

Saorgus Energy Ltd take the view that the locational element of the TUoS and TLAf charges should be removed.

Firstly, the State has a problem in charging more for places where it hasn't constructed a sufficiently strong grid. Charging the generator for the grid operator's failure to prevent the problem in the first place is merely an attempt to remedy a problem without bearing the fiscal responsibility for the ongoing failure. In other words, the State has chosen not to install a high quality network and attempts to force those using the poorer network to pay higher charges while those who benefit from a better network pay lower charges. This is an unfair position for the state to adopt and CER's design and sanctioning of the system could be seen as a bailing out the grid operator, who is at fault, to the detriment of the user, who is not.

A second argument is that an indigenous renewable like wind should not be penalised relative to fossil-fuel plants. Gas plants can be located next to the junctions of the heavy electricity and gas networks whereas wind must be located where the resource is available. The current charging system unfairly discriminates against smaller players those who use indigenous resources in locations away from the gas grid. There is no reason to penalise renewables in order to support gas. It is also a continuing failure of the grid operator if it facilitates the installation of gas generation plants in preference to renewable energy generators. This will lead to the same problem in the long term of an inappropriately constructed grid, subject to losses because of a failure to consider future evolution of the energy market.

Thirdly, locational charges create a poor investment environment as they change from year to year depending on what other generators are added to or removed from the system. This significantly affects the business case for all generators and should be replaced by charges which are designed to vary only with changes to the overall system over several years. A locational signal-based system is overly complex and, because it is also unpredictable, provides a poor basis for formulating a business case for a new generation facility in Ireland.

Fourthly, the argument for any locational charging in a very small system like Ireland's is specious, unnecessary and disproportionate. The answer to the systemic faults outlined above is a charge for each kWh sent onto the network. In other words, all generators, irrespective of their location in an imperfectly developed network, will pay the same output-based charge for use of system AND losses. SEL notes that the CER-sanctioned ESB PES tariff is not locationally based. The CER should abandon the current approach which, on a superficial level, is ideologically-based on the "user pays" or "cost-reflective" principles but which, in fact, is based on a conflict of interest, works against all the energy security aims of the government and is completely opaque to analysis by those charged.