



6<sup>th</sup> May 2011

Andrew Ebrill  
Commission for Energy Regulation  
The Exchange  
Belgard Square North  
Tallaght  
Dublin 24

*and*

Colin Broomfield  
Northern Ireland Authority for Utility Regulation  
Queens House  
10-18 Queen Street  
Belfast BT1 6ED

Dear Andrew and Colin,

Re: 2011/'12 Contracting Process, including PSO-related CfDs (SEM-11-020)

Airtricity welcomes the opportunity to comment on the resolution of the vexing issue regarding future availability of PSO-related CfDs in the SEM, as well as on ancillary matters related to the operation of that contracting mechanism.

We received, with understandable relief, the information that based on the legal advice obtained by the SEM committee from its independent legal advisors, the decision has been made that PSO-related CfDs can continue being offered to the market. As noted in the consultation paper, PSO-related CfDs have constituted a non-trivial component of available contracting volumes in SEM, composing "circa 25% to 30% of total CfD volumes in the SEM" over the past four trading years. Given that fact, it would have been gravely distressing to the market was a contrary decision issued.

To the substantive questions raised in the consultation. On the matter of whether supplier appetite exists to further increase the regularity of PSO-related CfD offerings, Airtricity most definitely has strong appetite for monthly offerings of PSO-related CfDs. Given the significant dynamism now operating in the Irish electricity retail market, options to hedge closer to delivery will be of significant benefit to managing suppliers' risks. Despite that however, there will still be elements of demand that will remain stable over much longer periods. Given those opposing considerations, our preference would be for mixed-period offerings between annual and monthly, but weighted towards monthly offerings. Our suggested ranges would be 20%-25% for annual offerings and 75%-80% for monthly offerings.

On the question of what mix of product is to be offered between baseload, mid-merit 1 and mid-merit 2, given the mix of the plant fleet in SEM, in conjunction with the SRMC economic basis of SMP determination, our view is that greater risks exist at the higher regions of the electricity demand shape. On that basis, we would recommend a greater weighting towards the mid-merit 2 product in contrast to the current emphasis on baseload. Our suggested distribution would be 25%-20%:30%:40%-45% over baseload, mid-merit 1 and mid-merit 2 respectively.

Once again we wish to acknowledge the opportunity to comment on this matter and reiterate our appreciation at the favourable resolution of the PSO-related CfDs matter.

Yours sincerely,

{sent by e-mail}  
Emeka Chukwureh  
Regulation