

TYNAGH ENERGY
L I M I T E D

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Commission for Energy Regulation
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Kenny Dane
Utility Regulator
Queens House
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Belfast
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REF: TEL/CJD/15/022

30th January 2015

RE: AOLR Framework Consultation

Dear Sirs,

TEL welcomes this opportunity to respond to this consultation. TEL believes that there are three key aspects to this consultation. Firstly that it should be designed to enable small wind generation to participate on the Day Ahead market. Secondly, that an aggregator of last resort should be provided as a back stop, and finally that the service should be offered on terms such that it will not remove opportunity from commercial aggregators.

As TEL has stated in previous consultation responses; it is essential that variable generation is financially discouraged from arriving at the balancing timeframe. This would see thermal generators appearing on in the DAM, but subsequently being off at the balancing market, potentially seeing the market double paying for power. Equally it may see the DAM price in Ireland being higher than in GB, and the interconnector importing, only for the wind to arrive on the balancing market and the interconnector to export. This would not reflect the aims of the Target Model.

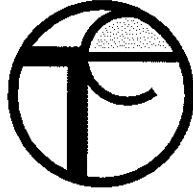
TEL suggests that the DAM price should be the reference price for REFIT. This will incentivise wind to arrive at the DAM. TEL would also expect that a mechanism is created that would allow the SNSP limits that will be applied for dispatch to be applied prior to the EUPHEMIA algorithm at the DAM timeframe.

Ideally it should be possible for a number of commercial aggregators to be able to offer services for the DAM, ID and BM timeframes. The cost for these services would be dependent on the level of service offered by the aggregator. However, as any significant costs will put smaller wind farms at a distinct disadvantage, we suggest that the TSO would provide a very low cost, basic, passive, mechanistic service that would allow the smaller windfarms to participate in the market.

For instance this service could bid in circa 75% of the forecasted generation for all participating units into the Day Ahead Market. The AOLR would not be involved in the Intra Day market or balancing market and the generator would then be liable for any imbalance. As only circa 75 % of the forecasted wind would be on in the DAM these generators are unlikely to be short at the balancing stage. This system would see the smaller wind arrive at the DAM but would be unlikely to see them face significant costs but neither would their traded position be optimised.

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The system would only be attractive to those generators for whom cost was the overriding issue. Larger windfarms or those who have negotiated a PPA with an intermediate would be able to increase their profits by engaging a commercial aggregator to continually trade their generation. A commercial offering might see 80 – 100 % of a unit's forecasted wind appearing on the DAM, and allow Intra Day and balancing market trading. The system would see wind farms paying more for the commercial aggregation but this would be more than compensated by their increased returns.

This system would be simple, cheap, would incentivise small wind onto the DAM while still allowing commercial aggregators to offer a more rewarding alternative.

Yours Sincerely


Cormac Daly
I-SEM Analyst