



127 Baggot Street Lower,
Dublin 2,
Ireland.

DATE 12th of February 2016

To Mo Cloonan (mcloonan@cer.ie) and Andrew McCorrison (andrew.mccorrison@uregni.gov.uk)

RE: EAI Response to DS3 System Services Auction Design Consultation (SEM-15-105)

Dear Mo/Andrew,

EAI welcomes the opportunity to respond to this consultation. Our response will address high level principles and we do not propose to address the detailed questions posed in the paper.

EAI acknowledges the challenge of delivering DS3 under significant time and resource constraints, in order to meet the objectives of the DS3 system services project.

However, following publication of three further consultations we remain strongly of the view that the proposed procurement process does not deliver the investor certainty necessary to meet these objectives.

Fundamentally, the proposals represent an overly complex method of remunerating the provision of system services in I-SEM that will not deliver the required investment. This problem is exacerbated by the parallel development of new energy trading and capacity remuneration arrangements. As a result, the revenue implications of the proposals cannot be anticipated by all the relevant stakeholders but especially banks and other third party investors. There is an urgent need to simplify the proposals and make them workable in order to deliver a bankable degree of certainty to investors. At the moment the business case for both existing and new investors does not exist creating the risk of a prolonged investment hiatus on this island with implications for policy objectives.

We request a meeting with the Regulatory Authorities at the earliest opportunity to discuss these concerns and agree a remuneration mechanism that can provide the investor certainty required to meet these policy objectives.

Yours sincerely,

Stephen Douglas
Senior Advisor
Electricity Association of Ireland (EAI)