Coillte response to the proposed RAs option for all-island harmonised Transmission Loss Adjustment Factors (TLAFs)

Introduction

Coillte welcomes the opportunity to respond to the regulator authority's paper on the all-island harmonised TLAF option.

To-date Coillte has provided the land for circa 25% of current installed wind farm capacity in Ireland. Coillte have become more directly involved in the wind industry with circa 400 MW of joint venture and 100% owned projects at various stages of development in Gate 2 & 3.

The volatility and unpredictability of TLAFs has become a major concern for the wind and the wider electricity industry. There appears to be unanimous agreement that changes are required to the methodology if Ireland and Northern Ireland are to achieve their 2020 renewable targets. Coillte welcomes that greater weighting is now being applied by the RA's to the volatility, predictability and transparency of the new approach to TLAF's.

With significant investment expected over the next ten years in both generation and networks it is paramount that unnecessary risks are removed. Transmission losses are just one of many areas that need to be addressed to provide a stable investment framework. The current level of risk associated with TLAF's is disproportionate to the potential benefits of reducing losses through an effective locational signal.

Uniform Approach

Coillte welcomes the move towards a uniform TLAF as this will address the concerns of volatility, unpredictability and transparency within the current methodology.

Coillte also supports IWEA's proposal for a uniform TLAF of 1.0. This is particularly important to the wind industry in Ireland as REFIT had assumed a TLAF of 1.0. IWEA's analysis has concluded that there is unlikely to be any additional costs on the end consumer regardless if transmission losses are applied indirectly through market prices or directly through supplier tariffs. A uniform TLAF of 1.0 is also likely to enjoy greater "acceptability" within the industry as it will help address the concerns of generators currently with positive TLAFs.

As this is a comprehensive review of transmission losses it would remiss to not seriously consider if transmission losses should be applied directly to generators or demand customers. It is suggested in the RAs paper that this is currently outside the scope of the review. Coillte respectively requests the scope of the review is widened to include consideration to apply losses directly onto demand customers. As there is further analysis

required on the splitting option there is the opportunity to consider this proposal before the final decision by the RA's.

Splitting Approach

A uniform approach to losses will assist with attracting investors into this market but only if it is viewed as a permanent and enduring solution. The current proposal to move towards splitting following analysis is continuing to impose uncertainty. Coillte requests that any additional analysis is fast-tracked and the RAs move to a final decision by the end of 2010.

In considering the splitting option a cost benefit analysis should be completed. It may be the case that the system and administration costs to implement a new scheme will outweigh any benefit in reducing system losses during dispatch. The results of this analysis should be published in the final decision by the RAs.

The impact of the splitting option on wind generators is still unclear. 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).

Coillte is also concerned that the consultation on TLAF's 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.

Best Regards,

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