

## **IWEA response to the consultation on Transmission Revenue for 2011 to 2015**

**11<sup>th</sup> August 2010**

IWEA welcomes the opportunity to comment on the Consultation on TSO and TAO transmission revenue for 2011 to 2015.

IWEA welcomes the recognition of the need for significant investment in network infrastructure and that setting the costs of capital too low may result in necessary projects (such as those designed to facilitate the Government's 2020 renewables target) not being completed, with the result being that the consumer would be worse off in the long run.

In this revenue review it is essential to ensure that there is sufficient revenue available for planned and strategic development of the grid infrastructure. EirGrid has developed the Grid 25 strategy which outlines the infrastructure developments required to meet the 2020 targets and beyond. Sufficient revenue needs to be made available to ensure that these developments can take place. While the consultation paper outlines the developments required to meet the renewables targets for 2020, the electricity system also needs to be developed for the years beyond 2020. Grid 25 outlines a strategic development of the grid for future requirements and IWEA believes that this strategy needs to be implemented as soon as possible. There is a risk of inefficient investment decisions being made by focusing on too short a time horizon. By just focusing on what is required for 2020, there is a risk that there will be substantial developments required at a later date which will increase the cost to the consumer in the long run, rather than implementing a steady build-out rate based on a long term plan.

IWEA welcomes the recognition that improvements in transmission system performance, grid infrastructure build and achievement of the Government's 2020 renewables targets will be fundamental to the setting of transmission incentive mechanisms in PR3. IWEA is of the firm belief that an incentive mechanism is required to ensure that the TSO and TAO deliver on dates and timelines. It is essential that the incentives are closely related to actual business lost so that developers don't have to manage all the risk and can have some comfort over build-out rate, constraints and connection dates. One way to manage this is through the use of deemed firm access where a generator is considered to have a firm connection on the date provided in the connection agreement. This would provide certainty in relation to revenues that could be obtained in the SEM and therefore reduce the risk associated with the building of wind farms where connections may not be available on time.

We believe there should also be an incentive on the TSO to deliver priority dispatch of wind. It is essential that both long term planning and real time decisions deliver priority dispatch as per legal requirement. While we expect the RAs to clarify the rules for wind getting priority dispatch soon, it needs to be ensured that these rules are put into practice. To support this we would also look for more information on actual dispatch rules, principles, etc.

In any event, it is essential that meaningful incentives on the TSO and TAO to deliver on dates and timelines are implemented now. This should be done with immediate effect as many plans are at a crucial stage of development. These incentives may be modified as required to reflect any future changes in policy, but IWEA believes it is unreasonable to allow more time to pass before any real incentives are introduced.