

**IWEA response to the Consultation on the Fixed Cost of a Best New Entrant Peaking Plant,
Capacity Requirement and Annual Capacity Payment Sum for Trading Year 2017**

17th June 2016

The Irish Wind Energy Association (IWEA) welcomes this opportunity to respond to the SEM Committee consultation paper on the fixed cost of a Best New Entrant (BNE) Peaking Plant, Capacity Requirement and Annual Capacity Payment Sum for Trading Year 2017. IWEA has some concerns in relation to the DS3 revenues forecast for Trading Year 2017, and how these are applied to the BNE calculation.

At a high level IWEA notes that the intention of the DS3 System Service revenue stream is to incentivise the delivery of system services which will enable increased levels of renewable penetration. If the revenue associated with the system services is removed from the ACPS there is no extra revenue to provide the service and there is a risk that the investment may not materialise, in particular in the short term when there is less certainty around the long term rates that are likely to be in place.

IWEA acknowledges that the Ancillary Services revenue stream increases from €4.73 last year to €7.67/kW/year which has a €20m impact on the Annual Capacity Payment Sum for 2017. However this revenue will now be subject to a number of scalars including product and performance scalars. These scalars reduce the certainty of the revenues which can be expected from the DS3 System Services and therefore this should also be taken into account for the BNE Peaker calculation.

For the Interim Arrangements going live in 2016 there will be no payment for Fast Frequency Response, Dynamic Reactive Response and Fast Post Fault Active Power Recovery. The DS3 forecast revenues assumes that the peaking plant will receive interim tariff rates from the provision of these services. However, these services have not been included in the interim tariff arrangements and will only be available to market participants at these rates following successful completion of technology trials. IWEA believes therefore that it is incorrect to include them in the DS3 revenues for 2017.

IWEA notes the significant impact the DS3 System Service revenues have on the annual capacity payment sum and requests greater transparency in the assumptions associated with the DS3 System Services revenues.