

John Orme,
Commission for Energy Regulation,
The Exchange,
Belgard Square North,
Tallaght,
Dublin 24

Date: 3rd May 2007

Dear John,

EirGrid welcomes the opportunity to comment on the Second Consultation Paper on Proposed Conditions of System Operator Licences (Ref. AIP/SEM/97/07). EirGrid notes that this version of the draft license has been updated to reflect a number of the concerns raised by EirGrid in its response to the First Consultation and in subsequent follow-up discussions and communications with the Commission and the RA advisors, and is appreciative of the efforts of each to date.

EirGrid has however a small number of outstanding concerns with respect to the specific wording of a number of Conditions, which it believes require to be amended in order that the finalised licence is one that is appropriate to the role of EirGrid as System Operator going forward, and one that is similarly capable of being effectively managed by the Commission on an ongoing basis:

1. In Condition 4 – System Operator Agreement – EirGrid welcomes the inclusion of the provision for the sharing of costs of complying with the provisions of the SOA with Northern Ireland System Operator. However, it notes that it is not aware of any similar provision in the version of the SOA Condition in the draft SONI licence.
2. In respect of Condition 5 – Connection to the Transmission System and/or Use of the All-Island Transmission Networks – discussions are ongoing between EirGrid and the Commission with respect to the matters of connection and charging. EirGrid suggests therefore that the agreed outcome of these discussions be taken into account in determining the most appropriate wording for this condition. This condition will require to be amended in this regard. EirGrid is keen to progress these discussions in order to bring them to an agreed conclusion.
3. EirGrid notes that a placeholder has been inserted in Condition 6 – Single Electricity Market Trading and Settlement Code – in relation to transition provisions for run-off of the existing Trading and Settlement Code. EirGrid is keen to understand what modification to this condition is being considered by the Commission as soon as possible so that it can consider any suggested draft wording in this regard and any of the resulting implications.

4. EirGrid notes that in Condition 9 – Interconnectors – there is an obligation on EirGrid to “prepare a procedure for the use of Republic of Ireland interconnectors with other systems”. While this is valid in the case of Interconnectors that EirGrid might operate, further consideration will need to be given (at a later stage) into what the licence obligations might require in the event that a third party constructs an interconnector and/or is licensed to operate one.
5. With respect to the draft text for Condition 10 – Central Dispatch – EirGrid notes that there is still some ambiguity in paragraph 2 with respect to the information that is to be taken account of when undertaking operational planning, as follows, “forecast levels of electricity available to be transferred to or from the Island of Ireland”. This can be interpreted in a number of ways including; the level of availability within BETTA as a whole, or the level of capacity available on any existing interconnector. This ambiguity should be removed.

In addition, reference is made in paragraph 2 to EirGrid taking account of the “requirements of the Transmission System Security and Planning Standards” when undertaking operational planning. EirGrid believes that in its case, the more appropriate standards to be taken account of in this activity are the “Operating Security Standards” and requires the wording to be changed to reflect this. A similar change is required in sub-paragraph 5(f).

EirGrid also notes that a number of the definitions have abbreviated “Republic of Ireland” to “ROI” whereas the term “Northern Ireland” is not similarly abbreviated. EirGrid requests that for consistency that this abbreviation of “Republic of Ireland” is removed both in this condition and elsewhere in the draft licence.

6. EirGrid has previously expressed some concern with the wording of Condition 11 – Economic Procurement of Assets, Services and Ancillary Services – which had not been amended in the latest draft.

EirGrid has significant concerns regarding the impact of the wording in paragraphs 4 and 5 with respect to its “Separate Business”, i.e. the Market Operator. EirGrid requests that either the wording “or any Separate Business” be deleted or the words “insofar as possible given that they are a single legal entity” be appended to the end of these paragraphs. Without these changes, a situation of ring-fencing will arise within EirGrid, between System Operation and Market Operation functions that is contrary to the model of the organisation and would likely have significant implications.

Also, the Commission is fully aware of the status of the Ancillary Services Harmonisation Workstream activity and the fact that consultation on harmonisation of Ancillary Services is ongoing. The outcome of this harmonisation activity will be the agreed approach for procurement of Ancillary Services going forward. As such EirGrid believes that it is premature to mandate

the development of a procedure for procurement of Ancillary Services in its licence until the outcomes of this consultation are known and the harmonisation activity has been concluded.

Similarly EirGrid does not believe that a procedure is required to cover the procurement of “assets and services”. EirGrid believes that its required compliance with Utility and Semi-State procurement guidelines and legislation should be sufficient to not require its general procurement approaches to be enshrined in a procedure under its licence. As such EirGrid requests that paragraph 6 of this condition be deleted.

7. EirGrid wishes to note that Condition 14 – Detection and Prevention of Theft of Electricity – will require at a later date to be regularised reflect those obligations that are within its reasonable control, although this is not seen as necessarily expedient for SEM purposes.
8. EirGrid has some concerns with the newly added paragraph 3 to Condition 29 – Grid Code – which it has outlined below.

This new paragraph 3 relating to the design of the Grid Code was copied from the existing SONI licence. In this new paragraph it is noted that the Grid Code shall be designed so as to “promote the security and efficiency of the electricity generation, transmission and distribution system in Ireland as a whole”. EirGrid’s Grid Code has been in existence for a number of years at this stage and has been designed, in respect of the transmission system, to “facilitate” in so far as practicable such matters, and not to “promote” as the draft licence suggests. EirGrid requests that this additional paragraph be removed.

EirGrid is concerned that if the term “promote” were to remain in the wording of this Condition, that there may be consequential impacts in terms of changes required to the Grid Code itself which although not quantified at this point, could be substantial, and not necessary in terms of ‘minimum change’ required to facilitate SEM.

EirGrid notes for information, that within the proposed draft wording in this proposed new paragraph 3, there are some internal referential errors resulting from this section’s direct copy from the SONI licence, where sub-paragraph (c) incorrectly references sub-paragraphs (i) and (ii) rather than (a) and (b) as would be appropriate in EirGrid’s draft. In addition, replacement of the words “subject to” with “notwithstanding” in sub-paragraph (c) would be more appropriate in order to reflect the fact that EirGrid, as System Operator, would consider security of the transmission system as being paramount to the concepts of economics and competition as referred to elsewhere in this paragraph.

EirGrid looks forward to constructively engaging with the Commission and its advisors

in order to reach agreement on appropriate wording for the EirGrid System Operator licence while ensuring that, where appropriate, a consistent approach is adopted in respect of the SONI licence, in order to enable the benefits intended through the introduction of SEM to be delivered.

If you would like to discuss any matter contained in this response, please do not hesitate to contact me.

Yours sincerely,

Fergal Egan
SEM Establishment Project
EirGrid