

**ABO Wind Ireland Response to the Proposed RAs option for all-island harmonised
Transmission Loss Adjustment Factors (TLAFs)**

ABO Wind Ireland welcomes the opportunity to respond to the RAs consultation on TLAFs.

ABO Wind entered the Irish wind power industry in 2007 to develop a number of wind generation projects. ABO's current portfolio of wind generation in Ireland includes a 21 MW project that was connected in June 2010, a 33 MW project in construction and a 15 MW project that is scheduled to start construction in 2011.

Uniform Approach

Based on 2009/10 TLAFs, these three projects have a weighted average TLAF of 1.01. One of the factors that attracted ABO Wind to invest in these projects was their locations in areas with positive TLAFs. ABO Wind is concerned that the RAs are proposing to introduce a uniform TLAF 0.98, immediately reducing the revenue from these projects by 3%. The existing methodology was designed as a signal to investors, and although flawed in its level of volatility, it seems unreasonable to remove the signal in such a severe manner. In coming to a decision the RAs should ensure that it does not overly penalise developers that had correctly read the investment signal of the current TLAF system.

ABO Wind is sympathetic to developers that have been negatively impacted by the volatility of the current TLAF methodology, however, we should not have to subsidise developers that have made poor decisions and are now contributing to increasing losses on the transmission system.

ABO Wind does agree in principal to a uniform approach to TLAFs as it is clear that the current methodology is no longer meeting all of its original objectives. A predictable and stable approach to losses will also assist with attracting and maintaining investors in the market. As with all decisions on resource allocation, certainty of inputs and outputs is absolutely critical when an investment case is being considered. In ABO Wind's opinion a uniform TLAF of 1.0 would be a fair and equitable outcome from the TLAF consultation. It addresses the industry need for stability and predictability while not overly penalising projects with positive TLAFs.

As highlighted by the IWEA at the workshop, a uniform TLAF of 1.0 would enjoy more "acceptability" from throughout the industry. The IWEA response also details how a move to a uniform TLAF of 1.0 is unlikely to have any negative impacts on the cost to the consumer for energy. In fact it may have additional benefits such as simplifying the SEM and reducing energy imbalances in the SEM.

It is stated in the RAs proposed decision paper that the option of applying transmission losses directly onto demand is outside the scope of this work stream. This suggests that the option of a TLAF of 1.0 for generators will not be considered by the RAs within this

consultation process. ABO Wind cannot understand how an objective review of TLAFs can be complete without considering this option. A TLAF of 1.0 is likely to go some way to address the concerns of the generators that would be negatively impacted by a uniform TLAF of 1.0. It is understandable that it may not be possible to introduce a TLAF of 1.0 in October 2010 but ABO Wind respectfully requests that the option is seriously considered as part of the impact analysis studies that are required before the RAs make a final decision.

Splitting Approach

ABO Wind is concerned that there is still no regulatory certainty on the TLAF methodology. The review of the splitting option is extending the period before the RAs make a final decision on TLAFs and leading to continued uncertainty for investors. It would be unsatisfactory if the setting of 2012 TLAFs was used as a target for the completion of this consultation. ABO Wind would respectfully request that the review of the splitting option is completed before the end of 2010 and a final decision made in Q1 2011.

The impact of the splitting option on wind generators is still unclear. It is disappointing that this proposed decision paper did not include greater detail on the proposed operation of the option and its potential impact on different technologies of generation. Clarity will have to be provided in the next phase of the consultation on how losses will be applied to the dispatch of generation (including dispatching down). For example, will wind generators that have high system losses be dispatched down before a wind generator with low system losses? It appears that this phase of the consultation may overlap into the current "Wind in the SEM" consultation, SEM-09-073.

ABO Wind is concerned that the consultation on TLAFs is now extending into a third year to consider the splitting option. Although the volatility of TLAFs has to be addressed and a more appropriate approach to losses introduced, the time consumed by all members of the industry to this consultation appears disproportionate to the potential benefit in reducing system losses. It is hoped that there will be lessons learned from this consultation process to ensure that future consultations are conducted in a more efficient manner.