



24th May 2012

The Secretary
SEM Committee
C/O Commission for Energy Regulation
The Exchange
Belgard Square North
Tallaght
Dublin 24

Re: Treatment of Curtailment in Tie Break Situations.

Dear Committee,

The National Offshore Wind Energy Association of Ireland (NOW Ireland) was established to promote the development of Ireland's substantial offshore wind resource and to ensure that our island leads the way in building a green energy economy. NOW Ireland was established by companies that have over 2,600 MW of offshore wind farm projects under development in Irish Waters and have since been joined by a number of national and international companies operating in the offshore wind supply chain sector including turbine, foundation and substation equipment manufacturers.

1. Legal context

In the current consultation document, the SEM Committee indicates that its overriding duty, enshrined in UK and Irish law, is to minimize cost, with all other considerations being secondary. However, it seems to NOW Ireland that such a presentation of SEMC's role lacks proper legal context. The relevant legislation in the Republic is the Electricity Act, which transposes various Electricity Directives. The Electricity and Renewables Directives set the overall legal context as regards electricity for Irish and UK law, and in which the Regulators North and South must operate, whether in their national roles or in their SEMC functions, which presumably must be consistent. So a more complete presentation of the role would be that the SEMC must optimize and minimize cost within that overall legal framework.

Indeed, it is evident that the SEMC previously accepted this point, by virtue of its change of direction in the respect of priority dispatch, as enshrined in the Renewables Directive, leading to the removal of economic considerations from its implementation.

Consequently, the SEMC committee is obliged to take measures to implement priority of dispatch, priority (or guaranteed) access and guaranteed transmission, without being

expected to take measures that would compromise the safety and reliability of the grid and, significantly, may not compromise any of these principles on cost grounds.

Consequently, the obligations to develop the grid, and avoid curtailment must be respected by the Regulatory Authorities and the SEMC, without compromising the safety and reliability of the grid. These and the related obligations cannot be diluted by cost considerations. However, progress to date on mitigation measures has not kept pace with the development of the renewables sector, either in terms of the extent of the measures, or their timing, considering these obligations have been in place at EU level since 2001.

However, rather than dealing with these obligations, the Regulators and the SEMC are seeking to take the consequences of the inadequate development of the grid, in default of these obligations, and impose them on the projects that the obligations are designed to protect. Subsequently offering such projects a choice of which way the negative consequences should be allocated to them is not the correct approach. NOW Ireland cannot endorse these failures, by engaging in the self-destructive process of selecting which approach is to be adopted to compromise the wind sector.

2. Renewable Energy Export

The Irish Government has recently published a draft Offshore Renewable Energy Development Plan which outlines a low, medium and high scenario of 800 MW, 2,300 MW and 4,000 MW respectively for the development of offshore wind in Irish Waters by 2030. The Strategic Environmental Impact Assessment that accompanies this report indicates that in the long term there is a further potential to develop up to 12,500 MW of fixed offshore wind and 27,000 MW of floating offshore wind without significant environmental impact. These resources provide an opportunity to develop an integrated market for the provision of carbon free electricity between Ireland and the UK and mainland Europe.

It is Government policy to encourage the development of wind farm projects, including offshore wind, to achieve renewable energy targets and to facilitate the development of exports. An Intergovernmental Agreement will be signed this year between the British and Irish Governments on an 'All Islands' Approach to the development of renewable energy, as adopted by the British Irish Council on 20th June 2011.

The potential benefits from the development of a Renewable Energy Export market to the economies North and South on the island of Ireland are significant. An annual income of over €300 million is available to the Irish State in rental payments, corporation tax and income tax from the development of 5,000 MW of export capacity. This income is stable and will be available every year for the lifetime of the projects. A further stimulus to the Irish economy would be provided by the expenditure in Ireland of approximately €5bn during construction and annual operating expenditure in Ireland of €300m. Harnessing 5000 MW of offshore wind would also provide thousands of skilled and sustainable jobs for Irish people, both in construction and in the long-term operation and maintenance of projects.

3. Curtailment and Export

Curtailment is a dead weight loss to the economy, as it is an inefficient use of wind turbine generators and of our renewable energy resources. The marginal cost of the production that is lost is near zero, while the benefits lost are considerable. The goal of the regulators, as

mandated by EU and national law, should therefore be to seek a wider solution to the issue rather than trying to find a 'fair' regulatory method to allocate the inefficiency.

NOW Ireland is concerned that any target-based approach to curtailment will inevitably conflict with upcoming Government plans for the export of renewable energy. It would also, in our opinion, unnecessarily add another layer of bureaucracy and complexity to a grid connection process that is already overly complex. The addition of further complexity would provide an unfair advantage to some projects and companies over others, on the basis of relatively arbitrary conditions rather than allowing projects to proceed based on their merits.

It is essential that a positive investment environment be provided for renewable energy projects in Ireland. The SEMC needs to ensure that all of its regulatory processes and decisions create positive investment signals for Ireland. This is necessary for projects that are required to meet national renewable energy targets but is also required to stimulate the economy through potential for export and to facilitate the meeting of future targets.

4. Recommendation

We request that the long term solutions to the issue of curtailment not be forgotten in the debate on how to deal with curtailment in the short term. The development of an export market should be incentivised not penalised by the outcome of the Tie Breaks debate and in particular, the short-term solution should not conflict with Irish, British and EU plans for export of renewable energy from Ireland. In addition, the short term solution should be stress-tested against all relevant EU law.

A number of recent studies, including the Isles Study, Eirgrid's Offshore Grid Study and the North Seas Offshore Grid Initiative (incl ENTSOE), all conclude that an integrated and iterative approach to developing an offshore grid network is the most appropriate method to facilitate exports and increase the penetration of Renewable Energy. Projects developed for export, particularly those availing of the statistical transfer market mechanism, should therefore not be required to take an unsustainable proportion of curtailment, as this would negate their viability. This would delay the delivery of the vital kick-start which the export market needs, which in turn would negate the viability of further interconnection.

We would welcome the opportunity to discuss these views with you further, if you have any queries please do not hesitate to contact us.

Yours sincerely,

NOW Ireland



Garrett Connell, Committee Member.