

TYNAGH ENERGY
L I M I T E D

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REF: TEL/DV/12/082

20th April 2012

**Re: Proposals for Implementation of the European Target Model for the SEM
Consultation Paper (SEM-12-004)**

Dear Sirs,

Tynagh Energy Ltd (TEL) welcomes the opportunity to respond to the Proposals for Implementation of the European Target Model for the SEM Consultation Paper. As a member of the NEAI, TEL has participated in the bilateral industry meeting and supports the collective response of the association.

The creation of a genuine internal market for energy is one of the European Union's (EU's) priority objectives. A competitive internal energy market will not only provide European consumers with a choice between different companies supplying energy at reasonable prices, but will also make the market accessible for all suppliers, especially the smallest and those investing in renewable forms of energy.

Barriers to competition still remain in the internal market. In developing the EU's Third Energy Package (the Third Package) the EU Commission sought to address these barriers. The Third Package contained measures to facilitate the internal market through:

- removal of barriers to cross border trades;
- efficient use of existing interconnection, and;
- development of pan European network infrastructure.

These legislative changes present a unique challenge for the SEM due to the gross mandatory pool design but they should also be viewed as an opportunity. They present the island of Ireland with an opportunity to reassess the high level principles of the market in light of the changed environment to ensure that it is still fit for purpose now and into the future.

We propose that the next step should be concentrate on the development of the principle of what the future market should be designed to do. There is a danger that attempting to minimise the cost of implementing the EU Target Model for the SEM could result in added

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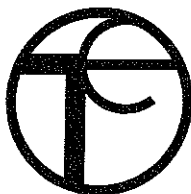
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complexity and inefficient results. TEL believes it premature at this stage to be ranking the options presented in the consultation paper prior to a reassessment of the high level principles. Any changes to the SEM should be assessed on the basis of the three core policy objectives of sustainability, competitiveness and security of supply.

Any market redesign must at a minimum:

1. Encourage efficient use of existing interconnection. Efficient use of interconnectors will in turn reduce the level of curtailment of renewable generation thereby enabling island of Ireland to achieve the renewable energy targets.
2. Encourage fair competition. All participants must have equal access to the internal energy market. For fair competition to exist the market design should not disadvantage producers or consumer on the island of Ireland compared to neighbours markets.
3. Maintain stable investment environment. A market that does not provide a stable investment environment for conventional generation over the asset life reduces investibility and increases the cost of capital. This may jeopardises security of supply and will increase the cost to consumers.

TEL hopes that these suggestions prove constructive to the process and look forward to further positive engagement with the RAs and the SEMC.

Yours Sincerely,

David Vaughan
Business Analyst

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