



IWEA response to the DECC Consultation on Electricity Market Reform

10 March 2011

The Irish Wind Energy Association (IWEA) welcomes the opportunity to respond to the Department of Energy and Climate Change (DECC) Consultation on Electricity Market Reform. IWEA is the national association for the wind industry in Ireland. IWEA represents interests in onshore and offshore wind energy in Ireland and Northern Ireland.

The Northern Ireland Renewables Industry Group (NIRIG), which is a collaboration between IWEA and Renewable UK, will be submitting a separate response to DECC outlining its concerns about the likely effects of market reform for the Northern Ireland renewables industry. IWEA supports this response. Given the importance of the UK electricity market to the Northern Ireland Renewables Obligation, any significant change to the UK's electricity market will also have a major impact on the energy policies in Northern Ireland. Before major change is made, the Government must give its close consideration to what its proposed market reforms will mean for Northern Ireland generators operating in the All Island Single Electricity Market.

Ireland has the potential to exceed its renewable energy target for 2020, and the opening up of the support to generation in Ireland would provide Irish generators with the opportunity to export the electricity from increased wind generation to the UK under a structured mechanism. This would provide extra market capabilities for renewable generators in Ireland, while at the same time helping the UK to meet its energy target in a cost-effective manner. IWEA requests that this consultation considers the possibility of supporting projects outside the jurisdiction which can contribute to the UK targets. This is particularly relevant in light of increased interconnection and future market coupling. In addition, developments in the Irish Sea can take advantage of the substantial supply chain being developed in the UK for offshore wind projects which will bring additional benefits to those of achieving renewable energy targets.

In order to take advantage of increased market coupling and interconnection it is essential that there is increased market liquidity in BETTA. An Ofgem report from 2009¹ found that liquidity the GB wholesale electricity market is low compared to that in many other European electricity markets, In general, increased market liquidity:

- Provides a signal to investors,
- Allows generators and suppliers hedge their position,
- Helps deliver competition driving down prices.

In the context of wind energy in Ireland the new East West interconnector is seen as an important tool to maximise the output of wind in SEM. However this is dependent on price signals encouraging the trade of power. Having a liquid market responsive price in the UK is a key element on this and IWEA supports steps by Ofgem to make improvements in this area.

In conclusion, IWEA believes that the impacts of the proposed changes outlined in this consultation need to be considered on a wider basis than has been done to date, particularly in light of moves towards market harmonisation throughout Europe. IWEA believes that any decisions made as part of this consultation should look at the options of supporting projects outside the jurisdiction with a view to contributing to the UK targets. It should be noted that any changes to support systems need to ensure that there is appropriate incentive on developers to build projects to ensure that the European renewable electricity targets can be met.