IWEA response to the consultation on the Trading & Settlement Code Determination of Uplift Parameters SEM-14-022

06 May 2014

The Irish Wind Energy Association (IWEA) welcomes the opportunity to comment on the SEM consultation on the Trading & Settlement Code Determination of Uplift Parameters.

IWEA welcomes the publication of the consultation paper and the provision of the data for analysis, as requested in our previous submission on this issue. We note however, that no forward analysis has been carried out and the analysis does not look at the impact on hedging contracts, IC flows and REFIT payments. We also note that the analysis was carried out for months which were not particularly windy and request that full 12 month analysis be carried out and that the analysis be stress-tested for high and increasing wind scenarios. Historical and forward-looking analysis is necessary in this regard.

The consequences of changing the Uplift parameters need to be very carefully considered, as the damaging effect of increasing the volatility of SMP (increasing supplier risk, reducing competition and liquidity and reducing the efficiency of interconnector trades) could more than outweigh any potential benefits of reducing the overall cost of Uplift. The impact of small changes to the parameters can also be quite significant for generators, which increases their regulatory risk.

The impact of the reduction of SMP also needs to be considered alongside the impact these changes will have on the PSO. If there is a rise in the PSO, which is highly likely if this change proceeds, this will negatively impact the public perception of wind energy and will detract from any benefits which may have otherwise been there. Any reduction in SMP would need to be seen by the consumer, however the likely need for increasing the PSO levy and the additional negative impacts of the volatility and uncertainty in SMP as outlined above will reduce the likelihood of the benefit being passed on.

The changes being proposed in the consultation paper appear to push uplift into lower demand and overnight periods – this will make SEM prices that bit higher in these trading periods, increasing the incentive to import, as opposed to export to reduce curtailment. IWEA has serious concerns that this may result in increased interconnector imports and increased curtailment of wind energy, which is contrary to the requirements of the RES Directive which required Member States to minimised the curtailment of renewable energy.

In conclusion, IWEA believes that further historical and forward-looking analysis needs to be carried out on the impact of the changes to the Uplift parameters on the volatility of the SMP, the associated cost of risk and related competition and market entry impacts, the PSO levy and on interconnector flows. The analysis should also be stress-tested for high wind scenarios. **Any changes which may result in an increase in curtailment of wind generation must be avoided**.