



Mr. Jamie Burke,
Commission for Energy Regulation,
The Exchange,
Belgard Square North
Tallaght
Dublin 24

13 August, 2010

Proposed All Island Harmonised TLAF's

Dear Jamie,

In response to the Proposed Decision Paper "Proposed RAs option for all-island harmonised Transmission Loss Adjustment Factors (TLAFs)", published on the 18th of June 2010, Aughinish have the following comments:

Aughinish derives useful power and heat from a 160MW High Efficiency CHP plant constructed between 2004 and 2006, which reduces the national CO₂ emissions while fully complying with both the Grid Code as well as the Trading and Settlement code.

The TLAF is an important factor for consideration by investors when planning power generation infrastructure. We believe that the volatile nature has heretofore reduced its effectiveness as a locational signal. The reduction in TLAF for an existing generator has obvious consequences for revenue forecast and capital payback.

Aughinish has experienced significant swings in TLAF since the plant was commissioned in 2006. At the time of project development Aughinish was advised by Eirgrid that the location of a generating facility in the Mid West was beneficial to the system in terms of losses. This was evidenced in the proposed TLAF's.

<u>Period</u>	<u>Average TLAF</u>
Project Development Stage pre-Construction Sept 2003	= 1.0093
Commissioning 2006	= 0.9805
Current year 2010	= 0.954

The TLAF for Sealrock / RUSAL Aughinish has reduced from an average of 1.0093 at the time of investment decision in 2003 to 0.954 in 2010, thereby reducing the payback on original investment and creating uncertainty for the future.

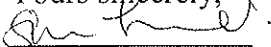
For new generators proposing to enter the Irish market, such significant reductions in TLAF's over a relatively short time frame will be viewed as a major risk. We believe this will ultimately act as a deterrent to further large power generation investments.

In addition to the importance of locational signalling, Aughinish recognises the importance of loss adjustment in efficient real-time dispatch and control of the national grid by the TSO.

We welcome the proposed decision of the RA to implement a uniform TLAF of 0.98 and look forward with interest to the proposals around "splitting" the market TLAF from the dispatch TLAF.

We believe that a stable uniform TLAF of 0.98 as proposed will remove the present uncertainty and provide transparency for 2010 / 2011.

Yours sincerely,



Sharon Fitzgerald

Aughinish Alumina Ltd