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25<sup>th</sup> October 2024

**RE: SEM-24-046 Consultation on Demand Side Units: A Revised Phase 1 Solution for Energy Payments and Other Issues**

Dear Caroline and TSC Team,

Bord Gáis Energy (“BGE”) welcomes the opportunity to respond to the SEM-24-046 consultation on the Revised Phase 1 Solution for DSU Energy Payments and Other Related Issues (“**the consultation**”). We acknowledge the SEM Committee’s (“**SEMC**”) efforts to address concerns raised by BGE in previous consultations relating to DSU Energy Payments<sup>1</sup>, including the double-counting of energy benefits between DSUs and suppliers and the need for increased transparency and ongoing oversight of DSU activities. We also welcomed the consultation workshop provided by the RAs to members of the EAI to clarify the proposals set out in consultation.

BGE broadly supports the revised Phase 1 solution. The consultation demonstrates a clear need for DSU market arrangements to be revised such that DSUs are held to the same account as other market participants, to avoid market distortions and maintain market integrity. Our response highlights the importance of implementing corrective measures that are fair, transparent, and aligned with market principles. These measures should ensure a level playing field for DSU participation and that DSU-related costs to consumers are incurred efficiently. Our response also underscores the need for greater transparency, closer monitoring and oversight (especially regarding availability declarations and the handling of non-consumed energy), and the futureproofing of the proposed measures to align with EU market developments. Our views are summarised in Section 1 immediately below and addressed in more detail in our response to the consultation questions in Section 2.

## 1. Summary of BGE response to the consultation questions

- i. **Double-counting and transparency:** We support the introduction of Supplier Compensation Payments as a necessary mechanism to address the unreasonable and unwarranted burden on end customers bought about by the double counting of the energy payments to DSUs and supplier savings for long-run DSUs. Provided PCOMP accurately reflects the savings in the cost of purchasing from the supplier, we agree with the RAs’ view that the revised approach will alleviate the DSU missing money problem and minimise the distortion of incentives to DSUs.
- ii. **Overcompensation of long-run DSUs:** We support the RAs’ proposal to limit eligibility for energy payments only to DSUs that comply with the definition of demand response. Our response recognises that the overcompensation of long-run DSUs has led to artificially high Imperfections Charges which have directly affected consumer bills. A more accurate reflection of their system value will help mitigate these charges and align costs with benefits. BGE supports corrective measures which more accurately align DSU payments with their true system value.
- iii. **Monitoring and oversight:** Our response emphasises the need for a more robust, transparent and continuous monitoring framework that ensures DSUs are held accountable for their availability declarations, demand reductions, and overall market participation. The RAs must ensure that this revised interim solution provides value for money to the consumer in proportion to the impact of DSUs on Imperfections charges. Enhanced monitoring is needed to (i) ensure that compensation mechanisms are cost-reflective (ii) prevent market distortions and (iii) safeguard consumers from unnecessary charges. Without rigorous monitoring, there is a risk that DSUs may engage in strategic behaviour, such as underreporting availability to avoid costs while still receiving payments, which would undermine market efficiency.
- iv. **Futureproofing for EU market developments:** Our response highlights that any measures adopted as a result of this consultation should have the flexibility to adapt to evolving EU regulations to avoid the need for costly adjustments in the future. We refer the ongoing ACER consultation on the DSU Network Code which is expected to be finalised and

<sup>1</sup> [SEM-22-036 Enduring Solution to Enable Energy Payments in the Balancing Market for DSUs – A Consultation | The Single Electricity Market Committee \(semcommittee.com\)](#)

submitted to the European Commission by March 2025. For approval. We ask that the CRU reasonably pre-empt the decision on the DSU Network Code to minimise, from the outset of its introduction, the extent to which future adjustments will be required.

## 2. BGE Response to consultation questions

### Q1: Do you agree with the analysis of models for compensating demand response and energy payments to DSUs?

BGE agrees with the revised Phase 1 proposal to refine the compensation model for DSUs to address the double-counting issue that has allowed both DSUs and suppliers to benefit from the same demand reduction. The analysis highlights the significant impact of long-run DSUs which have increased the burden of Imperfections costs on consumers and underscores the need for adjustments to the existing compensation structures. We welcome this analysis particularly in light of our 2022 consultation response, where we emphasised the need to enhance DSU performance and availability. At that time, we advocated for statistical analysis and ongoing reviews to monitor DSU performance trends, with further actions if performance levels deteriorate.

### Q2: Do you agree with the analysis of the treatment of 'long-run' DSUs?

BGE supports the distinction between long-run DSUs, which typically operate continuously with low-cost on-site generation, and short-run DSUs, which provide demand reduction during critical periods. Distinguishing between operational roles of long-run and short-run DSUs necessitates tailored compensation mechanisms to ensure that DSU payments are proportionate to the actual system value provided. The analysis of the impact of long-run DSUs on Imperfections shows that these units have been significantly overcompensated in terms of their actual contribution to maintaining system stability, and this has resulted in market distortion and a significant increase in Imperfections. In our view, limiting compensation for long-run DSUs will align payments more accurately with the actual value that these units provide. In addition, recognising the distinct role and implicit nature of short-run DSUs ensures that these resources are adequately incentivised to be available when needed to provide critical support during peak periods and stress events. BGE also notes that preventing over-compensation for long-run DSUs is consistent with the aims of EU Energy Policy, for example (i) the Clean Energy Package (CEP) to ensure markets are cost-reflective and provide appropriate signals for market participants, and (ii) the Energy Efficiency Directive 2018/2002 to make demand response a viable tool for balancing supply and demand, especially during peak periods,

### Q3: Should supplier compensation payments between DSUs and suppliers address the 'missing money' issue for DSUs?

BGE maintains its support for a refined, transparent, and well-monitored compensation mechanism to address the "missing money" and "double counting" issues and reduce the impact of the Imperfections Charge on consumers<sup>2</sup>. BGE agrees that the Supplier Compensation mechanism proposed in this consultation can help address the 'missing money' issue for DSUs that face higher costs for reducing demand during peak periods. By ensuring that DSUs pay for non-consumed energy, this mechanism will help offset the cost of DSU energy payments to consumers by providing a more balanced approach that more accurately distributes benefits between DSUs and suppliers. We ask that proper monitoring is conducted to ensure that consumers receive value for money from this mechanism if introduced. BGE expect that this approach will help reduce the cost of and volatility in the Imperfections Charge, benefiting the overall market and price stability.

### Q4: Should supplier compensation be paid into the Imperfections Charge fund if identifying affected suppliers is not possible, ensuring fair competition for DSUs and generators?

BGE maintains its position from our 2022 response that paying supplier compensation into the Imperfections Charge fund should only be considered an interim solution. This approach is acceptable until an enduring solution is implemented that accurately identifies which suppliers benefit from demand reduction. We strongly urge the RAs to prioritise the development of this enduring solution in Phase 2 to ensure accurate and transparent compensation, thereby reducing consumers' exposure to the Imperfections Charge.

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<sup>2</sup> In our 2022 consultation response, BGE supported a "perimeter shift" of payments, proposing that benefits be removed from Maximum Import Capacity (MIC) Suppliers and instead recognised directly in energy payments to customers

The enduring solution must also be future proof to ensure alignment with the forthcoming DSU Network Code. Given the unique nature of the SEM compared to other EU markets, implementing this interim measure before the finalisation of the DSU Network Code introduces a significant risk of misalignment with future EU regulations. We urge the SEMC to carefully consider these risks in its decision-making process.

It is also crucial that the revised Phase 1 solution is implemented efficiently to ensure that consumers benefit from improved DSU performance and availability, which are critical to energy security. We urge the SEMC to review the impact of the revised solution thoroughly, confirming that the double-counting issue has been resolved before moving to Phase 2. This will ensure a smoother transition and better alignment with the long-term objectives of a fairer, more efficient market structure.

To minimise the above risks insofar as possible, we reiterate our ask from our 2022 response on the need for cost smearing to (i) mitigate the impact of DSU energy payments on the Imperfections Charge and (ii) prevent sudden cost increases during the remainder of Phase 1 and beyond. Although this consultation acknowledges the importance of mitigating consumer cost increases, it falls short by not providing a concrete proposal for smoothing these costs over time. This is particularly concerning given the substantial impact of long-run DSU energy payments on Imperfections outlined in the consultation.

#### **Q5: How should the Supplier Compensation Price (PCOMP) be calculated and what costs should be included or excluded?**

We set out the below high-level guidance on the calculation of the Supplier Compensation Price (PCOMP), with the understanding that this will be subject to further consultation if approved. Our suggestions focus on ensuring that PCOMP reflects the true market value of demand reduction while maintaining fairness, transparency, and alignment with evolving regulatory frameworks:

- **Market-Based Average Pricing:** A market-based approach, such as using an average price that tracks the retail price, offers a standardised method for calculating PCOMP. This approach could factor in elements like capacity charges and adjust dynamically based on changes in demand and market conditions. It provides more consistency and predictability compared to relying on private contracts, ensuring a level playing field for all market participants.
- **Rolling Average of Day-Ahead Market Prices:** BGE believes there is merit in considering a rolling average of DAM baseload or mid-merit prices for calculating PCOMP. This approach would ensure that PCOMP adjusts to real-time market conditions, providing a more accurate reflection of the value that DSUs deliver.
- **Time-of-Use (ToU) Pricing Considerations:** While ToU pricing might improve the accuracy of PCOMP by aligning payments with periods of high demand, BGE believes that its value may be limited in this context. Short-run DSUs already respond to market signals and are inherently incentivised to be available during peak times. Long-run DSUs, which operate continuously, are more likely to respond to dispatch instructions rather than market price fluctuations. We ask the RAs to clarify why additional ToU incentives might be necessary.
- **Clear Methodology with Regulatory Flexibility:** It is crucial to establish a well-defined and transparent methodology for calculating PCOMP, while allowing regulatory flexibility to adapt to future changes. The method should be adjustable with input from the RAs to ensure alignment with upcoming EU Network Codes and evolving market conditions.

BGE looks forward to engaging with the RAs on any further consultation regarding this matter.

#### **Q6: Will supplier compensation payments create the right incentives for long-run and other DSUs while keeping costs reasonable for consumers?**

It is BGE's view that DSUs already have adequate incentives to participate in the market. However, as outlined in our response to Question 2, we agree with the need for different treatment of long- and short-run DSUs to prevent overcompensation and ensure fair participation.

#### **Q7: Should supplier corrections for non-consumed energy be handled through voluntary agreements or ex-post analysis of demand reduction?**

BGE supports the use of ex-post analysis to handle supplier corrections for non-consumed energy until an enduring solution is in place that accurately identifies all suppliers benefiting from demand response. An ex-post approach would

ensure that DSU demand reductions are accurately reflected and compensated. This would prevent speculative behavior by DSUs and ensure that, under the interim solution, consumers receive value-for-money in terms of the proportion of Imperfections costs attributable to DSUs. While we acknowledge the SEMC's concern about the potential administrative complexity and time lag associated with ex-post analysis, we believe that the benefits to consumers of a standardised process outweigh these considerations.

If the SEMC introduces additional sub-metering and baselining requirements for DSUs, applying an ex-post approach would provide better value-for-money to the consumer by making better use of those investments. This approach would also ensure consistent treatment of all DSU operators, regardless of size, thereby reducing the risk of unequal bargaining power between larger suppliers and smaller DSUs and preventing unfair outcomes. Moreover, we see value in considering ongoing settlement as part of the ex-post approach, allowing for continuous or periodic adjustments between DSUs and suppliers based on real-time data. This could support smaller DSU business cases by addressing potential cash flow challenges that arise with more infrequent settlements. By contrast, voluntary agreements could lack transparency, making it more difficult to monitor how supplier corrections are managed and potentially leading to inconsistent outcomes.

We ask the CRU to consider these points along with their preemptive view of the new DSU Network Code to ensure a futureproof solution. As highlighted in the consultation paper, ex-post settlement processes are already well-established in other energy markets for managing demand response and non-consumed energy, demonstrating their effectiveness. This approach would also facilitate the publication of validated rates of payment, similar to the model used in France, where rates are published on the RTE Customer Portal. This would enhance transparency in the market by ensuring that all market participants have access to clear and reliable information about DSU energy payments for non-consumed energy.

**Q8: Can DSUs be categorized into long-run and intermittent types based on running hours to determine compensation eligibility?**

We believe there is merit in categorising DSUs based on response duration and operating hours to determine compensation eligibility for DSUs. Given that long-run DSUs often operate continuously with less sensitivity to market signals, their compensation should better reflect their sustained contribution rather than occasional demand reduction. Short-run DSUs, on the other hand, provide valuable flexibility during critical periods and should be incentivised based on their ability to respond quickly to system needs. However, we believe further analysis is required to understand how operating hours and response duration can be effectively integrated into the compensation framework. We would welcome additional consultation on this matter to ensure that any proposed changes accurately reflect the unique characteristics of DSUs within the SEM and promote fair and efficient market outcomes.

As outlined in our response to the EY Review of the CRM, we would also support the introduction of a single de-rating factor for DSUs, irrespective of their MW size, but with adjustments based on their response duration.

**Q9: Do you agree with the analysis of Capacity Payments and Charges, and should Capacity Charges be applied to non-consumed energy through supplier compensation price adjustments?**

BGE agrees that Capacity Charges should be applied to non-consumed energy through adjustments to the supplier compensation price. Capacity Charges are designed to ensure a secure supply for all market participants. Allowing DSUs to avoid capacity payments could undermine market parity and result in an increased burden on suppliers and ultimately consumers. It is important that the RAs and MMU monitor DSU behaviour closely, particularly around bidding practices, to prevent attempts by DSUs to strategically reduce demand to avoid Capacity Charges while still benefiting from capacity payments. Appropriate monitoring and oversight will help prevent market manipulation and enhance market transparency.

**Q10: Is a form of baselining necessary?**

BGE believe that a form of baselining is necessary to accurately measure DSU demand reduction i.e., to ensure that compensation reflects genuine demand reduction (rather than mere deviations from typical consumption patterns) and aligns with the true value of demand-side contributions to system stability. Our response to this question is based on our

understanding that the forthcoming EU DSU Network Code is expected to standardise baselining methodologies across Member States, therefore it is likely baselining will be required in the SEM.

To effectively implement an EU-standard baselining methodology in the SEM, it is important that the RAs consider the unique characteristics of the SEM relative to other EU markets. The SEMC should consider whether additional measures are needed to ensure that the baselining approach accurately captures differences in the value of demand reduction provided by long-run and short-run DSUs.

#### **Q11: How important is it to use sub-metering?**

While we maintain our view that imposing a higher metering requirement of settlement grade meters on DSUs is an unnecessary cost to DSUs, BGE acknowledges (i) the SEMC's concern that continuing to set DSU Metered Quantity equal to Dispatch Quantity is effectively exempting DSUs from balance responsibility and is potentially inconsistent with EU Electricity Regulation<sup>3</sup>, and (ii) the TSOs' review of these payments, which shows the disproportionate impact of long-run DSU energy payments on Imperfections. Therefore, we agree that some form of sub-metering may provide a suitable way to ensure that QD is verifiable, subject to the TSOs' confirmation that existing data streams would not provide sufficient verification. In this case, cost-effective sub-metering could level the playing field for all participants.

#### **Q12: Would using SCADA data for setting DSU metered quantities be appropriate, and how could it be practically implemented?**

Per our response to Question 11, BGE supports the use of SCADA data for setting DSU metered quantities, as long as it is reliable and can be validated. SCADA data should be cross-referenced with meter data to verify that DSUs are being compensated appropriately, consistently and accurately.

#### **Q13: Could on-site generation be accommodated via arrangements for AGUs?**

BGE supports the SEMC's view that DSUs can, in principle, be facilitated through an Aggregated Generating Unit (AGU) arrangement. An AGU allows smaller generators or demand response resources to combine their capacities to participate in the electricity market as a single entity. This enables DSUs to meet market requirements collectively, improving their ability to compete and deliver demand reduction services. However, we note that in practice this arrangement may be undesirable to DSU operators given the additional burden of compliance requirements associated with on-site generation, such as environmental regulations or licensing for generation, which a DSU might want to avoid.

#### **Q14. Are there any other DSU-related issues the SEM Committee should consider when implementing the revised Phase 1 solution?**

BGE ask the RAs to take our following points into account when deciding the outcome of this consultation and implementing the revised Phase 1 solution.

##### ***Clarity on implementation timelines***

BGE seeks clarity on the timeline for the implementation of the enduring Phase 2 solution. Understanding the transition period and any further changes will help market participants prepare and adapt to the evolving regulatory landscape.

##### ***Publication of DSU performance analysis***

Monitoring outcomes should be shared publicly, with regular reviews to assess the effectiveness of the revised Phase 1 solution. Releasing DSU performance data and analysis improves market transparency and allows all participants to see how DSUs are contributing to the system, how they are compensated and how they are held accountable.

##### ***CCOD for DSUs should be reflective of real costs***

This approach would ensure that DSUs are compensated in a manner that aligns with the actual value that they bring to the system while avoiding any unintended arbitrage advantages. This would also align the treatment of DSUs with the treatment of generation assets in the SEM.

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<sup>3</sup> Article 5(1) of the Electricity Regulation prescribes that, "All market participants shall be responsible for the imbalances they cause in the system", and with Article 17(3)(d) of the Electricity Directive which prescribes that, "Member States shall ensure that their relevant regulatory framework contains ... an obligation on market participants engaged in aggregation to be financially responsible for the imbalances that they cause in the electricity system"

### **ACER Consultation on Draft DSU Network Code**

The SEMC's decision on this consultation should balance immediate market needs with being prepared to align with the outcome of ACER's consultation on its revised draft Network Code on demand response<sup>4</sup>. ACER's consultation is open until 31 October 2024, with the final version expected to be submitted to the European Commission by March 2025. A focus of the consultation is to establish harmonized rules for demand response which may require adjustments to the SEMC's current proposals if implemented e.g., new baselining methods and standards for demand response, which could impact the SEMC's approach to measuring and compensating demand reductions.

Any revised measures approved as a result of this consultation should align with the CRU's pre-emptive view of the DSU Network Code to mitigate the risk that solutions are developed now that could require further revisions to comply with the forthcoming Code. This risk must be fully considered in the current consultation process, allowing for sufficient flexibility to adapt once the final EU Network Code is in place. Maintaining this flexibility will help prevent the need for costly and disruptive adjustments down the line.

Given the unique nature of the SEM relative to established DSU markets in the EU, BGE urges SEMC to consider (i) the potential impact of the proposed Supplier Compensation mechanism and its interaction with the new Code, and (ii) how EU-standard baselining methodology will be integrated into the Phase 2 solution, and (iii) following ACER decision, prioritise publishing a clear timeline and strategy for integrating these changes and ensuring a smooth transition toward EU compliance.

### **Monitoring requirement**

A robust monitoring framework and effective oversight are essential to ensure that DSU participants deliver the services for which they are compensated. This level of oversight is crucial to prevent market distortions by ensuring that payments are directly linked to actual performance, thereby avoiding situations where DSUs receive compensation without providing genuine demand reductions.

BGE refer the RAs to the following example which underscores the importance proper monitoring: during the 2014 Polar Vortex, the performance of many DSUs within the PJM Interconnection fell short during extreme weather conditions. This event highlighted significant gaps in the reliability and performance of demand-side resources, prompting a thorough review and subsequent reforms in PJM's demand response protocols, including

- i. **Introduction of the Capacity Performance Program:** This program imposed stricter performance penalties and required year-round availability, ensuring that demand response resources could meet their commitments during periods of system stress, similar to the expectations for traditional generation.
- ii. **Enhanced Measurement and Verification (M&V) Protocols:** The reforms refined baseline calculations and introduced more rigorous audits, significantly improving the accuracy of demand reduction claims and ensuring that compensation was based on verifiable performance.
- iii. **Revisions to the Emergency Load Response Program (ELRP):** Adjustments aligned demand response dispatch more closely with PJM's emergency operations, ensuring better coordination during critical periods when system reliability is most at risk.

These reforms collectively addressed the weaknesses exposed during the 2014 Polar Vortex by holding demand response providers to higher standards, improving the accuracy of performance measurement, and ensuring compensation aligned with actual delivery. The experience from PJM demonstrates that holding DSUs accountable for their commitments through stringent monitoring and verification can significantly enhance grid reliability and stability, especially during periods of high system stress. Such an approach should be considered within the SEM to ensure that the DSU market remains credible, effective, and fair.

### **Q15: What are your views on negative demand response, and will supplier compensation payments work for this?**

BGE believe that this proposal lacks justification and information regarding its potential risks, and therefore warrants separate consultation (which could be published alongside the proposed MMU guidance measures). We are concerned that negative demand response could introduce perverse incentives and market distortions if not managed properly. It is essential to ensure that negative demand is measurable and monitored to avoid any further unintended consequences to the market, particularly in the context of already volatile Imperfections costs. While Supplier Compensation could help offset the lost revenue from reduced demand, it may not capture the full complexity of situations where DSUs increase demand, therefore it increases the risk of inaccurate compensation.

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<sup>4</sup> [PC\\_2024\\_E\\_07 - Public consultation on the draft network code on demand response | www.acer.europa.eu](https://www.acer.europa.eu/PC_2024_E_07)

We ask the SEMC and the MMU to carefully consider the potential risks of negative demand response and to evaluate whether the proposed monitoring measures are sufficient to prevent DSUs engaging in speculative behavior to arbitrage price differences between markets without providing real system value. If negative demand response is to be allowed, then clear rules and penalties must be established to address behavior that does not align with system requirements. These rules should ensure that negative demand response is only allowed in situations where it directly contributes to the efficiency of the system, not for speculative trading or exploiting market inefficiencies.

**Q16: How should shutdown costs for IDSs be accurately reflected in the COD for DSUs?**

BGE supports the principle that shutdown costs for Individual Demand Sites (IDSs) within a DSU should be proportional to the actual demand reduction each site provides. It is important that these costs accurately reflect the contribution of each IDS, rather than allowing DSUs to aggregate shutdown costs across all IDSs regardless of each one's participation in the demand reduction. BGE suggest the implementation of clear rules around the cost-reflectivity of DSU bids to ensure consistency and transparency in the allocation of shutdown costs, ultimately avoiding unnecessary costs to the consumer.

**Q17: How should decremental bid prices for reducing demand be calculated, and in what cases could these prices be negative?**

BGE supports a framework where decremental bid prices for demand reduction are directly tied to real costs, with negative bids allowed in specific, justified cases, with sufficient monitoring to avoid market distortion. Decremental bid prices for reducing demand should accurately reflect the actual costs incurred by DSUs e.g., the opportunity cost of curtailing demand and any operational costs tied to reducing output, such as those influenced by fuel prices. To level the playing field in the SEM, DSUs must adhere to the same Balancing Market Principles Code of Practice (BMPCOP)<sup>5</sup> as other participants, including transparently submitting real, quantifiable costs<sup>6</sup>. Additionally, we believe that the cost components of DSU bids should be monitored to verify compliance with cost-reflective pricing to ensure that all submitted bids align with actual market conditions and operational realities.

**Q18: Do you agree that the Grid Code requires DSUs to declare an availability of 4 MW or above on a regular basis?**

BGE agrees with the SEMC's position that DSUs should regularly declare an availability of 4 MW or more, as required by the Grid Code. It is important to ensure that DSUs, like other market participants, are accountable for the capacity they bring to the system. This would provide better insights into DSU behaviour and help identify any patterns of under-declaration of actual availability to avoid market exposure while still receiving compensation. If DSUs are found to be consistently declaring low availability following the implementation of any of the measures outlined in this consultation, then the SEMC should consider introducing additional requirements.

**Q19: Do you agree that the Grid Code requires DSUs to round down their declared availability to the nearest MW?**

BGE agrees that DSUs should be required to round down their declared availability to the nearest MW in line with Grid Code requirements to submit availability that is realistic and achievable. To level the playing field between DSUs and other market participants, it is essential that DSUs be held fully liable for ensuring the accuracy of their declared availability, with any deviations being addressed through appropriate regulatory mechanisms.

Accurate and conservative availability declarations are crucial for maintaining the reliability of the grid. This requirement (i) means that DSUs avoid overstating their available capacity, which could otherwise lead to inefficiencies in dispatch decisions and distortions in market operations, (ii) provides a buffer that ensures DSUs can deliver on their commitments without risking underperformance (iii) supports more efficient decision-making by the TSO in relation to maintaining grid stability.

By rounding down declared availability, DSUs mitigate the risk of over-committing to demand reductions, which, if unchecked, could disrupt market operations and compromise grid reliability. However, should it be observed that DSUs consistently round down availability to the extent that it distorts the intent of the requirement—whether to avoid

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<sup>5</sup> [WP-05: Institutional Arrangements \(semcommittee.com\)](#)

<sup>6</sup> The BMPCOP states that "...where no recognised and generally accessible trading market exists in the relevant cost-item the Opportunity Cost of that item should reflect the costs which would be incurred by the relevant generator in replacing that cost-item"

performance penalties or for strategic gain—the RAs should conduct a thorough evaluation of this behavior. Following such an assessment, appropriate measures or additional safeguards must be introduced to ensure the accuracy and transparency of future availability declarations.

### 3. Conclusion

BGE supports a fair, transparent, and future-proof approach to DSU energy payments. While we note that the revised Phase 1 solution prioritises addressing immediate issues, we ask for greater transparency, rigorous monitoring, and alignment with EU standards to ensure a level playing field. DSUs must be held to the same accountability standards as other market participants to avoid market distortions, ensure consumer cost-efficiency, and prepare the market for future EU regulatory changes. Any measures adopted by the SEMC in the outcome of this consultation must be subject to continuous monitoring by the SEMC and MMU, and be appropriately refined to ensure they deliver long-term stability and promote fairness in the market.

I hope you find the above comments and suggestions helpful. Please do not hesitate to contact me should you wish to discuss any of the above.

Yours sincerely,

**Niamh Trant**  
**Regulatory Affairs – Commercial**  
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*{By email}*