

Art Generation Response to SEM -09-107

1. The consultation period presented is not adequate for such a complex paper considering the significant long term effects. Therefore it is requested that the Commission consider the new comments and present a revised draft in the first quarter before the final direction is issued. Allocating a three week consultation period over the Christmas period could be perceived as sharp practice!
2. With regard to Regulator risk interference, the perception that the banks and investors could perceive this issue of TLAFs and TUOS as problematic if such a direction is not implemented for a reasonable length of time. It could be perceived negatively and command a significant risk premium over the life cycle analysis. The Commission should leave grandfather rights alone on Gate 1 and Gate 2 or socialize at a reasonable percentage from the time of up taken up the grid connection offer. This interference would cause a considerable problem to the lending institutions and increase the equity:debt ratio especially in the current difficult recessionary times. The System Operator should not interfere with projects that have already been banked or connections offers taken up to the extent it could material damage their economic feasibility, in particular for distribution connected wind farms. A maximum cap of 2 % charge, from their original entry at the time it took up the connection offer should be the extent of their liability. As you can appreciate, there are only a few lending financial institutions currently lending to the Irish wind farm industry.
3. In light of the recent published list for convention generators on 18th December 2009 the location signal is of little use now since the ITC model has identified the optimum strategic locations for plants in the foreseeable future.
4. The lowering of the threshold from 10 MW to 5MW is effectively unfairly penalizing and burdening small projects that can least afford it. The negative impact of these charges is disproportionate to that of large projects and the economies of scale they enjoy. These projects are already very tight to finance and never more so now in difficult times. Distribution connections did not have contestability until recently. The threshold should not be decreased from 10 MW to 5 MW. There is no technical justification, considering most of these projects are connected at distribution level and the output is used at distribution level locally. At a compromise solution, to help the grid system, one solution might be to have charges commence at 7MW as most wind farm are not at full load until 15m/s. The threshold would allow a windfarm to reach maximum output at the local 5MW transformer. The charges should be fixed at 50 % of the proposed charges and fixed for a period 12 years which is the average time for payback of a windfarm thus creating the certainty for the financing institutions.
5. Where a generator has connected or has taken up a grid offer at a particular geographical location and done so based on existing published location signal, the '*polluter pays principal*' should apply to next applicant for any losses over above the maximum charge liability of the proposed 2% if the applicant wishes to locate in that geographic region. The first mover principal is well established universal law of business. The objective is to send the right signal to generators and reward accordingly. The inverse also holds true and to penalize generator applicants for the incorrect location of their plant - other wise why have locational concept signal at all !

I trust the above is of benefit to you.

Richard Walshe
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