



BARNA WIND ENERGY (B.W.E.) LIMITED

Knockboy

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22-05-12

**Jamie Burke
Commission for Energy Regulation
The Exchange
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Tallaght
Dublin 24**

Email: jburke@cer.ie

**Re: Consultation on Treatment of Curtailment in Tie-Break situations,
SEM/12/028**

Dear Mr Burke,

Barna Wind Energy Ltd welcomes the opportunity to respond to the SEM Committees (SEMC) consultation on the treatment of curtailment in Tie-Break situations.

Barna Wind Energy Ltd is developing a wind farm at Barnadivane, Co. Cork. Barna Wind Energy Ltd was incorporated in 2003 and is an independent development company. The majority of the shareholders are local landowners. An application for a grid connection was submitted in October 2004. Planning consent for the wind farm was received in 2007. The wind farm received a Gate 3 connection offer in November 2010 for an MEC of 60 MW.

Although providing fair and transparent rules for the treatment of renewables in dispatch is hugely important it should in no way take away from the focus to remove the reasons for curtailment. Curtailment is essentially inefficiencies in the electricity system and as well as the 2009 RES-E directive requiring that member states minimise constraint and curtailment it will also be to the benefit of consumers to remove such inefficiencies. To minimise curtailment, EirGrid's Facilitation of Renewables program of works should advance without any further delays. There is a need for substantial work to be done in the

areas of further interconnection, demand side management and storage to minimise curtailment levels. To meet the requirements of the 2009 RES-E directive to minimise curtailment we believe that it will be necessary to develop a detailed strategy in this area and have an industry group to monitor its implementation.

Outlined below are comments on some of the issues in the consultation paper.

Preferred Option

Barna Wind Energy supports the IWEA proposal to have pro-rata up to the 2020 renewable target and a form of grandfathering thereafter, being referred to as 3b. This mechanism should ensure that the curtailment levels of pre-government target wind generation are not increased due to wind generation connected post the government target. This option best balances the risk of curtailment between the consumer, the developer and the financial investor.

Option 3b best facilitates the ability to meet the 2020 renewable targets in both jurisdictions. It is important that there is flexibility allowed in the cut-off year so as there is not a premature introduction of grandfathering before the renewable targets are reached. The ability of generators to connect on a non-firm basis will be critical to meeting the government targets. This cut-off year should be reviewed annually.

Only by connecting the capacity required to meet the government target can the full benefits of renewables reducing electricity prices be achieved. As the IWEA commissioned analysis has shown production costs are lower based on a pro-rata basis (option 2 or 3b) compared with the grandfathering only options (1 and 3).

Option 3b provides a clear signal of how curtailment will be managed for the new windfarms required to connect to meet the 2020 renewable targets. It also provides scope for a mechanism to be developed to allow wind generators to connect post the 2020 renewable target when further mitigation measures are delivered.

Option 3b provides a form of cap for curtailment levels for the wind generators required to meet the government targets. This will provide important certainty to investors to ensure there is a relatively stable investment environment. The main driver of increased curtailment levels is increased wind generation. The core of 3b option is that curtailment levels of pre-renewable target generation are not increased due to wind generation connected post the renewable target.

We believe that consistency of treatment for constraints and curtailment is not an appropriate criterion for assessing the different options. The regulators have incorrectly inferred in their consultation document that constraint will only be allocated using grandfathering based on firmness. As per SEM-11-105 the SEMC have decided that some regions will have constraints grandfathered and in other regions pro-rata used. For that reason it will not be possible to have consistency between the treatment of constraints and curtailment.

Options with Grandfathering based on Firms

Barna Wind Energy believes that it will be a fundamental error for the SEMC to link curtailment to the level of firmness. As the regulators have already admitted a number of times in the 'Wind in the SEM' consultation, curtailment and firmness are completely unrelated. To link curtailment to firmness is an unfair discrimination. Option 3b is discriminating between projects for the clear purposes of providing higher certainty to meet government targets. Discriminating based on firmness cannot be justified under Government targets as there is no certainty that there is sufficient firm access available to

meet renewable targets. Analysis completed by IWEA has clearly concluded there will not be sufficient firm access to meet the renewable targets in both jurisdictions.

Grandfathering based on firmness will result in curtailment levels that will make it unviable for non-firm generators to connect. Analysis by our grid consultants, Irish Grid Solutions, have shown that even with average curtailment levels of only 2%, non-firm Gate 3 windfarms would experience curtailment levels of 15%. There is approximately 430MW of wind generation connected in RoI with non-firm access. If non-firm access had not been introduced in 2005 we would only have 1300MW (rather than 1700MW) of wind generation connected to the system. As it will become unviable for non-firm wind generators to connect, this option is a defacto regressive move to a firm connection policy. As other jurisdictions such as the UK have recently moved to a non-firm connection policy to encourage the connection of renewables it is very regressive for Ireland and Northern Ireland to be moving in the opposite direction. In these challenging economic times we have to maximise the opportunities for indigenous industries such as renewable energy and not put unnecessary barriers to slow the growth of the sector.

One of reasons put forward in favour of the grandfathering only option is to protect existing projects and their investors from curtailment. The key questions are; was the potential of curtailment flagged to the renewable industry at an early stage and was there a reasonable expectation that earlier projects would be protected from curtailment caused by later projects. The 2003 Garrad Hassan report for the RAs detailed the impact of increased levels of wind penetration on the Irish and NI Systems. It highlighted that curtailment would be a material issue at high penetration levels – *“At approximately 4000 MW of wind generation, the curtailment of the last wind turbine will be such that it will operate for only a few hours per year”*. The 2010 System Operators ‘Facilitation of Renewables’ studies highlighted that curtailment levels of 5% could be expected at the levels of renewables required to meet the renewable targets.

At no stage over this 10 year period are we aware of any proposals that curtailment would be grandfathered. In fact, any analysis presented on curtailment over this period had pro-rata figures, for example the 5% referenced above is a pro-rata figure. EirGrid’s Gate 1 and Gate 2 constraint reports did propose that constraint would be grandfathered but there was no reference to curtailment in these reports. In the SEMC ‘Wind in the SEM’ consultation from 2008 to August 2011 the allocation of curtailment is proposed as pro-rata. Contrary to any suggestion that it was expected that curtailment would be grandfathered it can be strongly argued based on a review of the documented evidence that there is a reasonable expectation that curtailment would be pro-rated.

Compensation for Curtailment

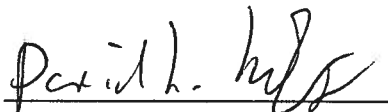
We are very surprised that option 4 has been brought forward by the SEMC at this stage. This proposal to not compensate a certain class of generator that is in the market schedule but is not dispatched would be a fundamental redesign of the SEM principles and rules. This aspect of the structure of the market schedule was discussed in detail in the “Wind in the SEM consultation” and the SEMC decided to not change the structure at this stage. To have this somewhat bizarre option considering the SEMC’s 2011 decision does further question the SEMC’s management of this consultation process rather than propose a serious option to be discussed.

In relation to compensation, we do note that the regulators did ignore in the 2011 decision (SEM-11-062) to consider that non-firm generators are being discriminated against by

not receiving compensation from curtailment. Barna Wind Energy did propose in its previous response that all wind farms, regardless of firm status, should be compensated for curtailment. It is discriminatory for one group of generators to be compensated and another not to be compensated when the reasons differentiating the groups are not material to the reason for compensation. It would also put a strong financial focus on the regulators and system operators to minimise curtailment events.

Should you have any queries or require further explanation of the analysis referenced in this response, then please do not hesitate in contacting me on the details provided below.

Yours Sincerely,



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