

Dublin, 25 May 2012

SEM Committee  
Chair of the SEM Committee  
CC: Kenneth Matthews (IWEA)

## **Re: BlackRock position on the allocation of curtailment SEM-12-028**

Dear Mr. Garrett Blaney

### **BlackRock Renewable Power Background**

As of March 30, 2012, BlackRock had US\$3.684 trillion of assets under management ("AUM"). BlackRock is committed to building a long-term, world class renewable power investment business and has established a dedicated and industry experienced renewable power team and business unit headquartered in Dublin with additional team members in London and New York.

BlackRock Renewable Power is in the process of sponsoring a fund which is targeting up to \$1.5 billion of capital commitments (the "BlackRock NTR Renewable Power Fund"). The BlackRock NTR Renewable Power Fund will invest in a diversified portfolio of renewable power assets, primarily focusing on wind and solar power projects at operational and pre-operational stages.

The BlackRock Renewable Power team includes professionals with extensive experience in renewable energy and in particular wind power projects. The core of the team comes from NTR plc which was founded in 1978 to develop infrastructure assets in Ireland. NTR subsequently diversified to focus on renewable energy, both domestically and internationally, and has owned, operated and developed c.4GW of renewable energy assets. NTR has also managed over \$5.5 billion of corporate finance transactions and over \$2 billion of structured finance transactions. Most notably, NTR was the majority shareholder in Airtricity which developed significant wind assets in Europe, the US and Asia prior to its sale to E.ON and Scottish & Southern Energy in 2008.

### **Irish Wind Market**

BlackRock Renewable Power is making a significant investment commitment to the European wind market. In this context, Ireland is a particular market of focus and BlackRock Renewable Power is keen to play a leading role in the active and vibrant wind and renewable energy market in Ireland.

BlackRock welcomes the opportunity to respond to the SEM-12-028 consultation "Treatment of curtailment in Tie-Break situations".

Curtailment is clearly a factor that creates uncertainty in project cash flows and in certain cases project viability. BlackRock would derive comfort from any proposal that enables the potential impact of system curtailment on existing and future projects and their cash flows to be quantified. The option favoured by us in the allocation of curtailment is option 3 named in your consultation as 'temporary pro-rata'. We do however strongly support the Irish Wind Energy Association ('IWEA') view that this option would only be suitable with the removal of the temporary nature of the pro-rata treatment. As such we are in favour of option 3 being positioned to support projects required to meet 2020 targets and that these same projects would only be curtailed where necessary for the operational lifetime of the project on a pro-rata basis. We understand that this approach will enable the potential exposure to curtailment to be more easily quantified. While the treatment of projects post the achievement of the 2020 targets will need to be defined at a later date, projects required to meet 2020 targets should be protected from higher curtailment as a result of further connections beyond 2020 targets.

BlackRock is an engaged long term investor and looks to partner with regulatory and industry participants within key focus markets. In order for Irish wind energy projects to be viable from an investment perspective we would look for consistent long term planning in the sector. As outlined above we support the IWEA position that protecting generation required to deliver government targets is the most appropriate solution to the treatment of curtailment in tie-break situations. We understand that the alternative options do not enable the potential impact of curtailment to be quantified and therefore detract significantly from the investment case. A solution which enables the potential impact of curtailment on project cash flows is necessary to attract debt and equity capital investment including both pension and institutional capital to the sector.

Yours Sincerely,



Rory O'Connor

Managing Director

BlackRock International Limited - Renewable Power Group,

On behalf of funds and accounts under management

Tel: +353 (0) 1 2063779 Cell: +353 (0) 87 220 7493

E-mail: rory.oconnor@blackrock.com

BlackRock International Limited – Dublin Branch

Registered in Scotland No. 160821. Registered office: 40 Tophichen Street, Edinburgh, EH3 8JB.

Dublin Branch registration number: 906681. Registered office: Burton Court, Burton Hall Drive, Sandyford, Dublin

Directors: James Charrington, James DesMarais (USA), Edward Fishwick, Nicholas Hall, Edward Hart (USA), Joseph Linhares (USA), Quintin Price, Charles Prideaux, Scott Thiel (USA), Colin Thompson, Roger Tooze, Richard Webb (British unless specified)

Authorised and regulated by the Financial Services Authority.