

DCCAE Proposed Decision Paper Electricity Support Schemes: Transitioning to I-SEM Arrangements

Vayu welcomes the opportunity to briefly comment on the Department of Communications, Climate Action & Environment's ("DCCAE") proposed decision paper regarding the operation of electricity support schemes in the Integrated Single Electricity market ("I-SEM").

Vayu has a significant number of Power Purchase Agreements ("PPAs") in place with numerous developers of renewable energy projects, both in Northern Ireland and the Republic of Ireland (where many are REFIT supported). We are acutely aware of the implications this proposed decision may have on REFIT supported generation and also that it is a challenge to get the right balance to ensure no vested interests are discriminated against or disadvantaged. We therefore support the 'grandfathering' of the rights of generators who have accepted letters of offers and commissioned plants before 2020.

Industry and interested stakeholders are well aware that this decision may in changes being made to PPAs. We note that the DCCAE may countenance changes of supplier in "exceptional circumstances". In the final decision paper, these "exceptional circumstances" must be very clear and without any ambiguity. There must be a clear rationale for allowing a supplier switch. Vexatious switches should not be allowed and only in circumstances where the new commercial terms of the PPA are radically and significantly disadvantageous to the developer compared to the existing PPA for SEM.

The appearance of a De minimis threshold being set at 5 MW is surprising, given that there had been no reference whatsoever to thresholds or De minimis in the previous options paper from May 2017 - Renewable Electricity Support Scheme: Transitioning to I-SEM (Options Paper). We note from this paper that the 5MW level is "considered appropriate given the high volume of wind on the system in Ireland and the need to avoid incentives for project splitting". We support setting the threshold at 10 MW, in line with all other similar thresholds in SEM and soon to be I-SEM. We believe more detail should be provided to support this fundamental change.



Furthermore, given the DCCAE acknowledges that PPAs will be re-negotiated as part of the transition to I-SEM and to ensure this process is as smooth as possible, when the final decision is made there must be absolute clarity on the calculations for how the Reference Price in each Imbalance Settlement Period is arrived at and provide the relevant formulas, together with early codification of the 'R' Factor methodology. It would be very useful if the decision paper contained a number of worked examples of different scenarios under the chosen option.

We are, as always, open to discussing our views in more detail should you wish to contact us.