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Commission for Energy Regulation Queens House
The Exchange
Belgard Square North
Tallaght
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Sarah Friedel
NIAUR
Queens House
14 Queen Street
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24 November 2009

Dear John and Sarah,

RE: DRAFT TRANSMISSION LOSS ADJUSTMENT FACTORS FOR 2009

Thank you for the opportunity to respond to the above consultation. Having reviewed the draft 2010 transmission loss adjustment factors (TLAFs) Viridian Power & Energy (VP&E) is satisfied that they have been correctly calculated by the transmission system operators (TSOs), using the standard methodology that has been applied in Ireland since 2000.

VP&E understands that the consultation does not seek to address the longer term objective of reviewing TLAFs, which we assume will be dealt with in separate consultations. VP&E is a strong advocate of clear, transparent and predictable locational signals. We would not support a change to the current TLAF arrangements until a replacement locational signal has been identified through consultation. The design of a stable locational signal is needed to ensure that new generation capacity locates in areas with low losses and low network congestion. To do otherwise would impose a significant burden on consumers in terms of increased losses in the system and higher imperfection charges and could result in Grid 25 building stranded network assets. VP&E is keen that any transition proposed from the current arrangements also treats existing generators (i.e. those who have committed to connection agreements) in a manner that does not penalise generators in good locations or nullify the commercial exposure to generators located in poor loss locations.

The draft 2010 TLAFs support our investment case assumptions that Huntstown was a good location in which to invest, being close to Dublin as the largest load on the island. In the original investment case we recognised that short term excess generation capacity in the Dublin area resulted in relatively poor TLAFs for a limited period. The draft TLAFs for 2010 now recognises the lower losses of being located close to a major load centre. The 2010

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TLAFs also reveal, as we expected, that the Cork region is a poor location from a transmission loss perspective for 800MW of new generation.

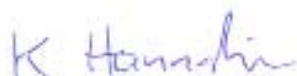
VP&E remains concerned about the volatility of TLAFs in the longer term as more wind generation connects and we hence look forward to contributing to the locational signals project designed specifically to address this and other concerns. In the meantime we suggest that the draft 2010 TLAFs be approved without further delay and we note that the draft publication is already outside timelines stipulated in the Trading & Settlement Code.

Given that TLAFs are an important input to the Directed Contract (DC) process which begins February each year for the following tariff year, setting TLAFs only until October 2010 would mean that forecast dispatch runs for the 2010/11 tariff year would be incorrect. The correct derivation of DC prices and volumes requires the calculation of TLAFs for 2010/2011 by February 2010. Given these timelines there is considerable merit in using the standard methodology to calculate TLAFs until October 2011.

Finally VP&E is not in favour of introducing a new TLAF methodology earlier than October 2010. This would only create problems with the DC process discussed above. Furthermore, VP&E would not support a change to the current TLAF arrangements until the design of a replacement locational signal to reduce network losses and safeguard sunk locational investments has been fully consulted on and is ready to implement. VP&E looks forward to engaging in this process.

Please do not hesitate to contact us if you would like further information or you would like to meet with us to discuss the points we make.

Yours sincerely

A handwritten signature in blue ink that reads "K Hannafin".

Kevin Hannafin
Senior Regulation Analyst