



O R I E L
WINDFARM LIMITED

25th 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,

Oriel Windfarm Limited (Oriel) is a privately owned Irish renewable energy company. The company has been developing an offshore wind farm in the North West Irish Sea, 22km off the coast of Dundalk, County Louth since October 2005. Oriel received an offer of consent with draft terms for a 55 turbine offshore wind farm in November 2010. The project received a grid connection offer for 330 MW of capacity from Eirgrid in April 2011. This enables Oriel to be the first commercially developed offshore wind farm in Irish waters.

Oriel Windfarm welcome the opportunity to make the following comments in relation to the consultation on the "Treatment of Curtailment in Tie Break Situations".

Renewable Energy Export

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. Oriel is currently expecting the completion of an Inter Governmental Agreement between Ireland and the UK which will provide the basis for the establishment of an export market for Irish offshore wind. We have been informed by the Minister for Communications, Energy and Natural Resources and the Taoiseach that this agreement is expected to be finalised by the end of this year.

The Irish Government has recently published a draft Offshore Renewable Energy Development Plan and Strategic Environmental Impact Assessment which indicate that in there is a potential to develop circa 5,000 MW of offshore wind in the short term using commercially available technology. The Northern Ireland Government has also identified the scale of the offshore resource available in its waters and are currently processing a tender round for a 600MW offshore wind farm off the coast of South County Down.

Renewable Energy Export and the Oriel Project

Article 6 of the 2009 Renewables Directive gives Member States the mechanism which provides a framework for the contribution by statistical transfer of renewable energy produced and consumed

Registered in Dublin, Ireland Reg. No. 318186 VAT No. IE6338186F
Directors: B.V. Britton (Managing), C. Hannevig, T.D. Hannevig, M. McBennett

T + 353 42 9322952 F + 353 42 9322995 E info@orielwind.com W www.orielwind.com
Registered Office 2 Marine Court Main Street Blackrock Co. Louth Ireland

in one member state towards the targets of another member state. A Statistical Transfer mechanism was the mechanism proposed by DCENR to Oriel, at a meeting on 28th March 2012, to be employed to develop the Oriel Wind Farm Project.

As you will be aware a statistical transfer does not involve the delivery of electrical power to the purchasing member state. It is simply a member state allowing the sale of the benefit of its having exceeded its renewable energy target to another member state that has not achieved it. The electrical power can be traded on the home state market and the value of the green credit from the generation can be separated and transferred to the importing state, for which a support price is paid.

The statistical transfer of green credits in the short term would not rule out the development of an interconnection link in the future which would allow for the export of energy to the UK. The provision of a statistical transfer agreement would be the first link in the development of an export market for Irish renewables. In fact the development of a statistical transfer mechanism is the kick start required to start the development of an export market across the Irish Sea and the stimulus needed to develop further interconnection with the UK and Europe.

Curtailment and Export

Oriel acknowledges that the problem of Curtailment is an issue that has to be dealt with and that the SEM Committee has been put in a difficult position in that regard. We believe however that the Tie Breaks debate that has been running for over two years has distracted the industry and regulators from developing solutions to the underlying causes of curtailment. 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 goal of the regulators therefore should be to seek a wider solution to the issue rather than trying to find a 'fair' regulatory method to allocate the inefficiency.

The solutions to curtailment are a mixture of further interconnection, storage, demand side management and the development of an ancillary services market. Oriel argues that it is important that the long term solutions to the issue of curtailment not be forgotten in the debate on how to deal with curtailment in the immediate future.

The development of an export market for wind power will incentivise the development of further interconnection, which is one of the solutions to the curtailment problem. Regulatory rules for curtailment in the short term should therefore not prevent the development of an export market.

Discussion of Options Outlined in the Consultation

In response to the options proposed in the consultation paper, we would like to make the following observations.

Option 1 - Grandfathering

Oriel contends that the proposed Grandfathering option would fundamentally damage the potential for developing renewable energy projects in Ireland. An impact analysis carried out by the IWEA shows that this option would create a significant impediment to Ireland's ability to reach legally binding EU renewable energy targets by 2020. As such this option is not consistent with Irish Government policy for the facilitation of the development of our renewable energy resources.

Grandfathering linked to firm access would effectively be a reversal of the non firm access policy,

which is now being introduced in other jurisdictions. Grandfathering would remove the option for the vast majority of projects to connect earlier than their firm dates in favor of projects with early firm access dates. This means that viable projects that have progressed significantly through the development process, which could have been operational in the short term, may have to wait until an actual firm access date post 2020. This type of policy reversal is damaging to Ireland's reputation as a stable environment for investment in energy infrastructure projects, at a time when this type of investment is essential in providing a stimulus to the Irish economy and, ultimately, developing a new export sector.

Option 2 – Pro Rata

Oriel considers that the pro-rata treatment of curtailment would have the least damaging impact on the development of renewable energy projects in Ireland. The other proposed options would 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.

The pro rata option is also the most likely to stimulate the development of solutions to the curtailment problem, as it would unite the industry and regulators in an equal position rather than providing some short term advantage to individual projects. As mentioned previously we believe this is in the best interests of consumers in the long term. Reducing the levels of curtailment imposed on projects will increase efficiency and lower costs.

Option 3 – Temporary Pro-Rata

The option to include Temporary Pro-Rata would be a discriminatory mechanism that would disadvantage any projects that are included in a post 2020 category. These projects would be not be able to secure finance as they would be subject to excessive curtailment rates.

A temporary pro rata option also ignores the likelihood that renewable energy targets and demand expectations will change over the next 8 years. Demand expectations have changed dramatically in the past 5 years and it is likely that they will change equally dramatically in the next 5. This will make it impossible to accurately create criteria that will incentivise the development of sufficient capacity to meet targets. Increasing the complexity of the connection process will serve as a disincentive to investment in renewables projects.

Oriel is concerned that any target-based approach to curtailment will inevitably compromise the export sector, particularly those availing of the statistical transfer market mechanism. Such an approach would be contrary to Irish Government policy to develop renewable resources for export and to EU policy to encourage cooperation between member states to achieve targets. It therefore should not be considered by the committee.

Option 4 – Pro-rata with generators taking the risk

As stated previously any policy reversal is damaging to Ireland's reputation as a stable environment for investment in energy infrastructure projects, at a time when this type of investment is essential to the Irish economy and the development of an export sector. We reiterate that the best interests of consumers in the long term are served by incentivising the development of solutions to reduce the levels of curtailment imposed on projects.


Recommendation

It is our view that a pro rata approach to the allocation is the least worst approach to the management of curtailment in the short term. 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. 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, therefore should not be required to take an unsustainable proportion of curtailment as this would negate their viability. This would considerably 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,
Oriel Windfarm Limited

A handwritten signature in black ink, appearing to read 'Brian Britton', written over a horizontal line.

Brian Britton
Managing Director