



Single Electricity Market

Decision on the Treatment of Accession & Participation Fees during the pre Go-Live period

20th June 2007

AIP/SEM/312/07

BACKGROUND

The All-Island Single Electricity Market (SEM), due to commence operation on 1st November 2007, will be administered by a Single Market Operator (SMO), formed through a contractual joint venture between EirGrid and SONI, the system operators for the Republic of Ireland and Northern Ireland respectively.

Once established, the SMO will need to recover from market participants its operational costs, capital costs associated with the establishment of the SEM and other market related costs, as approved by the Regulatory Authorities. The Trading and Settlement Code¹ (TSC) provides an outline of the charges through which these costs can be recovered, and allows specific details such as the magnitude of the tariffs to be finalised by the Regulatory Authorities.

A consultation paper on SMO revenue and tariffs has been published by the Regulatory Authorities² and includes proposals on the fees to be charged by the SMO after SEM Go-Live.

Separately, this decision paper provides information on how two of the fees covered in the consultation paper, namely accession and participation fees, are to be applied by the SMO before the SEM goes live on 1st November.

DEFINITION OF ACCESSION & PARTICIPATION FEES

An applicant must pay an accession fee to the SMO when applying to accede and become a party to the TSC. A participation fee must then be paid when registering supplier or generator Units³. These fees are to be set annually by the Regulatory Authorities and are intended to recover operational costs incurred by the SMO in processing these applications.

The following implications of market trial and pre Go-Live activities must be taken into account when deciding the treatment of pre Go-Live accession and participation fees.

MARKET TRIAL CONSIDERATIONS

To facilitate the establishment of the SEM a market trial is to be carried out. To participate in market trials, applicants must register for the market trials, providing data similar to that required for registration under the TSC. The trial data will be used as the basis for the Go Live registration data, once confirmed by market participants. As the costs incurred by the SMO in performing these processes are necessary to facilitate market trial, and by extension the establishment of the SEM, they are to be allowed as SEM establishment costs and recovered by the SMO in the same manner as other SEM establishment costs as detailed in the SMO consultation paper².

Allowing the recovery of these costs as SEM establishment costs means that applicants registered to engage in market trial should not be charged accession and participation fees.

¹ www.allislandproject.org

² SMO revenue and tariffs consultation paper, published 11th June 2007, www.allislandproject.org

³ Supplier and generator Units are defined in the TSC, www.allislandproject.org

PRE GO-LIVE CONSIDERATIONS

Some market participants are not engaging in market trials and will accede to the TSC and register for participation in the SEM once the TSC is designated on the 3rd July. In order to do so, the associated fees must be published. The Regulatory Authorities plan to publish a final decision paper on SMO revenues and tariffs (for the initial tariff period) in September, including a decision on these fees. In the interim, for any applications made prior to the publication of the approved SMO accession and participation fees, and where the applicants are not registered to engage in market trial, the proposed fees included in the SMO revenue consultation paper will be charged⁴. Any overpayment (with respect to the final fee as outlined in the decision paper) will be refunded by the SMO and in the event of an increase in the fee, any additional payment will be waived.

DECISION

Applicants who apply to accede to the TSC or register Units to participate in the SEM and who are already registered to take part in the market trial will not be charged an accession or participation fee. The associated costs incurred by the SMO are SEM establishment costs and will be treated as such.

Applicants who are not engaging in the market trial and who apply to accede to the TSC or register Units to participate in the SEM prior to the publication of the RAs decision on the SMO Allowed Revenue, will be charged the fees set out in the SMO revenue consultation paper. Any overpayment (with respect to the final fee) will be refunded by the SMO and in the event of an increase in the fee any additional payment will be waived.

⁴ In the SMO revenue consultation paper an accession fee of €4,500 is proposed. A participation fee of €11,000 and €12,500 is proposed for supplier and generator Units respectively.