



TYNAGH ENERGY
L I M I T E D

Kenny Dane
Utility Regulator
Queens House
14 Queens Street
Belfast
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Ref: TEL/JC/19/113

28th June 2019

RE: Response to CRM T-4 Parameters Consultation (SEM-19-023)

Dear Kenny,

Tynagh Energy Limited (TEL) welcomes the opportunity to respond to this Capacity Remuneration Mechanism T-4 Parameters Consultation (SEM-19-023).

TEL supports the EAI response to this consultation.

TEL's response for this consultation re-iterates some concerns illustrated in TEL's response to the CRM T-1 and T-2 Parameters Consultation (SEM-19-018). These concerns include the Capacity Requirement and the ECPC proposal on the Capacity Requirement which TEL believe for CY 2022/23 falls short of the peak demand published in the Generation Capacity Statement, 7,524MW Capacity Requirement vs 8,000MW Peak Demand.

Capacity Requirement

Similarly, to the T-1 & T-2 parameters consultation, the RA's have not invited comments on the Capacity Requirement. However, TEL believe there is a direction of travel towards under procuring capacity. The capacity requirement for the 2022/23 T-4 auction was 7,524MW (7,412MW was acquired), but the peak demand in the Generation Capacity Statement is close to 8,000MW under the Median demand analysis. Compounding the fact that capacity is being under-procured for median demand, the Generator Capacity Statement's High demand analysis has peak demand at 8.500MW. Therefore, if demand outturns higher than the median forecast the CRM process will be significantly under-procuring. TEL note from SEM-19-021, the three reasons for holding back capacity in the T-4 auctions: Non-participation, DSU's and uncertainty, however, the negative uncertainty value of -300MW is asymmetric as it doesn't appear to account for uncertainty relating to demand being higher than expected. If this outturns it may not be possible to contract the required generation via the T-1 Auction.

The SEMC appear to be significantly increasing the exposure to multiple loss of load events for a significant period of time. It is only once these events begin to occur frequently that the methodology will change, leading to an increase in capacity. This will be too late; if we have multiple Loss of Load events, we may quickly see a loss of demand as new data centres locate in countries with more reliable systems.

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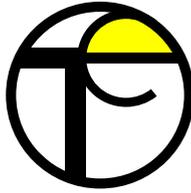
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ECPC Proposal

TEL agree with the SEM Committee's proposal not to reduce the Existing Capacity Price Cap ("ECPC") for the T-4 2023/24 capacity auction. However, TEL would echo the EAI's stance that the level of USPC applications should not be a deciding factor in setting the level of the ECPC.

Regarding future amendments to the ECPC, TEL believe the ECPC should be set at a higher level. In response to SEM-16-073, TEL made the point to the SEM Committee that the ECPC was not sufficiently high to allow the recovery of fixed costs – this assessment is still valid today. Capacity payments are not sufficient to meet fixed costs.

TEL would like to re-iterate the perverse incentives stemming from the BNE/NET CONE determination. In the BNE/NET CONE determination, a new generator's revenue from DS3 and their IMR is offset against their proposed revenue. But, the SEMC has encouraged generators to invest in their plants to maximise DS3. If this revenue continues to be offset against capacity revenue then there will be a shortfall for generators. The DS3 revenue is being counted twice, once against a payback on upgrades and once against capacity. In Ireland's endeavour for decarbonisation, DS3 and "DS30" incentives should not be counterproductive.

Should you have any queries, please do not hesitate to contact me.

Yours sincerely,

John Casley
Market and Regulation Analyst