

Emer Gerrard
Commission for Regulation of Utilities
The Exchange
Belgard Square North
Tallaght
Dublin 24

egerrard@cru.ie

Simon O'Hare
Utility Regulator
Queens House
14 Queen Street
Belfast
BT1 6ED

simon.ohare@uregni.gov.uk

5th May 2023

RE: SEM-23-024 – Compensation Arrangements for Net Transfer Capacity Reductions (the “Consultation”)

Dear Emer and Simon,

Bord Gáis Energy (**BGE**) welcomes this opportunity to provide feedback to the Consultation on Compensation Arrangements for Net Transfer Capacity Reductions. This response does not comment on the compensation arrangements in the SEM for reductions in Net Transfer Capacity (NTC) on SEM-GB interconnectors but we outline below our views and queries on the status and work on-going on forwards trading opportunities for supplier hedging on interconnectors.

Market liquidity for forward contracts trading under the current arrangements in SEM is very poor and we do not believe that this situation will improve in the near future. Forward contracts are an important instrument in suppliers' hedging strategies and forward hedging on interconnectors is integral to suppliers' hedging tools. We believe that transmission rights instruments on the interconnectors must be re-instated as soon as possible to allow suppliers optimise their hedging strategies. We ask that all efforts continue to allow the soonest completion of Multi-Region Loose Volume Coupling (MRLVC) arrangements under the Brexit Trade and Cooperation Agreement. However, given the continuing slow progress with the MRLVC arrangements, we believe the optimum instrument in terms of effectiveness and speed of implementation to meet the forwards contract requirements by Suppliers in the short-term to be Financial Transmission Rights (FTRs) associated with the Intraday market (IDA1).

The recent decision by the SEM Committee on SEM-GB Cross Border Trading¹ identified Physical Transmission Rights (PTRs) as the potentially superior instrument in the current set of market arrangements prevailing in the SEM and in GB, with FTRs as the fallback alternative. However, given the uncertainty of the operation of PTRs alongside the current SEM trading arrangements, interconnector owners (ICOs) were tasked to make an assessment of the implementation of PTRs on the SEM-GB border and provide their completed analysis within 3 months of that SEM Committee decision paper publication. We see this period as concluding at the time of this submission and we ask that a clear timeline is provided on when the analysis by the ICOs and conclusion by the SEM Committee will be shared with industry. Participants can then understand the actions and timescale expected for the re-introduction of forward hedging instruments on the interconnectors ahead of the completion of MRLVC arrangements.

We would welcome your soonest guidance on our queries above and please do not hesitate to contact me should you need to follow-up on any related issues.

Yours sincerely,

Ian Mullins
Regulatory Affairs – Commercial
Bord Gáis Energy
{By email}

¹ SEM-23-012 ([GB-SEM Trading Decision Paper .pdf \(semcommittee.com\)](#))