

# **TLAF Proposed Decision**

## ***SEM-10-039***

***RAs Workshop***  
***Crowne Plaza, Dundalk***  
***26<sup>th</sup> July 2010***

# Viridian Power & Energy



**750MW of  
operational  
CCGTs**



**248MW of  
operational  
windfarms  
610MW pipeline**

**energia**

**Over 60,000  
business customers  
(electricity and gas)**

# Review of Proposed Decision

Legal review

ARTHUR COX

Economic review

NERA  
Economic Consulting

Modelling review

  
REDPOINT  
ENERGY · IDEAS · ANALYSIS

Unable to carry out all necessary modelling as not enough time in consultation

# Outcome of Legal Review

Proposed decision is not consistent with the principal objective of the SEM Committee, to protect interests of consumers. Also, no assessment of environmental impact

Concern that objectives of the process were not made clear to consultees, objectives were added during the process, and no regard to whether proposed decision satisfies the stated objectives

Significant number of procedural weaknesses and serious deficiencies from a substantive/policy perspective

# Outcome of Economic Review

The issue of volatility is an important one but the RAs proposed decision places undue weight on this issue and proposes an extreme solution

The evaluation process undertaken by the RAs is not objective or consistent and does not provide a convincing rationale for the proposed decision

No empirical analysis is used to support the RAs proposed decision

Poor regulatory process to give rise to increased regulatory risk that will far outweigh the 'supposed' benefits of the unjustified change

# Outcome of Economic Review

*“In the Proposed Decision Paper, the RAs do not support their arguments with any empirical analysis of economic costs and benefits. Having examined the RAs’ arguments against locational loss factors, I find them to be unconvincing or even self-contradictory.” (NERA, 2010)*

*“Finally, I note that the RAs are running the risk of discouraging investment by making a poorly justified decision, if it causes investors to adopt a wait-and-see policy in case further, unpredictable reforms follow in coming years” (NERA, 2010)*

# Outcome of Modelling Review

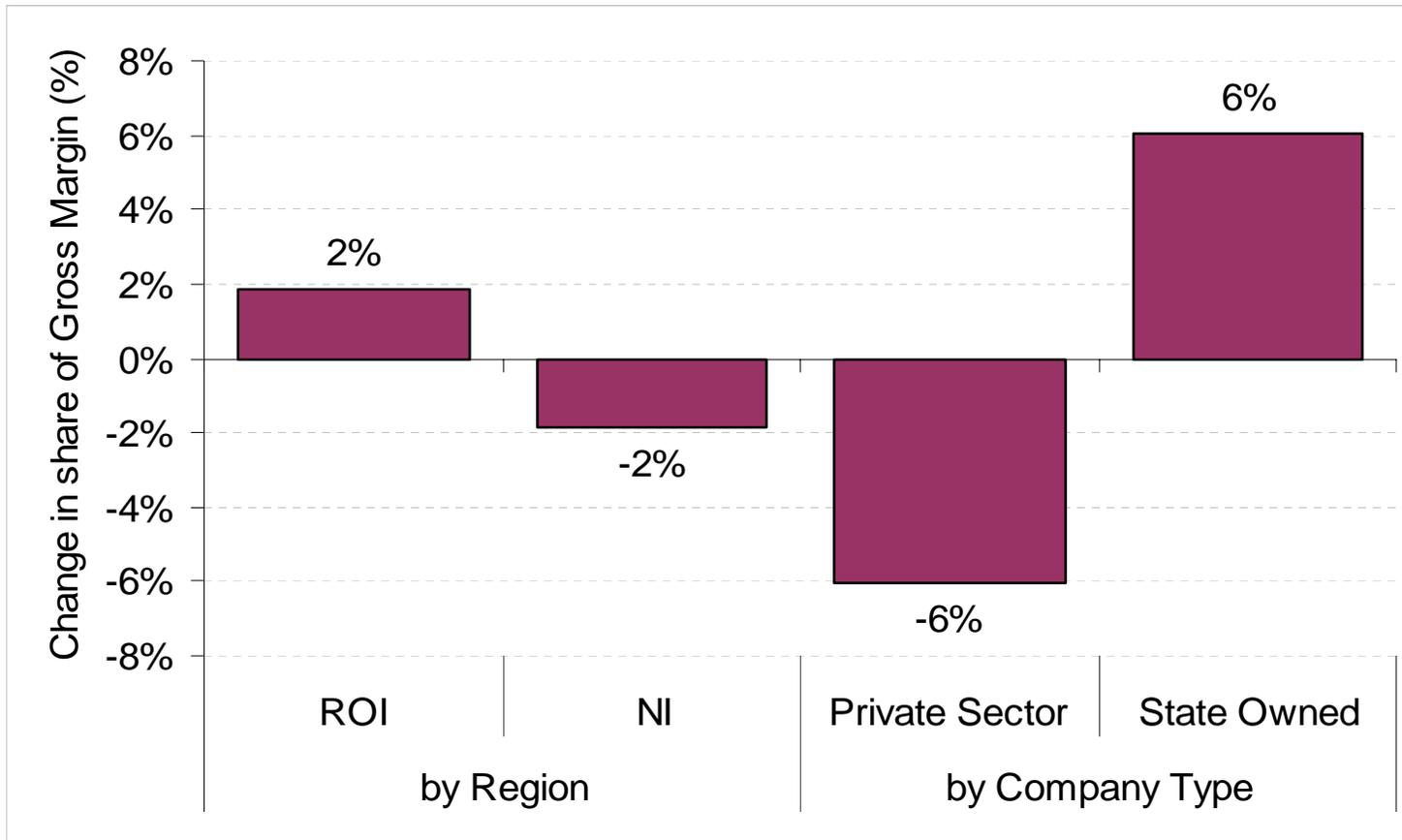
Redpoint modelling based upon validated model used by RAs – VPE modelling based upon current bids seen in SEM

Redpoint and VPE analysis both show an increase in Shadow Price and SMP

Expect consumers to be paying €81.4 million more under uniform TLAF of 0.98

Additional costs to consumers expected through constraint costs and the Error Supply Unit

# Winners & Losers



# Conclusions

The Proposed Decision is an example of poor regulatory process that attempts to impose an unjustified and extreme solution

Independent analysis indicates the RAs process is flawed and their 'views' are unfounded in fact

Initial analysis indicates significant potential harm to consumers, competitiveness and the economy

Represents a move away from evidence based decision making and if allowed will erode investor confidence.

**ANALYSIS IS NEEDED**