Airtricity Response to

Consultation on Interim Arrangements: Fuel-Mix Disclosure in the SEM Consultation Paper (SEM – 09 – 052)

29 May 2009

Scottish and Southern Energy

Airtricity Ltd, Airtricity House, Ravenscourt Office Park, Sandyford. Dublin 18

Interim Arrangements: Fuel-Mix Disclosure in the SEM Consultation Paper (SEM – 09 – 052)

Introduction

Airtricity welcomes the opportunity to comment on the important issue of fuel mix disclosure in the SEM. We believe this is an important issue and regret that it has not yet been possible to put in place the planned enduring arrangements for certificate-based disclosure. In commenting on the proposed interim arrangements, we have taken the view that whatever methodology is adopted, it should be as close a match as possible with the enduring arrangements. This means that the rules should not be unnecessarily prescriptive in terms of contractual arrangements between parties, so long as they are based on real energy and the supporting volumes can be established by documentation and from metering data.

Recalculate or not

We agree with the proposal that official fuel mix figures should be recalculated for 2008. It is important for customers to have information that is as up to date as possible and to ensure that suppliers remain incentivised to procure renewable-source electricity. In meeting these objectives, the only reasonable methodology is the one proposed by the RAs; average Pool fuel mix and bi-lateral purchases.

The key test of this interim methodology should be whether, if all demand and production remains constant, it will give the same answer as the enduring methodology. If our suggestions for minor changes are accepted, we believe the proposal passes this test.

Scope of disclosure

The consultation is unclear as to whether the proposal is to calculate a single fuel mix for suppliers for their customers across the island, or if it is intended that disclosure should be jurisdictional. On reflection, as the Pool covers the whole Island and Pool fuel mix will be used for part of the calculation, we believe it would be reasonable and compatible with the concept of the Single Electricity Market for fuel mix to be calculated on an all-Island basis. The consultation makes clear the distinction between Member State reporting and SEM disclosure, so there would appear to be no good reason to create a jurisdictional divide in reporting the fuel mix of suppliers operating across the Island.

Methodology

<u>CfDs should not be excluded</u>

While we generally agree with the proposed approach, we believe there is an inconsistency in the treatment of commercial arrangements between generators and suppliers that needs to be addressed. We do not understand the specific exclusion of CfD arrangements for transfer of renewable generation

between Generators and Suppliers, as this will almost certainly result in distortion of the market through unnecessary "spilling" of green-ness into the Pool. Green-ness of renewable generators will be counted irrespective of the nature of contractual arrangements; through average Pool mix if CfDs are not accepted; through attribution to suppliers if they are. Exclusion of CfDs is therefore counter-intuitive if, like Relevant Arrangements, the rules link production and consumption volumes.

It may be that the consultation is contemplating only the DC/NDC/PSO arrangements rather than CfDs in the widest sense. Or perhaps the RAs may be concerned about CfDs being sold by trading entities with no access to renewable generation. Whatever is the case, metered renewable generation output should be the key to validity of all renewable generation claims and we believe the Directive supports the position that renewable generators should be able to benefit from their output irrespective of contract type. We therefore believe that making a distinction between CfDs and PPAs is wrong; we reiterate, a link between actual production and supplied volumes is the only distinction that matters.

Arrangements must also equate in both jurisdictions. Relevant Arrangements in NI can be based on short term contractual arrangements that have many of the attributes of CfDs, yet the essential distinction between CfDs, PPAs and Relevant Arrangements is somewhat arcane. If NI can use short term agreements based on equivalent volumes of energy, then something similar should equally be applicable in RoI.

For these reasons and for compatibility with the agreed enduring, certificate-based solution, all forms of agreements between generators and suppliers should be therefore be considered valid for disclosure purposes, so long as they are supported by metered generation and consumption. From the compatibility perspective, the methodology should allow for ex-post agreement of contracted volumes, once the output volumes are known. This will be a feature of the enduring disclosure methodology, where certificates relating to the disclosure period will be transferrable up to the reporting deadline for that period. Interim arrangements should also support this optimisation

Clarify definition of Generator Declaration

The definition of a Generator Declaration is said to relate to production "from certain non-renewable sources". We were under the impression that these declarations were in relation to renewable generation. We would welcome clarification on this point.

Calculation

We believe it is fundamentally wrong to include TLAFs in the calculation of renewable output. TLAFs are;

- calculated using a non-stochastically valid modelling process that is totally discredited in the market.
- based on marginal loss values associated with output associated with specific background dispatch patterns that are never tested against outturns; the total calculated system losses then

being averaged across all generators to reach target system loss values; the process redistributes value between participants

- they unreasonably ascribe ownership of losses to the closest generator. eg Are Donegal losses owned by Donegal generators or by a generator in Cork that creates the conditions which increase losses in the Donegal area.

The issue is about both accuracy/relevance of calculation and fairness; even if the losses are as described, is it equitable to ascribe ownership on the basis of "closest pays" rather than "causer pays"? We do not believe so. Even if TLAFs were accurate, they would be relevant only for economic dispatch; fuel mix disclosure is an entirely separate issues.

Treatment of exports

Treatment of exports in the proposed interim calculation is unclear. We believe that, unless a supplier elects to transfer renewable generation to the BETTA market, exports should use average Pool. This will allow suppliers to make a distinction between wholesale trading activity and imports of renewable energy that are made to support supply to customers. This is a natural extension of the arrangements that permit suppliers to allocate renewable energy between customer groups.

Treatment of imports

It is proposed that suppliers should provide "evidence of bilateral contracts and physical flow in relation to imports over the relevant disclosure period". We do not believe that bilateral contracts are necessary (or available) if the generation comes from the supplier's own generation plant in GB.

Presentation of Fuel-Mix and Environmental Impact Information

We believe that existing arrangements for presentation of fuel mix information in RoI have been found to be clear and informative and we see no reason to change the requirements except to facilitate allocation of renewable source electricity between customers/products. We absolutely support the need to ensure that there should be no hint of double counting.

Calculating Body

We agree that the Market Operator is best placed to collate market data and carry out the appropriate calculations.