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10 November 2016

Single Electricity Market Committee
c/o Utility Regulator
Queens House
14 Queen Street
Belfast
BT1 6ED
Kenny.Dane@uregni.gov.uk

Dear Kenny,

Re: SEM Committee Consultation, SEM-16-060, Energy Trading Arrangements Basis for Supplier Charging

I am writing to you in my capacity as the Chairman of the Ulster Farmers Union Rural Enterprise Committee. This letter is our response to your consultation on Energy Trading Arrangements Basis for Supplier Charging. We strongly request that the SEM Committee decide to continue the Net Demand approach for Supplier Charging. Small and medium scale generators do bring substantial benefits to the network and market from being location generation feeding local demand. We believe it would be discriminatory for smaller scale generators to not have appropriate access to the new I-SEM and receive remuneration for all the benefits they bring to the system and market.

With 12,500 members, the Ulster Farmers' Union (UFU) is the largest farmer/land-owner representative organisation in Northern Ireland. We are the largest single representative of small scale renewable electricity generators in Northern Ireland, with many of our members having committed to a wide variety of renewable energy projects in recent years, including Wind Power, Anaerobic Digestion, Solar Thermal/PV and biomass (both feedstock production and generation) all of which complement existing farming practices. In many instances, the on-farm renewable generation has allowed farmers to diversify and supplement low farm incomes which have been prevalent over the last number of years. Increased global commodity price volatility has put pressure on local farm gate prices and this source of alternative income has been a lifeline for many farms.

See below responses to the questions listed in your consultation document. We also support the detailed responses provided by the Renewable Associations active in Northern Ireland.

Question A - Do you have any comments on the overall scope of supplier charging and demand interpretation described in this paper?

- Nothing has physically changed: smaller generators still give the same value they always have done.
- The renewable industry understood that the design of the I-SEM would leave existing SEM policy unchanged.
- The case for the introduction of these changes on the supplier base has not been made in any I-SEM policy decision paper.
- Introducing this level of instability to investors in renewables undermines both SEM and Government policies.

- The consultation paper does not include the impact of the options on De Minimis generators within the scope of the paper. The full impacts of the proposals need to be assessed.

Question C - Do you have any comments on the impacts that the approaches described in this consultation would have on market participants? Could you provide specific information on said impacts where available?

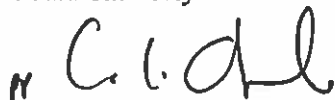
- Information on the direct impact on our renewable project is detailed above.
- The SEM committee have not completed a proper impact assessment of any decision to remove De Minimis Benefits.
- The Gross Demand option is an inappropriate transfer of value away from those who provide value to the system and cannot be supported. This option removes signals for competition from the market.
- Consideration should also be given to the unintended consequences and the consistency of treatment of such a decision.

Question D - What demand approaches could be adopted for the different Supplier Charges? Could you provide specific detail supporting your view, and specific data where it is available?

- De minimis generation provides capacity value to the system. Smaller generators will not be able to access any value for this capacity through the new I-SEM Capacity Remuneration Mechanism due to the design of the new auction process: only large-scale generation which is successful in the auction will be paid this value.
- Below de minimis generation reduces the amount of demand to be served. This reduces the amount of constrained operation of the system. There is therefore an Imperfections Value in reducing the demand to be served. De Minimis generation also provide value for Market Operator, Currency and Difference Payment Socialisation charges by reducing demand on the system.
- It is discriminatory for smaller scale generators to not have appropriate access to the new I-SEM and receive remuneration for all the benefits they bring to the system and market.
- Government and EU policy encourages the deployment of small and medium scale renewable generation embedded into the distribution system. Other than the De Minimis benefits there is no other recognition of the added value of embedded generation to the electricity system within network and market policies.

The Net Demand approach brings overwhelming benefits across all the decision criteria when compared with Gross Demand. We respectfully request that the SEM Committee ensures that our generator continues to have a route to market for selling our power and we are not unfairly discriminated from receiving compensation for all the value our generator brings to the electricity system and market.

Yours Sincerely



Gary Hawkes
UFU Rural Enterprise Chairman