30th July 2014

ART Generation Submission to the Green Paper on Energy Policy

Dear Sir or Madam,

We are an independent windfarm developer. We welcome the opportunity to make a submission to the Green Paper on Energy Policy. We support the Irish Windfarm Energy Association (IWEA) and Irish Wind Farmers Association (IWFA) submissions. We would also like to comment specifically on a number of points as follows:

**Question 9:** We would urge that the DCENR would recognise that the wholesale electricity market comprises three related but distinct markets: energy, generation capacity, and ancillary services. The SEM Committee in recent months appears to be moving towards a view that competition in these last two markets, generation capacity and ancillary services, may be possible. The ancillary service market in particular will become a more material percentage of the overall wholesale electricity market as integration of variable renewables comes to the fore. It is important that the DCENR, along with the CER, realise that the level of market power in ancillary services (and that which may be exercised in a less regulated generation capacity market) is not yet understood. It is vital, as there has been in energy, that robust market power mitigation measures are put in place in these elements of the wholesale electricity market.

**Question 11:** Renewable targets are binding at a State level. The Irish State, however, has no direct influence over the SEM Committee, which implements a balance of Ireland and Northern Ireland policy. It is noteworthy that Northern Ireland has no equivalently legally binding commitments towards renewable targets. We would urge formally placing an obligation on the SEM Committee, reflected in Irish and Northern Irish legislation, to bring the promotion of renewables to the same legal level as competition and protection of the consumer to better legally align the obligations of the SEM Committee to the State’s renewable obligations.

**Question 14:** While it has never been a consideration of the Third Package unbundling heretofore, network provision of ancillary services and the competition this plays with generators also providing those services needs to be considered as a long-term issue. It is important that domestic transmission assets and Interconnection do not become an unregulated distorting influence in the development of the ancillary service market. Generation investment cases will be underpinned by energy, capacity and ancillary service revenues. Ancillary services, under the world-leading DS3 Programme in Ireland, are the key to allow for conventional generation adequacy in a renewable-rich portfolio at minimum cost to the consumer. Network unbundling/ring-fencing must be carried out in a manner that ensures – beyond current European requirements – the all-island market requirement of non-distorted competition in the provision of ancillary services. For example, it is problematic that EirGrid as owner of the Interconnector underpinned by UoS, suggests the payment rates for the services, and is also the single buyer of these services. Future concerns would be network infrastructure owned by the Transmission Asset Owner, also underpinned by UoS, could be used to participate in and distort the ancillary services market, undermining the case for further independent generation investment.

**Question 20:** The North-South Interconnector requires completion as a matter of urgency. It is adding to curtailment of wind generation, and added costs for the all-island consumer.
**Question 21:** The introduction of the EU Target Model should provide natural signals for the development of further Interconnection if required, i.e. energy price differentials between neighbouring markets. We would caution on the unfettered access of UoS supported Interconnection and transmission assets into ancillary services markets.

We hope that you will take our comments on board when shaping Ireland’s energy future.

Kind regards,

Richard Walshe (Managing Director)