gave the industry the impression that tariffs whilst being locational would not vary as widely between supposedly good and poor locations. This proposed decision exposes the fallacy of that view. ESBPG therefore calls on the SEM C to reconsider the size of the locational signal and reduce this figure significantly to 10-15% as the marginal based signal may be overstating the locational benefit/cost of specific locations.

In the absence of making the change proposed above it is ESB PG's contention that retention of the status quo is preferable.

**The impact of adding scenarios to the Intermediate Years.**

Conceptually, ESB PG agrees that the proposed changes are likely to lead to more stable tariffs and therefore is supportive of this change.

Should you have any queries in relation to the above response please do not hesitate to contact me.

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Strategy & Regulation