



TYNAGH ENERGY
L I M I T E D

Public Consultation on Electricity Support Schemes: Transitioning to I-SEM Arrangements
Electricity Policy Division
Department of Communication, Climate Action and Environment
29-31 Adelaide Road
Dublin
D02 X285
Ireland

Ref: TEL/CJD/18/014

11th January 2018

RE: Response to Public Consultation on Electricity Support Schemes: Transitioning to I-SEM Arrangements Proposed Decision Paper

Dear Sir/Madam,

Tynagh Energy Limited (TEL) welcomes the opportunity to respond to this Proposed Decision Paper on Electricity Support Schemes: Transitioning to I-SEM Arrangements. TEL acknowledge the importance of the views from incumbent and future REFIT supported generators when deciding on the REFIT structure. However, it must be noted that the amalgamation of REFIT with the I-SEM arrangements must not affect the overall efficiency of I-SEM to the detriment of the consumer and all other market participants. It is for this reason TEL are responding to the Public Consultation on Electricity Support Schemes: Transitioning to I-SEM Arrangements Proposed Decision Paper.

TEL believe Option A (DAM Deemed Market Price) from the Decision Paper is the most suitable of the three proposed options. TEL have identified a number of substantive issues with Options two and three.

The I-SEM High Level Design Decision (SEM-14-085a) identified six I-SEM design characteristics, one of which was "*Balancing responsibility for all participants to ensure that their notifications of generation or demand best reflect their actual expectations*". For an efficient and successful I-SEM all market participants must be liable for their failure to be balance responsible and this includes REFIT supported generators. The new I-SEM Trading & Settlement Code is structured so that all market participants are held financially responsible for their imbalances. However, options B and C contravene this design feature by reducing the balance responsibility on REFIT supported generators.

As shown in the EirGrid Paper, Option A has the lowest consumer costs and considering the combination of the I-SEM arrangements and PSO Levy should be to "*bring the island of Ireland in line with the EU's internal energy market and drive down consumer costs*" TEL believe Option A is the most suitable. According to the EirGrid paper, the only downside of Option A is the "*potential impact on financing costs for wind generators in some cases as they are entirely exposed to balancing costs*". TEL do not agree with creating a REFIT option that (a) does not minimise consumer costs, (b) reduces balance responsibility for a select generating type, (c) increases REFIT complexity just so generators have no impact to their financing costs due to poor forecasting, and (d) reduces the requirement for generators to optimise their forecasting.

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The EU Target Model was designed to improve the efficient use of cross border capacity. To maximise the I-SEM benefits the REFIT structure must be designed in such a way that will encourage REFIT supported generating units to optimise trading in the Ex-Ante Markets. TEL consider Option A the most suitable for calculating the PSO levy in I-SEM.

Should you have any queries on our comments, please do not hesitate to contact me.

Yours sincerely,

Risk and Regulatory Manager