

# Proposed Conditions of a Market Operator Licence

Synergen's response to AIP/SEM/159/06

## 1 Introduction

This paper is Synergen's response to the AIP consultation on proposed MO licence conditions - AIP/SEM/159/06. At this stage, Synergen has limited comments, which are set out below in two sections.

## 2 Performance Management - Section 3.7 of AIP/SEM/159/06

It is not appropriate for the MO to set its own performance criteria – even if these are then subject to regulatory approval. The performance criteria should, preferably, be set by market participants – the customers of the MO. As a second option, the RAs could engage advisers to set the initial performance criteria.

Regarding the financial performance incentives, these should be limited in nature, and only achievable after the MO has performed its duties to the highest standards. Participants may be prepared to allow the MOs some benefit in reducing costs, but will not wish to pay it additional monies to hit best practice performance of key competencies.

Synergen notes that it would be particularly undesirable to allow the MO to devise its own performance criteria, and then pay it bonuses to exceed the targets that it set.

## 3 MO Separation - Section 3.8 of AIP/SEM/159/06

Synergen believes that the provisions in NI will need to be as rigorous as those in the ROI. Whilst the wording of the provisions may differ, the result should be equivalent across jurisdictions.

Keeping functions of the MO separate must mean that the MO is to all intents and purposes separate from parent organisations – it should be ring-fenced in the same way as affiliated generators are (and will be) separate from their owners. This means separate IT systems. Whilst movement into and out of the MO is inevitable (and over time desirable) particular care will need to be taken to ensure that there is no transfer of confidential information. This may place (timed and legally enforceable) restrictions on positions taken up by exiting MO staff.