

Locational Signals in SEM the RAs Perspective

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Context for Locational Signals

- The location of power stations on the island have a cost to consumers due to:
 - Infrastructure (shallow connection policy)
 - Energy lost in transmission and distribution
- There is a need to manage these costs in SEM
- The SEM High Level Design stated that as a corollary to the shallow connection policy, locational signals would be provided via TUoS and TLAFs

Issues with Proposed Methodology - TUoS

- The responses to the TUoS Consultation in Summer 2008 highlighted a number of issues with the proposed methodology:
 - Volatile signals are not effective
 - Concern with network costing
 - Interaction with Grid Development Strategies
 - Other factors more significant
 - Transparency
 - Choice of scenarios
 - Unpredictability of future tariffs

Issues with Current Methodology - TLAFS

- Similar concerns were raised in response to the consultation on TLAFs
 - Volatility
 - Transparency
 - Magnitude of impact
 - Interaction with Gate 3
 - Error Supplier Unit
 - Equitability

Objectives of Current Review

- The RAs have stated their objectives for this review as being:
 1. Non-discriminatory;
 2. Transparent;
 3. Cover the cost of providing the service;
 4. Cost reflective;
 5. Consistent with the shallow connection policy;
 6. Encourages efficient use of the network and efficient investments in infrastructure;
 7. The charges should be predictable to allow generators to select the most appropriate locations for investment over the lifetime of the project

Project Plan

- Current consultation being undertaken by TSOs
- SOs will collate the responses and feedback to RAs, followed by:
- More detailed consultation by TSOs on preferred option(s) (including indicative tariffs)
- Final Decision by RAs
- Go live on harmonised TUoS Q4 2010

PLEASE RESPOND TO THE CONSULTATION PAPER