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## **The position of Saorgus Energy Ltd on the document Treatment of Curtailment in Tie-Break Situations, SEM-12-028, is as follows:**

A pro-rata approach to curtailment would be a negative investment signal that the Irish state is prepared to introduce retroactive changes in the regulatory environment for renewable energy. Minister Rabbitte very recently emphasised the following:

- *the need for predictable and transparent support frameworks, to attract commercial investment at a cost which is competitive;*
- *the need for regulatory certainty, which supports renewable energy development in the long term interest of consumers;*

It is possible that an undesirable scenario would arise where some Gate 3's remain unbankable, existing projects are retroactively penalised and all future investment decisions are influenced by the prospect of further retrospective changes.

However, no approach to curtailment, whether supported by the industry or not, should disadvantage renewable energy unless unavoidable system security issues (not including cost issues) arise. SEMC is constrained in its actions by EU law, specifically the Renewable Energy Directive (RED). While the SEMC has an understandable desire to lower costs, under the RED this policy driver does not supersede the need to accommodate renewable energy through market and infrastructural improvements. It is not permitted for the Irish State to impose costs on renewables that could be avoided by reasonable actions otherwise.

It will be unwise, in our view to impose a target-based solution of allocating curtailment costs because it is clear that a revision of 2020 targets is imminent, perhaps as early as the Irish EU presidency in 2013.

SEMC decisions about renewables should therefore be guided by three principles:

1. Are the proposals fully compliant with EU Regulations, particularly the RED and with any likely revision of the targets contained in the RED?
2. Could the decision conflict with Government and EU plans for electricity market integration and cross-border trade in renewable energy?
3. Are the proposals fit to be issued as an investment signal by Ireland Inc to international investors?

Thursday, 24 May 2012