

Airtricity response to the draft principals paper CER/06/025

Proposals for a green virtual independent power producer (“GVIPP”) auction 2006

Introduction

Airtricity acknowledges this approach by the Commission to release PSO supported power to independent suppliers. However Airtricity has favoured that the AER supported power should be made available to the market on a renewable market share basis, as auctions tend to favour larger suppliers with accompanying balance sheets and purchase power. AER supported power is one of the few opportunities to enable renewable power to be made available to smaller independent suppliers and therefore assist in providing supply competition.

Airtricity would therefore urge the Commission to review again alternatives to holding an auction process for renewable power.

In respect of the Commission’s paper CER/06/025, Airtricity has the following comments to make:-

Comments on section 1.1 - Introduction

Capacity available for auction

- Airtricity notes that the total capacity for auction is 183MW. Airtricity estimates that there is over 276MW of AER plant currently on the system. We understand from the Commission that the AER generation in excess of 183MW does not get settled through TESS and would therefore delay the auction if it were required to be released. Airtricity agrees that the timely release of the AER power is crucial and therefore concurs with the release of the 183MW at this time. However, we would like to request that the Commission urgently reviews what would be necessary to ensure that all AER supported power can be released to all independent suppliers as soon as possible. All AER generation must be metered in some form in order for the developer to be paid and therefore we see no reason why this generation cannot be included in the ESB National Grid settlement systems so as to be made available for use by independent suppliers.
- All independent generators must accede to the trading and settlement code before they are capable of trading in the market (unless they are less than 1MW). Those less than 1MW can accede to the code if they so wish. It can at times be a lengthy process but it does allow the generation to be bilaterally contracted to any supplier at any time. We see no reason why AER generation should be treated any differently than independent generation when it comes to accession to the market.

- Therefore any AER generation which has acceded to the Code should be made available under GVIPP and any AER generation which has not yet acceded to the Code should be made to do so and therefore be made available to independent suppliers.

Comments on section 1.3 – Next Steps

- The Commission estimates that the supply period will commence in early June 2006. Airtricity would like to note that any delay in this timeline would have a significant impact on the value of the contract to suppliers and request to be informed as soon as possible of any likely delays in this date and certainly prior to the auction date.

Comments on section 2.1 - Auction Parameters

Security Cover

- Security arrangements should not be onerous as this will prevent smaller independent suppliers from bidding in the auction.
- Airtricity would therefore suggest a maximum of 4-5 weeks charges be the required security cover. This is in line with Northern Ireland security cover arrangements.

Clarification of reduction in capacity

- Airtricity would like further clarification of the statement “The GVIPP capacity will exclude those values that are required to ensure an efficient settlement process”.

What values does this apply to? Will this capacity be known before the auction? If it reduces the capacity which is auctioned it will impact on the price suppliers will be willing to bid in the auction for a percentage of the total.

- **If possible Airtricity would like to request an example of how capacity offered in the auction could become unavailable to ESBCS after the auction.**

Increases in availability of AER supported plant

- ◆ Additional plant is currently being constructed under PSO supported AER schemes. In the event this plant is commissioned prior to the auction date, such plant should be included in the GVIPP capacity.
- ◆ In the event such plant becomes available subsequent to the auction date, this plant should be made available to the market in subsequent auctions.
- ◆ **As soon as AER generation becomes available to the grid, its output should be auctioned.**

Plant Availability

- Plant availability is crucial to forecasting output from renewable generation. Information about plant down time should be made available to purchasers of AER power.
- **Airtricity request that if there is a reduction in MWs available, this should be made know to *all* purchasers of the AER power in a timely manner.**

Generation Mix

- The Commission is requested to ensure that the proportion of wind and other technologies as a proportion of the GVIPP capacity is made available to bidders prior to the auction date.

Cap

- Airtricity agree with the Commissions decision that a 40% cap on a successful bidder should be imposed in the auction. We also agree that all associations and subsidiaries should be considered the one company, in relation to the cap.
- Until all PSO supported power is released to the market, Airtricity contends that no AER power should be released to ESB or any subsidiary of the ESB through this GVIPP process, as to do so, reinforces the incumbent's dominance of the supply market and prevents supply competition.

Duration of Auction

- In order to ensure that companies are able to plan their power purchasing strategies and manage effectively the risks of growing a supply business and providing effective supply competition, the GVIPP auction should be held for the period from June 2006 through to the commencement of the SEM.
- To be able to ensure that there is a fair and competitive auction, there should be no reserve price for the GVIPP.
- **Airtricity request that the Commission hold an Auction for the period between auction date and the commencement of SEM, with no reserve price.**

Auction Clearing Price

- The Commission's draft proposals do not address the format of the auction. Airtricity suggest that an Auction Clearing Price (ACP) is the correct format to adopt as in previous brown VIPP auctions. If the auction is fully subscribed the lowest successful bid will be the ACP.

Post 2007

- **If the Commission is unwilling to extend the GVIPP auction process beyond 2007 Airtricity requests that the Commission make a firm commitment in their GVIPP decision paper to make the AER power available to independent suppliers from 2007 even though the method by which this may be achieved has not been decided upon.**

Green Benefits

- **Any green benefits associated with the GVIPP power should be passed on to the successful bidder. Including any Guarantees of Origin that may become available for use for disclosure purposes.**