

**PROPOSALS FOR A GREEN VIRTUAL INDEPENDENT POWER
PRODUCER (“GVIPP”) AUCTION 2006**

Draft Principles Paper

CER/06/025

ESB Independent Energy welcomes the CER proposals for a GVIPP, given the delays to date in progress on the REFIT Scheme which has delayed commissioning of some renewable plant. ESB Independent Energy are pleased that CER have noted that ESB Independent Energy will be free to participate in the GVIPP auction.

ESB Independent Energy feel that it is important that suppliers have access to green product to enable suppliers to achieve balance between generation and customer demand prior to the introduction of SEM in 2007 given the proposed transition arrangements where the supplier will effectively be penalised for significant imbalance.

ESB Independent Energy seeks clarification on the profile of the product to be offered. Is the GVIPP product a wind-profile, a combination of the outputs of a number of wind-farms or is it the combined output from all AER contracted plant in which case the profile may resemble a base load product?

ESB Independent Energy would have concern over the percentage of capacity purchased and the fact that this capacity can be withdrawn. In such circumstances bidders may not know the exact amount of capacity that they have purchased which could result in problems with balancing in the lead up to SEM.

The 40% cap is welcomed however the removal of the cap for subsequent iterations of the auction is at odds with the precedent established by CER in all previous non-green VIPP auctions where the 40% cap remained in place for subsequent iterations. ESB Independent Energy would call for the 40% cap to be in place for the entire auction process.

The auction of product at $BNE + \text{€X} / \text{MWh}$ price is too expensive and takes no account of the cost of imbalances due to intermittency of the product. The product should be at a discount to the prevailing BNE price as in previous VIPP auctions

ESB Independent Energy would have a preference for a 12 month product which spans July 06 to June 07 which moves in line with BNE on 1st January 2007.

A profiled price would more accurately reflect the true costs of the product and ESB Independent Energy would prefer this methodology.

Finally ESB Independent Energy suggests that Suppliers should be able to use the GVIPP product in their existing C portfolio without having to maintain a separate GVIPP portfolio particularly as the product is of short-term duration. This will also cut down on effort by suppliers and MRSO in registering sites between portfolios and simplify balancing prior to SEM