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PrePayPower welcome the opportunity to respond on this important issue.

Energy consumers on the All-Island market are facing unprecedented cost challenges on a multi-pronged basis paying for increased fuel costs, increased grid costs via TuoS and DuoS, increased generator capacity costs via auctions and emergency generator contracts, and increased decarbonisation costs via System Services and RESS auctions, not to mention the ongoing costs of running a highly constrained and inefficient grid as seen via imperfections costs.

Conceptually we find it very difficult to comprehend why the Regulatory Authorities think that they must send a signal to artificially increase market prices in order to protect consumers. This appears a contradictory role for such a body to take. That the RA's would seek to increase market prices to be paid by consumers at any time, let alone this time where the energy consumer is clearly stressed is difficult to understand.

The strike price in ISEM is generally €500/MWh. Despite the level of wholesale prices seen over the last 18 months, we should not become inured to these numbers. €500/MWh is still a very high number and an extremely high amount for consumers to pay. Exceeding this level should reflect a very rare set of circumstances. The industry collectively should strive to avoid these prices at all costs rather than trying to change market design to exceed them.

We are disappointed that this paper pays little more than lip service to any knock-on impacts on consumer prices in the wider ex-ante markets to which most electricity consumers are exposed. It is neither sufficient nor correct to say that consumers will be protected by the RO and strike price and that only the Balancing market will be affected. Arbitrage between market timeframes is a well-known concept, and it is well understood in the ISEM markets that generators facing increased risk in Balancing timeframes will seek to insulate themselves against that risk by pricing it into ex-ante market prices or capacity auctions or both. There is also a clear link between increased balancing market price and increased ex-ante market price in ISEM and in Several other neighbouring markets, especially evident in recent years.

There has been no consideration of increases in consumer costs in this paper either via imperfections or ex-ante market prices and we would strongly contend that no changes should take place until direct and unintended impacts of these changes have been studied and proven conclusively to not impact the costs that energy consumers face.

The RAs have postulated in their consultation papers that despite the occurrence of several amber alters in recent years, that ASP must not be working as intended because it has not been invoked. The argument is that the triggering ruleset must be changed because of this outcome. We would caution that absence of evidence is not evidence itself.

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In this paper and its predecessor, the Regulatory Authorities have failed to prove that an All Island security of supply event has occurred of sufficient severity to trigger ASP. Several localised security of supply events have occurred in one jurisdiction or the other, but these are as a result of localised or wider constraints in the all Island system. At the time of these events to the best of our knowledge, there has not been a market wide security of supply event where the sum of all generation on the island has been insufficient to meet the sum of demand and reserve requirements. There is no doubt that generation adequacy will be tight for several years to come and we may well see events this winter on an Island wide basis that will trigger ASP as it is currently defined. However we believe that it should always be the main focus of the regulatory authorities at all times to prevent the triggering of ASP via any means possible.

We would support the position taken in relation to the impact on ISEM generators by the EAI in their response to this consultation. We also believe that the principle of fairness and ability to respond should be applied to all market participants when considering these changes. Our security of supply situation exists because:

- Insufficient capacity market incentives existed in the early years of the ISEM
- A significant component of our generation portfolio is at end of life but is still required for generation adequacy.
- We have an under-developed and highly constrained transmission grid which results in structural and short term surpluses of power in areas where insufficient local demand exists, and deficits of generation capacity where high levels of demand reside
- The market design in ISEM is of a uniform marginal pricing basis whereas the reality of the grid requires locational marginal pricing.

In considering the above four points, there is little under the direct control of generators. They were not responsible for capacity market design, they cannot bring end of life generators back to full availability, they cannot improve the design or operation of the transmission grid nor can they change the design of the market structure. In making the changes proposed in this paper, the RA's will be increasing the frequency and likelihood of generators being exposed to RO events for circumstances which are most likely outside of their control. If they have no control over these events then it stands to reason that they cannot respond to them either. Thus any changes to market design may not result in any change to Generator behaviour, other than the passing of the cost of increased risk to the energy consumer.

With regards to market design the ISEM utilises a uniform marginal pricing approach in the balancing and ex-ante markets which utilises the assumption of a transmission grid of infinite capacity allowing power to be moved freely across the Island. The reality on the Island is substantially different, with grid capacity severely constrained in several locations with widespread intra-regional and localised constraints preventing the efficient dispatch of generation and necessitating local min units and reserve constraints to preserve system stability. The only way the price of these constraints could be

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accurately captured within a market would be with a locational marginal priced based market structure. That is not the design of the ISEM but this proposed change appears to be an attempt to move in that direction. If that is the case then it could also be construed as an acknowledgement that grid constraints will never be resolved.

With regards to Demand side units we note the response of the DRAI to the first consultation on the matter and their belief that once DSU receive payment for energy that this will bring more capacity into the market. As this change has only recently been approved it would make more sense to wait to see whether there is an increase in demand side response rather than making changes to the market structure.

On balance, we do not agree with the proposed changes on the basis that:

- We believe the ASP trigger and Market design is working as designed and does not require a fix
- No impact analysis has been carried out on impacts of the change on consumer cost
- No proof has been given that the system has experienced a generation adequacy shortfall of sufficient severity to trigger ASP
- Changes in DSU payments may bring increased capacity
- Any scarcity experienced to date is localised, as a result of transmission system inefficiencies and is outside the control of generators

If we had to pick an option it would be option 1 on the basis that this best fits the original design intention of ASP and best reflects a signal designed to encourage All Island Generation adequacy. However careful consideration should be given if this option were to be chosen in the context of the Celtic Interconnector should it be configured in a way that would make it the largest infeed at a level in excess of 500 MW.

We believe that the Regulatory Authorities and the SEMC should be seeking to avoid ever triggering ASP and that the best way to achieve this is to ensure an adequate level of generation capacity via the correct market signals, and ensuring that the transmission grid is built to the standard required to support a uniform marginal pricing based market with the minimum of constraint costs.

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