Tariff Alignment

This paper is Synergen's response to RAs' consultation on Tariff Alignment AIP/SEM/07/04.

1 General Principles of Alignment

Synergen fully supports the intention of aligning tariffs across the RoI and NI. As the market design requires that all generators and retailers trade at a common price Synergen fully supports moves to align all generation and retail cost drivers on both a common basis, and timeframe. Consequently, Synergen supports the approach of aligning tariffs.

Regarding tariff alignment, most Retailers will operate across both jurisdictions. Retail tariffs comprise a number of cost elements – a number of which are set on an annual basis, in addition to the ongoing purchase costs of energy. It is central to the integrity of the SEM as a single market that tariffs offered on the basis of common wholesale market costs across the SEM are underpinned by costs that are common and are known in the same timeframes.

Synergen notes that the Capacity Payment year may be "hard wired" into the SEM market systems. Synergen does not understand why this position may have been taken, but considers that any misalignment of tariffs, and cost drivers, leads to commercial risks. To the extent that costs arise, and incur risks to retailers, these should be reflected in prices to customers. From a regulatory perspective there must therefore be a drive to minimise costs arising from misalignments of underlying costs and tariff price setting.

2 Preferred Alignment

Subject to the points raised in Section 1, above, Synergen considers that option 2 (1st October -30th September) is the preferable option.