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Thomas Quinn
Commission for Energy Regulation
The Exchange
Belgard Square North
Tallaght
Dublin 24

Karen Shiels
Northern Ireland Utility Regulator
Queens House
14 Queen Street
Belfast
BT1 6ED

Date: 24th February 2017

RE: Capacity Remuneration Mechanism Capacity Market Code

Dear Sirs,

Brookfield Renewable welcome the opportunity to respond to the consultation paper on the Capacity Remuneration Mechanism Capacity Market Code published by the SEM Committee, who comprise of both the Northern Ireland Utility Regulator and the Commission for Energy Regulation (the RAs). This consultation seeks to codify the detailed rules of the I-SEM Capacity Market. The I-SEM Market redesign will represent a fundamental shift from Ireland's current energy market design and wind generation must be central to the new market arrangements as wind will represent 40% of the all-island market by 2020.

Brookfield Renewable Ireland is part of Brookfield Renewable Partners L.P., one of the largest publicly-traded pure-play renewable power platforms globally with over 10,700 MW of hydroelectric and wind capacity across 15 power markets and in excess of 470 MW of operating wind capacity with a 200 MW near term wind development pipeline in Ireland. Our power operating platform employs over 2,200 people globally, including full operating, development, construction oversight, and wholesale power marketing capabilities. In addition to operating a wind portfolio in the Single Electricity Market, Brookfield Renewable also actively trade power across the interconnectors between SEM and BETTA.

Brookfield Renewable is supportive of the market integration of wind but reiterates that any erosion of the commercial position of existing wind generators amounts to retrospective changes that would be extremely damaging to Ireland's attractiveness for investment. In this regard and recognising that it is an issue also to be considered with the Department of Communications, Climate Change and Environment (DCCA), Brookfield Renewable request that clarity is provided on the issue of REFIT compatibility with I-SEM without further delay.

Brookfield Renewable's key issues relating to the Capacity Market Code are that the Reliability Option (RO) mechanism, by its design, does not recognise the contribution that wind generators make to capacity and furthermore, the introduction of Administered Scarcity Pricing (ASP) compounds the risk for wind

Brookfield

generators as they are the only group of market participants that will be unhedged against the risk of elevated scarcity pricing.

The I-SEM CRM is explicitly penal to wind because the Reliability Option is triggered by market prices. The market prices in I-SEM will typically be high when demand is high and wind generation is low. The RO therefore excludes wind generators by design. Furthermore, Brookfield Renewable note that ASP places a disproportionate risk on wind generators compared to other market participants. Generators and suppliers are protected from undue exposure to ASP through arrangements within the RO such as stop loss limits for generators and socialisation arrangements respectively. However, wind generators have an uncapped exposure to ASP.

Conventional generators and suppliers can both react to scarcity signals; by ensuring availability and reliability and by demand side response respectively. Wind generators however cannot be incentivised to be available at times of system stress. Brookfield Renewable believe it is inappropriate that suppliers and generators who can respond to scarcity pricing are protected from exposure to ASP while wind generators, which cannot respond to scarcity pricing, face uncapped exposure to penalties for day ahead forecast error. The Capacity Remuneration Mechanism has not been and should not be designed to incentivise accuracy in wind forecasting.

Brookfield Renewable reiterates that the new market arrangements must retain confidence in investments already made and for the substantial levels of investment required to meet ambitious renewable energy policy objectives.

We would be pleased to discuss any of the points above in greater detail with you as required.

Kind regards,

Niamh Buckley
Regulatory Analyst, Ireland

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