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Submission to Single Electricity Market Committee (SEMC)
on Proposed Decision paper:
"Treatment of Curtailment in Tie-break situations"
SEM-12-090, 3rd October 2012

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Meitheal na Gaoithe has been unambiguous in its criticism of the various options for the treatment of curtailment put forward by the SEMC at all stages of this process since Feb. 2008. We do not propose to rehearse the same detailed arguments again, and would refer the SEMC to our previous submissions¹ and our correspondence to SEMC of 24th Jan. this year.

This is not primarily a question of economics, which is subsidiary to legal obligations. In essence, the SEMC is not respecting EU law, insofar as the various obligations on the Member States, as regards priority of dispatch, priority access and guaranteed transmission of electricity generated from renewable energy sources, are not being implemented. The meagre measures that are being slowly adopted to implement these obligations are not in any way adequate or being taken at the pace they could and should be to respect those obligations. In this sense, the rights of renewable generators are being flouted.

At the same time, Meitheal na Gaoithe can appreciate that if all measures were taken without any delay to fully implement those obligations, then the cost could be substantial. We have stated all along that, where price supports are paid on lost output due to either constraint or curtailment, then we could accept some justified loss of output as part of a trade off, to minimize cost to the consumer. We recognize that the SEMC would have to agree this approach with the relevant Government Departments. Nevertheless, we believe that is the correct legal and economic approach under current legislation.

¹ 10th March 2008, 8th July 2009, 12th Nov 2010, 14th Oct 2011

We have not engaged in detailed economic analysis of the current proposal because, as we have argued, it is based on an incorrect application of the legal requirements, and cannot therefore lead to anything like the correct outcome. To do so would be to accept the underlying incorrect assumptions and enter into a futile debate.

Nevertheless we are aware from some preliminary estimates that, where the REFIT price is also included in the analysis (and a constant project IRR is maintained), then the optimal economic solution is to ensure that all available output receives the support price. Such a measure de-risks the projects, and improves their financing to a degree that allows the REFIT price to be significantly reduced. The combined effect is to REDUCE the cost to the consumer, not increase it. Indeed, if the connection cost were also included in such analysis, we believe the net effect would be a virtual elimination of the PSO charge to the consumer for onshore wind projects, as well as a significant reduction in overall cost to the consumer (when including transmission costs). If the SEMC is indeed intent on reducing costs as per its mandate, then such an approach has to be considered, in conjunction with the relevant Government Departments. The current approach is, under our analysis, the MOST expensive way to conduct the support for wind projects.

We would add that the SEMC is now taking the discussion to a new low, insofar as the proposed decision aims to deny renewable projects the benefit of firm access when it comes to curtailment events, by removal of market compensation altogether by 2020. Curtailment is a form of constraint, though it arises from inadequate network assets nationally rather than locally (for example lack of storage, and we remind the SEMC that it has a legal duty to implement storage to give effect to the obligations already discussed). It has always been our view that the distinction between constraint and curtailment had an arbitrary quality, and indeed, the TSOs have raised concerns about their ability to clearly distinguish, hence the considerable effort to find an approach displayed in the attached paper. We considered as long ago as the 2003 moratorium that the concept of curtailment was being constructed in order to treat different types of plant in a different manner. This sort of action has a well-defined description – ‘discrimination’. We would advise the SEMC to refrain from their attempts to implement this retrograde and discriminatory decision.

While the impact is masked at the moment in the Republic by virtue of the REFIT calculation, this proposed measure would become a more significant issue under a market based support mechanism, something that is being considered as the next step after REFIT 2.

By pursuing the current incorrect path, the SEMC has wasted almost 5 years in futile discussions that have led to this ongoing impasse. Also, the regulatory uncertainty associated with that whole process, something the SEMC is obliged to avoid in order to meet its wider developmental obligations, has damaged the renewable sector, and prevented the two jurisdictions from meeting their wider obligations as well as their citizens’ aspirations.

Meitheal na Gaoithe does not see an easy forward path for the SEMC, that would resolve this issue without any more delay, and help the sector to recover. Clearly none of the current options are viable in this sense. The only solution that presents itself is to pay full compensation at the REFIT price from the market for any output loss, whether constraint or curtailment. At the same time, the analysis discussed above ought to be conducted in conjunction with the relevant Departments forthwith, to identify the most economic way of support wind on both systems, with a view to what follows the current support schemes.

Yours sincerely,

A handwritten signature in blue ink that reads "Thomas W. Cooke". The signature is written in a cursive style with a prominent initial 'T'.

Thomas Cooke, Chairman