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Submission on

Integrated Single Electricity Market (I-SEM)
Consultation on the Aggregator of Last Resort Framework
SEM-14-106 . Issued :5 December 2014

31th January 2015

Introduction

Beam Wind Ltd welcomes the opportunity to respond to the above consultation on an Aggregator of Last Resort (AOLR). Beam has already in its Submission on the draft decision on the High Level Design of the I-SEM, dated 24th July 2014 , extensively dealt with the problems facing small independent generators ,particular those who are Out-of-Support. This submission on AOLR is in relation to Independent Generators , who are Out-Of-Support, as it is assumed that REFIT projects will be made whole and not suffer a drop in the price paid to Generators under the REFIT support system. Having said that REFIT 1 projects will start coming out of support 4-5 years after the I-SEM starts operating, which is a short time frame in a design of the I-SEM market, so it is imperative that a system is in place to allow these projects to continue to operate in the market for a further 10-12 years till their turbines becomes obsolete.

To recap from Beam's submission on the 24th July 2014:
Beam is owned by a small group of shareholders and operates a 14 MW windfarm outside Buncrana , Co. Donegal. The windfarm is now ***Out- Of – Support*** *but is not out of finance and is extremely concerned about its financial viability in the new proposed I-SEM market. It currently has a short term Power Purchase Agreement with a Supply company, but only until 31.12.2016. The Supply company is not prepared to even consider offering a PPA beyond that date until the design and operation of the I-SEM market is known.*

Beam welcomes the proposal to set up an AOLR, but has the following concerns:

- Volume of capacity, which might seek to use the AOLR
- The operating cost for those who do seek it
- The potential cost of putting security in place – if AOLR is not offering a PPA, but merely trading in the market on your behalf, will you have to sign up to T+S code. What security will be needed?
- The potential for losing money in the Balancing Market
- Beam believes either Option 3 or 4 (as suggested by IWEA) should be the preferred option; , however, it should be noted that small independent generators have neither got the capacity nor the skill to submit nominations for their production. Production forecast should be – as it presently is- a function for Eirgrid.
- Option 4 might be the best and most cost competitive, but there is very little, if any , scope for independent generators Out-of-Support to pay any cost for the operation of the AOLR. Beam has in its submission on 24th July 2014 outlined the cost of as maintaining older turbines, replacing gearboxes and generators etc.. These projects are providing cheap electricity to the market and not burdening the consumer by adding to the PSO levy. Their cost of operating in the I-SEM needs to be minimal or non-existing.
- If Option 4 becomes the choice there should be transparency with the potential trading company, with regards to their overall portfolio – so that the AOLR candidate does not always end up being the one, who ends up with the poorest price.
- Under Option 4 , maybe there could be an obligation from the CER/RA that at least 3 Supply companies have to make an offer at a capped price of operating as AOLR.
- Beam is also very concerned about the discrimination between ROI projects and UK based generators, who want to run to get the ROCs, whereas Out of Supports in Ireland are in a totally different market.
- The idea being floated at several meetings that Out of Support have paid off their loans is not true; the AER models were based on inflation of around 4%, but since the recession , there has been little or no price increases, and it has meant a much tighter finance. All AER PPAs, which were based on Competitive tendering on lowest price bid per kWh, were already very tightly financed. With Rates likely to become 250% higher, the operating cost remain high. In Beam's case we would see rates increasing from app. € 100,000 to € 250,000.
- If Independent Generators Out-Of-Support cannot survive in the I-SEM and will have to de-commission turbines, which technically could operate for another 10 years, it would fly in the face of EU targets to move wind energy away from support schemes and towards market prices. So instead of keeping existing windfarms in operation, they would likely de-commission, apply for revised planning and enter a new support scheme. There will be no increase in capacity towards targets and the PSO cost will increase.

Beam hopes its concerns expressed above , will be taken into consideration.

Yours sincerely,
Inge Buckley (no signature as sent by email)