

Energy Green Paper Submissions,
Energy Planning Division,
Department of Communications, Marine and Natural Resources,
Adelaide Road,
Dublin 2

(by email to EnergyGreenPaper2006@dcmnr.ie)

4th December 2006

Re: Energy Green Paper Consultation

Dear Sir,

As one of the countries leading wind developers, SWS is pleased to be offered the opportunity to respond to the Green Paper consultation.

The document certainly hits the right high notes with its broad support for renewable energy technologies. The benefits of wind energy in terms of security of supply, emissions and more recently in terms of plain old price per kWh are clearly understood, and we won't re-iterate them here.

We do have some concern with the choice of a target of precisely 30% electricity from renewable sources. There are more scientific ways of choosing this number and we would like to see this target being subject to an economic analysis to determine the optimum mix of fuels (wind being one) over the next 20 years. We believe that if security of supply risk premiums are included in this analysis, along with the most up to date

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information regarding wind forecasting and the cost of reserve, that the optimum level of wind penetration could be higher than 30%, and this number should be under continuous review.

There are currently two very important studies underway which will attempt to identify this optimum amount for various scenarios of fossil fuel prices, generation mix and improvements in technologies. Specifically these are:

- (i) All Ireland Grid Study arising from the 2020 Vision on RES-E; and
- (ii) An Eirgrid study led by Michael Kelly on the cost of reserve required for running a high wind system.

Both are due mid 2007. We would recommend that the results of these studies are incorporated into any final White Paper.

Regarding the question of supports, it is important that the government continues to get the maximum benefit for any support it gives to renewables. The REFIT is an excellent example, because for the last few years (and most likely in the future) it will never actually have to pay out on the floor price. The existence of this floor has made finance more readily available to wind developers and this in turn has brought down the cost of generation (in what is primarily a capital play). This approach certainly delivers more bang for the taxpayers buck than a simple subsidy or tax break. REFIT should be continued, but there needs to be an annual review built into the starting price which takes turbine, interest rates, other capital expenditure costs into account. Otherwise the industry is going to proceed in fits and jumps. It is hard enough to line up the narrow gap between planning and grid without finding oneself “between” REFIT price revisions as well.

Notwithstanding the concern regarding how the target was determined, SWS are in any case happy to see high number 30% of mooted. It is of course vital that this target is a firm one, and that all necessary structures and measures will be put in place to achieve it. Our particular concern is that this target cannot be achieved unless significant obstacles to wind generation are addressed at policy level by government. There are 3 areas in particular which could seriously jeopardise the ability to meet these targets:

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1. The generation mix in Ireland has become uneconomically polarised, with more of peaking plant and base load and an ever decreasing amount of mid-merit plant. With increasing forecast reliability especially, it is the plant which is dispatchable in 4-5 hours then that is the most relevant timeframe for balancing wind. There will always need to be some open cycle gas turbine (OCGT) and other peaking reserve to fill the gap if wind generation doesn't meet the dispatch, but this is more expensive and required much less often. What the system needs is modern, highly efficient mid-merit plant. It is absolutely vital that the new SEM is set up in such a way to ensure that these kinds of stations get built over all others. It absolutely does not need more combined cycle gas turbine (CCGT) plant.
2. Following the Shell/Corrib fiasco and a somewhat lower profile but equally bitter dispute for the Glanta Commons wind farm in Bantry, Co. Cork, it is clear there is a shift in landowner attitudes, especially with respect to higher voltage lines. The strategic infrastructure bill should be available for large infrastructure improvements required for wind. The government through the CER must help broker a fair deal between Eirgrid, ESB Networks and landowners to clear up questions over building overhead lines across private lands. If the situation is allowed to get out of control, all overhead line projects, whether for wind or "day-to-day" development will incur significant cost, delay and uncertainty.
3. Constraint is the next big concern for wind developers. The advantages of the certainty of the pricing under REFIT will be squandered if projects are now lumbered with an undefined, unlimited potential to be constrained in their output. Eirgrid are currently conducting studies to determine the likely level of constraint for Gate 2, and presumably subsequent gates will be even more subject to constraint. Constraint payments occur today for thermal generators when the system operator prevents a generator who was otherwise prepared to be dispatched. These payments are currently not made to wind. SWS believes strongly that the new market must make constraint payments to wind. In this way, the pain is borne by the market, and this in turn should create an opportunity for generation developers to install mid-merit and peaking plant. This

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loop must be closed in order that the market finds the optimum economic point mentioned earlier in this letter.

Thank you once again for the opportunity to respond to this green paper. Rest assured that if you set these targets and more importantly clear the path to allow the smooth implementation of wind power in particular, SWS will be at the forefront of the large development effort needed to wean Ireland off the black stuff.

Yours sincerely,

Peter Harte

SWS Energy Services

.cc to Tim Cowhig

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