

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

24th July 2014

Subject: Integrated Single Electricity Market (I-SEM) - High Level Design for Ireland and Northern Ireland from 2016, Draft Decision Paper - SEM-14-045

Dear Mr Newsome,

This letter is in response to the recent consultation on the draft decision paper for the High Level Design of the I-SEM, published on 9th June 2014, with deadline for responses being the 25th July 2014.

About CRES:

Temploderry Renewable Energy Supply Ltd. (trading as CRES) is a 100% community owned renewable energy supply company, trading on behalf of small scale wind and hydro generators which, in general, are non-dispatchable and price takers.

CRES was set up in response to the inability of small scale renewable generators being able to enter into a PPA with the major suppliers. CRES now offers PPA to all sizes of generators, starting from as small as 6kW wind turbines.

CRES deals with both REFIT and non-REFIT compliant generators, currently below the de-minimus threshold. CRES acts as an intermediary for these small scale generators, trading on negative demand, which allows the generators in question to get paid for electricity that was previously being spilled to the grid for free. This income, although small in comparison to larger scale projects, is vital to the success of projects being implemented going forward.

Response to the Draft Decision Paper:

Independent wind generation and small scale renewable generators are fundamental to the future development of the power system on the island of Ireland. It will be central both to the decarbonization of the sector and to ensuring that there is a genuine and thriving competitive element in the market. Wind is also the island's best source of security of supply, at a point in time when we have been reminded of the vulnerability of gas supplies due to the on-going and escalating conflicts in Eastern Europe.

We reiterate that the design of the I-SEM will determine whether wind generators and other small scale renewable generators, will be able to participate, even survive. However, there are several discriminatory aspects of the High Level Design put forward in your proposed decision paper that are in direct contradiction to the Renewable Energy Directive 2009/28. The overall message of the Directive is to **encourage and increase the take up of renewable technologies**, specifically in terms of the **proportionate and non-discriminatory treatment of renewables**.

1. We fully agree with SEMC's proposal to make the Day Ahead Market (DAM) and Intra-Day Market (IDM) exclusive, and strongly advise SEMC to adhere to that position.
2. The imbalance market proposed is discriminatory against wind, and must be reviewed without delay. There is no obvious reason why a SEM-like pool could not be used instead, and it would benefit the overall operation of the market.
3. In proposing the DAM price as a reference for the support schemes, SEMC is entering into a policy area it is neither responsible for nor competent in. A blended reference price could be considered for the estimation and payment of supports ex-ante, while the settlement of supports ex-post must continue to be based on actual revenue received.
4. We continue to support the inclusion of a Capacity Remuneration Mechanism (CRM), and still believe that the only option that solves the 'missing money' problem, and in which wind generators can participate, is a long-term price-based mechanism. While the proposed Reliability Option (RO) may provide some signals for the exit of redundant conventional plant and the entry of new flexible plant, suitable for complementing wind, it is one of the most discriminatory aspects of the SEMC's proposed decision as far as wind is concerned. It must not be taken any further and the approach needs to be reviewed without delay.
5. Given that by virtue of its inherent design, the I-SEM is inevitably less suitable for small renewable generators, an 'aggregator of last resort' is proposed by SEMC, and this is to be welcomed. Such a service needs to be enduring, provided at a cost to small generators that doesn't affect their viability, and ideally that cost should be allowed for in calculating the support top-ups.
6. Features of the SEM such as intermediaries, de minimis, negative demand and 'supplier lite' need to continue without interruption into the I-SEM, in such a way that existing projects and support schemes are unaffected. They are particularly vital to the survival of the growing number of out-of-support projects. If wind is to operate in the open market long-term, the test will be to see whether these out-of-support projects are viable in the I-SEM.
7. We would wish to see all other SEM/CER directions (e.g. Tie Break arrangements) to remain unchanged, with one exception. We reject SEMC's proposed removal of compensation for curtailment. Also, SEMC should now give full effect to the legal obligation of 'guaranteed transmission' enshrined in the Renewables Directive and Irish law, in addition to the welcome respect of priority dispatch. To really address the curtailment issue, there is a need for the TSO to be subject to at least some of the constraint and curtailment costs to incentivise increasingly essential grid development.

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

Yours Sincerely,

John Fogarty, Chairperson
CRES (Templederry Renewable Energy Supply Ltd.)