

# Proposed RAs option for all-island harmonised Transmission Loss Adjustment Factors (TLAFs)

IWEA Position

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# Overview

- Volatility of mechanism is disrupting proper investment decision and risk analysis process
- The overall policy framework is very complex and interlinked
- Transmission Losses are low
- Industry needs a permanent stable move to a uniform TLA of 1.0
- Need a permanent Solution
- See very limited value in splitting proposal

# Current Situation

- Lack of predictability adds costs to investments
- Material effect on competitiveness of industry on the island
- Renewable Generators use Project Finance
  - Volatile TLAFs could trigger a project default
- TLAFs ineffective as locational signals

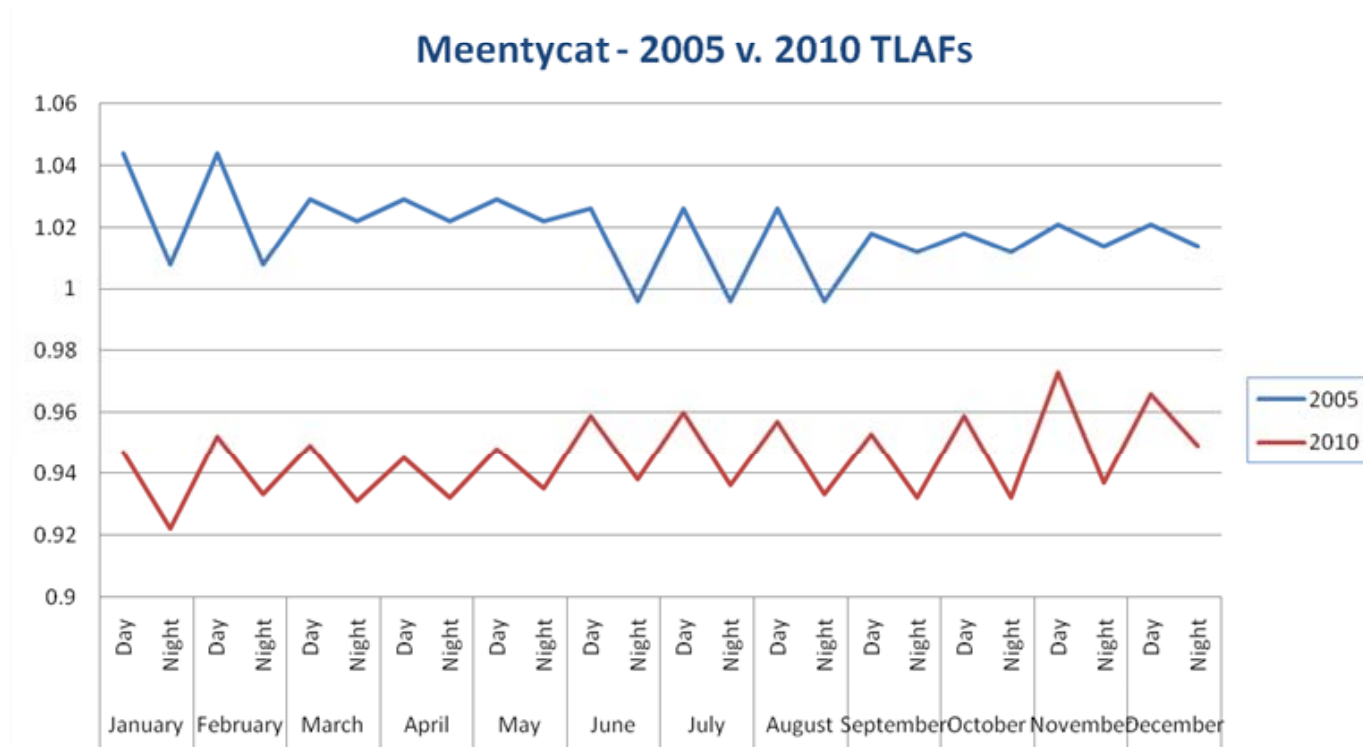
# Context

- 1000MW of wind generation to emerge from planning process in NI
- 6500MW new generation in Rol offer pipeline
- NREAP, SEF, Grid 25 and NI Grid Strategy
- Wind in SEM review
- Facilitation of Renewables
- Capacity Payments and Ancillary Services Review

# Context

- 2% Transmission losses – value €20m
  - Potential to reduce this by ??% by well functioning methodology
  - Not robustly measured
  - Will probably cost more just to develop and administer the methodology
  - Any methodology that introduces variable risks adds to investment costs and costs of capital for existing assets

# Volatility Example



**Change from 2004 to 2010 of approx 12%**

# Financial Impact

- There are winners and losers every year
- The volatility imposes a cost on everyone
  - It is unpredictable look at the impact of load changes
- Adds to the difficulty of financing projects
- Banking Crisis - more stringent due diligence and stress test on risk requirements from banks
- Priority Dispatch – definition needs to be clarified to ensure that windfarms with non-firm connections are not detrimented by this change in TLAFs
- Large Scale Renewable Integration will increase levels of non dispatch

# Uniform TLAF of 1.0

- A TLAF of 0.98 would reduce the value of support from REFIT
- A TLAF of 0.98 introduces a North South distortion as ROCs are counted at the gate and REFIT at the Trading Point
- A TLAF of 1.0 would add greater transparency and simplicity to SEM – could reduce system costs
- A TLAF of 1.0 would enjoy more “acceptability”



# IWEA Position

- Strong Agreement in Industry
  - Need to remove this Volatile Signal
  - A Uniform TLAF of 1.0 is Required
  - Need a robust transparent and enduring answer
  - No obvious benefit from splitting proposal
- Differing Views
  - Case has been strongly made implement it immediately and there is no need for further studies
  - Carry out any required further studies quickly within a tightly managed scope to support a sustainable regulatory decision

**Thank You**