

Locational Signals in SEM Workshop

RA Introduction

Dundalk, 3rd March 2009

SEM High Level Design

June 2005 High Level Design Decision paper stated:

“As a corollary of shallow connection charges, generators should pay a locational charge as part of their TUoS – i.e. they should pay more to contribute to the cost of the deep reinforcement which their shallow connection has caused.”

Consultation Process to Date

- March 2007 Decision - Confirmed that the Reverse-MW mile methodology used by EirGrid broadly fulfilled the requirements for all-island gen TUoS, but proposed further detailed work
- July 2007 Decision - Made a number of detailed decisions on the methodology and acknowledged that the suggested approach remains a work in progress

Consultation Process to Date (2)

- December 2007 - Update to industry showed that the tariffs are significantly influenced by the network costings and choice of scenarios => SEM Committee considered it appropriate to undertake further investigation and defer all-island gen TUoS to October '08
- June 2008 Consultation - on the detailed inputs to the methodology: network costs, tariff scenarios and volatility mitigation
- August 2008 Information Note - announces that as a result of the concerns raised to the paper, and of uncertainties over the impact and appropriateness of certain aspects of the methodology, all-island gen TUoS would be deferred

Current Workstream

- January 2009 Response: The RAs are still committed to all-island gen TUoS, and have decided:
 - SOs to commence a review of options and methods for all-island gen charges, TUoS & TLAFs
 - It will also involve a review of TUoS for demand customers
 - Workstream will take on board the concerns raised in response to the June 2008 paper, esp. year-on-year volatility/unpredictability
 - SOs to engage with industry as part of review of options, with a view to consultation and then RA decision

Principles of TUoS/TLAFs

1. Non-discriminatory
2. Transparent
3. Cover the cost of providing the service
4. Cost reflective
5. Consistent with the shallow connection policy
6. Encourages efficient use of - and investment in - the network
7. The charges should be predictable to allow generators to select the most appropriate locations

What has changed since 2005

- Grid Development Strategy in Rol
- Group processing approach in Rol
- Clustering approach to wind farm connections in NI
- SEM Committee Direction relating to TLAFs in bidding
- Changes to the direction of the dominant flow as a result of:
 - Significant variations in fuel price differentials (coal v gas as base load plant),
 - Exports over the Moyle Interconnector

Next Steps

- SOs are engaging with industry: have issued a questionnaire to market participants on locational signals
- A consultation paper on options is due to be issued in May
- Please take these opportunities to input to the process