IWEA
Irish Wind Energy Association

IWEA response to the Consultation on CRM Parameters (SEM-16-073)

21 December 2016

IWEA welcomes the opportunity to respond to the consultation paper on CRM Parameters. The CRM has been a fundamental part of the market design on the island of Ireland to date and the move to the Reliability Option (RO) is a significant change which presents a serious challenge to the wind industry. With the increasing levels of wind generation in the market, it is important that wind generation can participate in all aspects of the market.

IWEA remains strongly opposed to the proposal to have a capacity remuneration mechanism based on reliability options (RO). From a wind perspective reliability options are problematic because they create implicit penalties when market prices go high in the reference market. By definition, zero cost variable generation drives prices low when it is available (particularly when it comprises such a portion of market demand). Therefore, Contracts for Difference (CfD) penalties may occur during periods of high demand AND low wind. This means that wind may be punished most severely out of any technology class under the RO. Wind would have to account for this unfair penalty into its RO offer, likely making it uncompetitive. Defining the penalties in this manner, i.e. implicitly saying that periods when wind contributes to a high demand requirement are not periods where there may be a requirement for security of supply, is clearly discriminatory. Wind has an established capacity credit as outlined in the Generation Capacity Statement and this capacity credit needs to be recognised.

In terms of IWEA's stance on the treatment of wind under the CRM, IWEA believes that a design principle of the CRM should be that wind generation receives fair payment for its capacity credit contribution to system security. Any other outcome would be discriminatory and would not comply with the new state aid guidelines.

Wind is a significant component of generation adequacy and will be into the future and the objective of the CRM is to ensure generation adequacy. It is also worth noting that wind's contribution to capacity is already recognised both in the current SEM CRM and annually by the TSOs in their Generation Capacity Statement.

Comments on the consultation paper

ASP parameters

The IWEA preference is Option 1: Simple linear function. This reduces the risk of volatile administered prices to market participants and will mean that wind energy projects are less likely to be exposed to very high difference payments.

Supplier Charging Base

The IWEA preference is Option 3 which is significantly closer to the way in which the SEM allocates charges between residential and non-residential customers.

DSU Value

The DSU value of 500 seems appropriate.

Stop Loss Limit

IWEA supports a lower stop loss limit for wind energy, as outlined in previous consultation responses. We believe an annual stop loss limit of 1 is appropriate for wind energy and would also welcome a lower billing period stop loss limit for wind generation.

Termination Fees

IWEA believes that a balance needs to be struck between the termination fees providing incentive to delivering the capacity or terminating the contract with sufficient notice, and not being prohibitive to new investment.

New Price Cap

IWEA believes that the proposed price cap is investable but there are elements that will need to be reviewed following the introduction of I-SEM.

Existing Price Cap

IWEA believes that the simpler approach of setting the existing price cap at multiple of net CONE is most appropriate. Proposals which include going into detail of existing plant costs and efficiencies is likely to result in discrimination against some technologies. It should be noted that a low cap might stop some technologies participating.