

**Gineadoir Gaoithe Teoranta.**  
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Submission on:

**Integrated Single Electricity Market (I-SEM)  
High Level Design for Ireland and Northern Ireland from 1.1.2017**

Dear Mr Newsome, Dear Mr Miura,

**Question 1.: General comments:**

Gineadoir Gaoithe Teoranta (GGT) is a 4.98 MW windfarm, developed, owned and operated by a small number of individuals. It has been operating a Phase 1 since 1997 and a Phase 2 since 2000. Both phases are out of support since 2010. This submission only deals with the concerns for small De-Minimis generators out of support.

GGT is extremely worried about its future viability under Options 1, 2 and 3 as put forward. Already at present no utility will offer a Power Purchase Agreement (PPA) to independent generators outside support beyond 31.12.2016, due to the uncertainty about the new market design.

The Republic of Ireland is unique compared to the UK- and many other EU markets – insofar as there are a very large number of small, independently owned wind generators. This is a result of the earlier AER and REFIT system, which encouraged small generators. GGT has an intimate knowledge of these earlier windfarms developers, and reckons there are app. 53 windfarms less than 10MW, which are **out of support** representing a total of app. 200MW. Out of these 53; app. 45 are less than 5 MW, with an average size of 3-3.5MW. These early movers are now relying on either the current SEM / pool market to sell their electricity direct or a PPA with a Supply company (only till 31.12.2016). Under Option 1, 2 and 3, GGT does not see any opportunities for these small windfarms. Only Option 4, which most closely resemble the existing market appears to guarantee GGT an viable future.

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GGT is currently trading in the De-Minimis market and has a PPA with a supply company. The current rules makes it attractive for the Supply companies to offer a PPA to a De-Minimis generator as the production can be offset as negative demand and there are some savings on the cost by bypassing the market. It is essential that the De-Minimis system remains in place and that the rules continue to be the same as presently. A big worry for the De-Minimis generators – even with the present De-Minimis system continued – is , how the reference price will be set. At present the price /KWH paid to a De-Minimis generator tends to be referenced to the SEM/pool price for each ½ hour period. This is transparent for both parties and provide a fair value price for the electricity generated. Under Option 4, there will be a similar fair, transparent price.

Under Option 1, 2 and 3 as outlined in the Consultation document, there is no clear reference price for small De-Minimis generators out of support ( neither for REFIT windfarms) . It is essential that a transparent , fair value system is put in place to ensure that supply companies will still have an interest in offering these 45- 50 small projects out of support, an acceptable deal. If there is going to be an aggregator / buyer of last resort for these windfarms, again it is essential that a transparent , fair price and low operating cost environment is put in place.

It would not make economic sense, if independent generators currently operating without support, cannot survive in the new market design and will have to de-commission or leave stranded assets, at a time the industry is under pressure to meet the Government’s 2020 market. Neither would it make economic sense, if small projects have to re-build under a support system such as REFIT, which will give them a guaranteed price PSO supported for the next 15 years without adding anything to meeting the 2020 target., but just additional cost to the consumers through the PSO levy.

GGT is aware that Irish Wind Energy Association (IWEA) has put forward an Option 3B proposal forward; whereas GGT supports Option 4, as stated above, if that is not chosen, it is essential that some of the IWEA proposals under Option 3B is adapted. GGT will in particular, but not exclusively mention:

- The present Intermediary system should be maintained.
- Settlements should be transparent within a participants wind portfolio, so that an independent generator with an Intermediary agreement, is not unduly disadvantaged against the participants own projects.
- TSO wind generation forecast should be made available .
- A consultation on de-minimis level; should the level be increased, particular for independent generators.
- Retain existing policy in relation to Grid access, Firm-access and Dispatch
- An “ Intermediary of last resort”, to provide a reasonable and fair value price for electricity produced, should be made available to smaller projects to avoid stranded assets.

We are also aware that the Irish Wind Farmers Association (IWFA), the representative body of the small and independent wind industry, has been fully engaged in this consultation, holding workshops and seminars, which GGT has participated in.

We broadly agree with their conclusion, as expressed in this submission, that the only sustainable approach for Independent Generators is Option 4. However, we have not considered all of the detailed questions you have posed in your consultation document, and don't enclose detailed replies with this submission.

### **The Options.**

Option 1, as stated very frankly in the Consultation Document, has several features which "... advantage portfolio generators..." and that the ex-post imbalance price would be "... less attractive for wind..." than an ex-post pool price. This option should be rejected and taken no further.

Option 2 would, we fear, operate in practice in a very similar way to Option 1. We understand that the ex-post imbalance price, to which we will inevitably be exposed, will again be "... less advantageous for wind ..." than in a full ex-post pool. This is a novel hybrid, and it is not clear to anyone how it would work.

Option 3 is the worst of all four options for small wind projects. It has all the disadvantages of Option 1. In addition, such projects would be forced to trade in a day-ahead market at a time when the wind forecast is inaccurate, which will only add risk to our business, unnecessarily. Our projects would inevitably still be exposed to the ex-post imbalance price – which, as the Consultation Document again acknowledges in respect of Option 3, would be "... less attractive for wind..." than a full ex-post pool. We consider that exemptions and fixes will not address the core issues with this option.

Option 4 is the only option that offers independent wind generators a level playing field, because it includes an ex-post imbalance mechanism, based on a gross pool, that reflects the full underlying power system, in which we can fully participate, and against which the forward markets can operate. It also gives a clear and unambiguous support reference price, unlike every other option. It is the option that will best incentivize optimal demand side management and interconnector flows, by having a gross pool and flexible forward markets. To complete the picture, there must be 'market maker' obligations on portfolio generators and appropriate incentives on the TSO to minimize the cost of meeting system stability, transmission and other technical system requirements.

We also propose an increase in the de-minimis level to 20MW in the new I-SEM arrangements. To minimize delay and disruption, we would wish to see all other SEM/CER directions (e.g. Tie Break arrangements) to remain unchanged, with one exception. SEMC's proposed removal of compensation for curtailment must be reversed.

We support the inclusion of a Capacity Remuneration Mechanism (CRM). We believe that the only option is a long-term price-based mechanism.

**In summary,**

A fully liquid and transparent ex post imbalance settlement mechanism, voluntary day-ahead and intra-day markets, primed by market maker obligations on the portfolio generators, accompanied by a long-term price based CRM, will provide an entirely level playing field on which generators of all sizes and technologies can participate effectively. It would also provide the best reference price for the various renewable support schemes, while minimizing the cost of those supports to the consumer. It is the only market model in which small independent wind generators have any real prospect of survival, in particular where they are out of support. And we must remember that all REFIT projects end up in that position after a roughly 15-year period and the technical lifespan of a windfarm is 25-30 years. Many of the earlier REFIT 1 windfarms will only have 5-6 years left of their REFIT 1 PPA by 2017.

While the market design can help relieve curtailment, to really address that issue, there is a need for the TSO to be subject to at least some of the rescheduling costs arising from the under development of the island's system, so as to incentivize the necessary and urgent improvements, which are the TSO's duty in any case. In the meantime, there is a continuing role of TSO counter-trading.

We thank you for your attention and consideration of this submission,

Yours sincerely,

John Gillespie  
(no signature as sent by email)

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