ERGEG Consultation on Treatment of Losses by Network Operators

EirGrid Response

September 2008

EirGrid Response to ERGEG Public Consultation on Treatment of Losses by Network Operators (Ref: E08-ENM-04-03)

EirGrid welcomes the opportunity to provide input to the consultation on the Treatment of Losses by Network Operators.

This response briefly describes the approach to managing transmission losses in Ireland – as it differs from those case studies covered in the consultation paper – and discusses some considerations for the development of Guidelines on the management of losses.

The treatment of transmission losses in Ireland

Ireland has "Transmission Loss Adjustment Factors" (TLAFs) which are applied to generator output such that the costs of transmission losses are borne by the individual market participants who cause them. TLAFs are site specific to account for the fact that some generators are responsible for proportionally more transmission losses than other depending on their point of connection to the grid. The TLAFs are determined annually on an ex-ante basis, and are used to adjust the amount of energy which the generator is attributed in the Single Electricity Market[1].

In this way, generators factor in their contribution to losses when they bid into the market. TLAFs therefore support efficient real-time dispatch of the system and also help to promote the efficient location of generating plant.

Considerations in the development of Guidelines of Good Practice

The consultation paper states that the document serves as a background for the development of Guidelines of Good Practice on losses, which will serve as the basis for future more detailed technical rules and/or codes.

EirGrid agrees that the appropriate treatment of losses is an important step in ensuring the efficient management of losses and that Guidelines of Good Practice could provide a useful framework towards this end. Notwithstanding this, any Guidelines need to be appropriately designed to account for the wide variety of circumstances prevailing across Europe.

In particular, the volume of losses in a network depends on a variety of factors including, *inter alia,* the demand and generation pattern, the load factor of the lines, environmental factors, and voltage levels. It is therefore not appropriate to seek to harmonise the volume of losses for different transmission networks.

[1] The Single Electricity Market is the wholesale electricity market operating in Northern Ireland and the Republic of Ireland.

The consultation paper focuses on the management of losses by system operators. However, electrical losses are a natural phenomenon and it is very difficult for system operators to influence the volume of losses, particularly in the short run. Over longer timeframes losses may be *marginally* influenced by transmission investment decisions (for example, through investment in higher voltage lines and different network patterns).

In the short run, losses can be influenced through price signals to users of the network. In Ireland, as described above, generators factor in losses when they bid into the market thereby supporting the efficient real-time dispatch of the system.