



Re: SEM-11-018 – Locational Signals Project: All-Island Generator TUoS

Endesa Ireland welcomes the opportunity to respond to the consultation paper on the Locational Signals Project: All Island Generator TUoS.

A fundamental concern to Endesa Ireland is that the proposal of an all-island tariff to recover allowed-revenue that was approved on a jurisdictional basis is not appropriate. If it is determined that the TSO Allowed Revenue is not a SEM matter, then it should follow that recovery of that revenue is not a SEM matter.

If the TUoS is recoverable on an all-island basis, the inputs to the allowed revenues should be consistent on an all-island basis and the jurisdictional TUoS charges should be approved by the SEM Committee.

In addition, there is a lack of clarity in relation to inter-TSO compensation. It is not clear whether the provision made in the allowed revenue for EirGrid and SoNI includes transit flows or for cross-border flows. In either instance, it is not clear what additional use of system costs, if any, the TSOs may recover for transit or cross-border flows. Endesa Ireland requests that the RAs clearly set out the costs the inter-TSO compensation is meant to recover and any additional costs that should be recovered through an all-island TUoS, whether from Generators and/or Demand Customers.

The RAs had indicated that indicative tariffs would be included in this consultation paper, as signalled in SEM-10-081. Without these tariffs it is not possible to properly evaluate the proposals made. The RAs' cover paper states that a final decision on the matters discussed in SEM-11-018 will be published in July 2011. It is not stated when indicative tariffs will be published. Endesa Ireland submits that the publication of indicative tariffs on or after July 2011 does not leave sufficient time for review and comment by market participants if the new TUoS regime is to be implemented in October 2011, and requests that the indicative tariffs be published as soon as possible.

Calculation Methods for All-Island Generator TUoS Tariffs

1. Fixed Tariff Options

Endesa Ireland agrees that in the Single Electricity Market, it is appropriate to have an all-island TUoS. However, Endesa Ireland does not consider it appropriate to implement an all-island tariff when the investments that are recovered on an all-island basis are not consulted upon / approved on an all-island basis.

Provided the monies being recovered on an all-island basis are consulted upon / approved on an all-island basis, Endesa Ireland supports the proposal for "fixing the tariff relatively". While generators would prefer the certainty that would come from a 5-year fixed tariff, we agree that the number of variables to be included in setting these tariffs make it difficult to fix the tariff for 5 years. Endesa Ireland does not wish to see a large k-factor introduced



following each 5-year term and therefore supports the TSO proposal for “fixing the tariffs relatively”.

Endesa Ireland also agrees that supplier tariffs should be calculated jurisdictionally.

2. Non Firm Generator TUoS

Endesa Ireland is strongly opposed to the proposal that non-firm generators are charged TUoS on the same basis as firm generators. The UoS charges should reflect the value of the generator’s connection to the transmission system. A non-firm generator has no right of access to the transmission system. Where the transmission system is unable to accept the output of a generator with a firm connection, that generator receives constraint payments, keeping the generator financially whole. A generator with a non-firm connection does not receive any remuneration when constrained down and therefore the connection to the transmission system is of less value. Given the fact that these generators do not have a right of access to the transmission system, it is wholly appropriate for these generators to be charged on a MWh basis.

In the event that the RAs and the TSOs consider that TUoS must be recovered from firm and non-firm generator on a consistent basis, Endesa Ireland believes that generators should be charged for TUoS on a per MWh basis as this more appropriately allocates the use of system costs.

3. Distribution Connected Generators TUoS – Threshold Level

Endesa Ireland agrees with the introduction of a threshold level of 5MW for TUoS charges given the likely increase in smaller generating stations as Ireland moves towards its 40% renewable target. However, the scheme proposed results in a decrease in the TUoS from distribution connected generators, which is counter-intuitive; Endesa Ireland proposes that all generators (distribution and transmission connected) should benefit for the provision where the first 5MW of installed capacity is not subject to TUoS charges.

This is considered to result in a fair means of collecting TUoS revenue as these generators do have an influence on the level of flows on the transmission system; transmission connected generators should not pay extra as a result of this proposal.

Please note that the above comments are made on the basis of the information which has been published to date. Endesa Ireland reserves the right to change its position when indicative tariffs are published. We would urge the RAs to publish these indicative tariffs as soon as possible.