



SEM TRADING AND SETTLEMENT CODE

**Supplier Suspension Delay Period
and
Generator Suspension Delay Period**

CONCLUSIONS & DECISION PAPER

5th September 2007

AIP/SEM/07/460

Introduction

On 26 July 2007 the Regulatory Authorities published a consultation document (“the consultation document”) on the Supplier Suspension Delay Period and the Generator Suspension Delay Period under the SEM Trading and Settlement Code (TSC)¹. The consultation document sought comments by Friday 17 August 2007. Six parties submitted comments: Airtricity, Electricity Supply Board (ESB) Customer Supply, ESB International², Northern Ireland Electricity (NIE), Synergen and Viridian Power and Energy (VPE). The Regulatory Authorities are grateful to the parties concerned for the submission of their comments. None of these responses was stated to be confidential and all are being published on the AIP website.

The purpose of this document is to consider the comments received and to set out the Regulatory Authorities’ responses to those comments and decision as to the values that should be applied to the Supplier Suspension Delay Period and the Generator Suspension Delay Period under the TSC. Section 1 of this document summarises the comments received in each topic area and sets out the Regulatory Authorities’ response. Section 2 of the paper sets out the Regulatory Authorities’ decision on the values of the Supplier Suspension Delay Period and the Generator Suspension Delay Period under the TSC and the changes to the TSC that are to be proposed by the Regulatory Authorities in a formal Modification Proposal under the TSC. Section 3 explains the Regulatory Authorities plans in respect of Supplier of Last Resort and possible changes to NI supply licences.

In summary, the key conclusions set out in this paper are:

- the Supplier Suspension Delay Period should be 14 calendar days;
- the Generator Suspension Delay Period should be 7 calendar days;
- the Regulatory Authorities will propose a number of changes to the TSC to improve the suspension process; and
- the Regulatory Authorities are taking steps to seek to minimise the time taken to give effect to a Suspension Order in both jurisdictions.

¹ AIP/SEM/07/427

² On behalf of Coolkeeragh ESB Ltd, Hibernian Wind Power Ltd, ESB Independent Energy RoI Supply and ESB Independent Energy NI Supply.

1. Summary of Key Comments and Regulatory Authority responses

On 26 July 2007 the Regulatory Authorities published a consultation document on the Supplier Suspension Delay Period and the Generator Suspension Delay Period under the SEM Trading and Settlement Code (TSC)³. The consultation paper sought comments by Friday 17 August 2007. Six parties submitted comments: Airtricity, Electricity Supply Board (ESB) Customer Supply, ESB International, Northern Ireland Electricity (NIE), Synergen and Viridian Power and Energy (VPE). None of these responses was stated to be confidential and all are being published on the AIP website.

The comments submitted raised issues in a number of areas, each of which is considered in turn below. In each of these areas the consultation paper position is first summarised, followed by a summary of the submitted comments and finally the Regulatory Authorities' response is presented.

Market Collateralisation

Consultation Paper

The consultation paper described the suspension process under the TSC and its effect on credit cover; pointing out that the TSC does not, and cannot, provide for full collateralisation of the market. In addition, the consultation paper calculated that the additional required credit cover (across all Participants) for each extra day of Undefined Exposure Period was about €12 million.

One respondent pointed out that the calculation used the wrong value of SMP (which should have been €67.52 per MWh⁴ not €51.28 per MWh after a reduction to allow for the Capacity Payment Demand Price of €16.24 per MWh, which was assumed to be included in the price). The Regulatory Authorities agree that this was an error (since the figure quoted did not include an allowance for Capacity Payment Demand Price) and note that the resultant value would have been about €15 million had the right value for SMP been used.

Key Comments

Airtricity made a number of comments about the processes for the calculation of the credit cover required including the point that those processes resulted in an uncertain correlation of market risk with calculated undefined exposure. In consequence the respondent stated that it was essential that the undefined exposure period was minimised.

ESB Customer Supply supported the view that the Pool cannot be a fully collateralised market.

³ AIP/SEM/07/427

⁴ the benchmark price for 2008 from "Public Service Obligation Levy, Proposed 2008 Charges, Proposed Decision", CER 70/87

ESB International stated that all versions of the TSC to date have been based on the principle of full collateralisation, adding that this consultation proposes that it is not possible to provide for full collateralisation and stating that this appears to be a significant change in principle. It further states that it appears that this is not considered a change in principle as in the Regulators' view the market was never covered for debt in all circumstances. Nevertheless it states that this is a significant departure from the original intent regardless of whether the market was intended to be fully collateralised or not. It also adds that from a supplier perspective it is positive while introducing significant risks from a generators perspective. It states that it is very concerned at the risks for generators.

Synergen stated that it agreed that the Pool cannot be fully collateralised and added that the risk to participants posed by differences in forecast and actual SMP has no relation to the risks introduced by a defaulting supplier operating in the market from 25 to 51 trading days without credit cover. It adds that a common statement is that the un-collateralised period be will either 25 less 14 days or 51 less 14 days which ignores the fact that the supplier is suspended as its credit cover was called and did not meet the requirements and hence the full 14 days were not collateralised. Synergen also makes the point that allowing a defaulting un-collateralised supplier to operate in the market for a period of up to potentially 51 days is completely unacceptable and the RAs must take whatever steps necessary to reduce this period to the shortest time possible before market go-live.

Viridian Power and Energy (VPE) suggests that the RAs should give significant weight to the impact of their decisions on future generator investment decisions; noting that the risk of supplier default and the contingent loss of revenue to generators will weigh heavily on generator investors and their financiers. VPE adds that in a market where the rate of return is already low by international standards, this additional risk will make new generation projects unattractive.

Regulatory Authorities' Response

The Regulatory Authorities note that there may have been a desire to achieve full collateralisation during the course of the TSC development process. However, on analysis it is clear that such an approach is not practical. As the consultation paper explained, it is not possible either to set a firm time limit beyond which a defaulting participant cannot incur further liabilities (in part because of the need to allow for proper consideration of regulatory decisions) or even if that was possible, (given the uncertainty in future prices) to put a financial cap on the bad debts that could arise.

On the question of how much of the risk period is collateralised, the Regulatory Authorities note that this depends upon the process of default by the Participant. Should a defaulting Participant's credit cover fail to cover any part of a Shortfall, then there will be no collateralisation for any period. However, given the TSC requirement that credit cover must be provided either in cash or in the form of a letter of credit in a defined form, from a credit cover provider with defined a credit rating and assets, the Regulatory Authorities believe that such a failure is unlikely. The more likely default mechanism is a Participant's failure to pay followed by a successful credit call and the subsequent failure to replace

the credit cover by the defaulting Participant. Such a Participant failure mechanism would provide for collateralisation over the period of the Supplier Suspension Delay Period.

The Regulatory Authorities also take the view that the mechanism for the failure of a defaulting Participant is unlikely to be one of continuing to trade until the Supplier of Last Resort Direction can be made. Such a process means that the supplier concerned loses its assets (its client base) without compensation. A supplier in such a position is more likely to seek to sell its client base in order to recover any funds possible and to leave the market in a controlled fashion. It may therefore be that the longer period before a Supplier of Last Resort Direction can be made in Northern Ireland is not as major an issue as it may appear. The bad debt risk for Participants with Generator Units may be smaller than it might appear at first sight. In relation to the existence of such risks, the Regulatory Authorities note that a risk of non-payment by a customer exists in all businesses and must be a normal part of an investor's risk assessment.

In relation to the comments about the form of the credit cover calculation under the TSC, the Regulatory Authorities note that the TSC has been subject to extensive consultation and do not believe that a change to the approach is required at this time. However, the Regulatory Authorities are also of the view that it is important to understand the effectiveness of the present approach for the calculation of Participants' Required Credit Cover through an analysis of the actual coverage of the calculated Required Credit Cover for each Participant under the TSC. Such an analysis should compare the calculated forecast element of Required Credit Cover (for the Undefined Exposure Period) for each Participant with the actual liabilities incurred by that Participant over that period and the Regulatory Authorities will be seeking for such analysis to be undertaken by the Market Operator on a regular basis⁵.

Trading and Settlement Code changes

Consultation Paper

The consultation paper stated that the Regulatory Authorities were considering putting forward an Urgent Modification Proposal to make changes to the TSC firstly to oblige the Market Operator to serve a "statutory demand" on a Defaulting Participant and secondly to ensure that even when a call on a Participant's credit cover has replaced the Shortfall or Unsecured Bad Debt, the debt is only treated as being discharged if the credit cover is replaced within the required timescales. It also noted that some clarification of paragraph 2.244 might be needed in relation to the sale of customers.

Key Comments

Airtricity stated that it agrees that the MO should issue a statutory demand as soon as the default occurs, but it believes that there is also scope for mitigation by a change in the TSC. Such a change would prohibit a defaulting supplier from acquiring customers and imposing an obligation on the

⁵ See AIP/SEM/07/451 "Market Operator Monthly Report, Consultation Paper", 30 August 2007

supplier to obtain its energy from the SoLR. Without further payment from the supplier the SoLR would then acquire the ongoing debt and would be able to recover this via the defined SoLR cost recovery process.

Synergen stated that any Modification to the TSC to improve the current situation before market go-live should be added to Section 7 Interim Arrangements section of the TSC.

VPE stated that it proposed a change to the TSC and regulatory mechanisms such that a defaulting supplier is automatically suspended from the market after 7 calendar days and that at this point bad debt liability is transferred to the Supplier of Last Resort (who would probably, and not unreasonably, seek to recover this cost in their market revenues). After the statutory period then the supplier with bad debt would lose their licence and their customers would be transferred to the SoLR. In support of this approach arguably a SoLR is much better placed to chase bad debt from another supplier than is the Market Operator as the SoLR has a better understanding of a supplier's business and how to manage customers. It added that this approach will favour supply competition by lowering the credit cover requirements to participate in the market and increase competition in generation by removing an unlimited and unmanageable risk for generator investors. VPE also proposed the provision of a mechanism by which a generator, to the extent that they are still exposed to default risk, is able to recover those extra costs in the market through either the capacity mechanism of the SRMC bidding code of practice.

Regulatory Authorities' Response

The Regulatory Authorities note that a number of respondents have proposed changes to the approach to bad debt under the TSC. The Regulatory Authorities are aware that the consultation paper alerted respondents to such issues through its explanation of the relationship between the Supplier Suspension Delay Period and the collateralisation under the TSC. However the Regulatory Authorities do not believe that a consultation such as this is the way to address these broader issues. The TSC modifications processes enable parties to propose changes that they believe would better facilitate the achievement of the Code objectives and subject such proposals to full consideration and appropriate consultation. The Regulatory Authorities believe that any substantive changes to the TSC credit cover arrangements should be progressed through that route after the Market Start Date. The small changes that the Regulatory Authorities are proposing for the TSC are only designed to improve the effectiveness of the existing TSC provisions in relation of bad debt.

The suggestion that the proposed changes should be incorporated into Section 7 of the TSC appears to misunderstand the purpose of Section 7, which is to provide for temporary interim provisions until the Market Operator's processes (and systems where necessary) can be amended to comply with the enduring provisions in Sections 1 to 6 of the TSC.

Supplier Suspension Delay Period

Consultation Paper

The consultation paper stated that the Supplier Suspension Delay Period is a driver of the level of credit cover in the market. However, it also needs to be long enough to allow for the following activities:

- a period of time to allow the Regulatory Authorities to determine the underlying driver of the Participant Default that has led to the Suspension Order; and
- a period of time to allow the Regulatory Authorities to consider and decide whether to instruct the Market Operator to amend the Suspension Order and/or whether a Supplier of Last Resort Direction might be called for at some point; and
- if possible, time for the defaulting Participant to find a solution to its financial problems.

In addition the consultation paper stated that the Regulatory Authorities take the view that 7 days is a sufficiently long period of time for the identification of the underlying drivers of the Default. In relation to any Suspension Order that the Market Operator proposes to issue in accordance with paragraph 2.246 of the TSC, the Regulatory Authorities note that they will be consulted before such an Order is issued and will therefore have more time to consider the necessary issues. In addition, given the complexity of the likely circumstances, the Regulatory Authorities believe that it is desirable to allow for a further period of 7 days during which the financial survival of a supplier in difficulties may be effected. Further, in an extreme case of supplier failure or abandonment of the Market, it should be possible to initiate a Supplier of Last Resort Direction within 14 days. The Regulatory Authorities proposed that the Supplier Suspension Delay Period should be 14 days.

Key Comments

Airtricity states that it does not accept that the three distinct time periods set out in the consultation need to run consecutively. It believes that any Participant approaching default will be very aware of the situation and the causes of its dilemma and will have been seeking a solution on an ongoing basis; another few days is unlikely to deliver a materially better outcome. In terms of addressing the default it states that it agrees that the RAs need to understand the basis of the problem and reach a decision on appropriate action. It states that the former can rapidly be accomplished through discussion with the Participant (and potentially the MO), so the 7-day period suggested for identification of the driver(s) underlying the default could also provide adequate time for decision on implementation of the Suspension Order. Because any default event will not be a surprise to the defaulting Participant, who will already have explored and taken action on potential business rescue strategies, Airtricity does not believe it is necessary to provide additional time in the suspension delay period to allow for non-regulatory concerns. It therefore supports the period of 7 days following Supplier default as being a sufficiently long Supplier Suspension Delay Period. A further period of 7 days to address Supplier

business rescue issues will unduly increase the ongoing burden of security cover on Participants and related issues.

ESB International states that in the Republic of Ireland the proposal that the Supplier Suspension Delay Period (SSDP) is set to 14 days appears reasonable both from a supplier's and a generator's perspective, however in Northern Ireland if the SSDP is set to 14 days there is an exposure of 37 days for generators in the Pool.

ESB Customer Supply states that it supports the proposal that the Supplier Suspension Delay Period should be 14 days and assumes that this is calendar days which is usually equivalent to 10 business days. It adds that it agrees with the Regulatory Authorities that 7 (calendar) days is sufficiently long to determine the reasons for a supplier's default (most likely to be the inadequate provision of Required Credit Cover) and that it is prudent to allow a further 7 (calendar) days to facilitate the possible financial survival of the supplier in difficulty.

NIE states that to minimise the risk to all participants, it would like to see the period of Supplier Suspension kept to the practical minimum as discussed in the consultation paper but with a cap set on the maximum allowable period to ensure that the suspension period does not extend beyond 21 days. It states that this should allow sufficient time for the RAs to investigate and determine appropriate action. NIE further states that it supports the proposals for a Supplier Suspension Delay Period of 14 days, noting that the proposal appears reasonable in the context of the credit cover required to minimise the market risk while avoiding undue demands on potential new entrants.

Synergen states that it believes that the RAs' intention of a SSDP of 14 days is sound, though it understands the legal constraints in Northern Ireland which complicate the matter.

VPE state that their primary concern in setting the supplier suspension delay period is to minimise the default risk imposed on generators. However they consider that creating large credit cover requirements to cover the current possible unsecured bad debt period is unattractive to promoting great supply competition. They add that they propose that a defaulting supplier is automatically suspended from the market after 7 calendar days.

Regulatory Authorities' Response

The Regulatory Authorities accept that, in the case of a Participant approaching a default situation in relation to its ability to pay, it will already be addressing its financial situation before the default occurs. However, once a Suspension Order has been issued and published (in accordance with paragraph 2.247 of the TSC) the situation will change because the Participant's position is now in the public domain and the need for action becomes more urgent. It is under these circumstances when, in discussion with the relevant Regulatory Authority, the Participant will have to consider its options and (possibly) seek a buyer for its assets (i.e. its customer base in the case of a supplier). The Regulatory Authorities would prefer a process for the removal of such a supplier from the market that does not require the direction of a Supplier of Last Resort or the revocation of a licence. A voluntary and

managed exit from the market by a failing supplier is much to be preferred. The Regulatory Authorities are not convinced that the period of 7 calendar days for the Supplier Suspension Delay Period, preferred by some respondents would provide sufficient time to enable such a smooth exit to be effected. The Regulatory Authorities note that no respondent took the view that 14 calendar days was too short a period for the Supplier Suspension Delay Period. The Regulatory Authorities therefore remain of the view that the right duration for the Supplier Suspension Delay Period is 14 calendar days.

Generator Suspension Delay Period

Consultation Paper

The consultation paper stated that the Regulatory Authorities note that the question of a Supplier of Last Resort Direction does not arise in relation to a Suspension Order in relation to a Generator Unit but believe it is right that the Participant should have the same opportunity to consult with the Regulatory Authorities before the Suspension Order comes into effect. They therefore propose that the Generator Suspension Delay Period should be 7 days.

Key Comments

Airtricity stated that it supported the Generator Suspension Delay Period being set at 7 days.

ESB Customer Supply states that it supports the proposal that the Generator Suspension Delay Period should be 7 days and assumes that this is calendar days which is usually equivalent to 5 business days.

ESB International states that it is proposed that the Generator Suspension Delay Period is set to 7 days and that appears reasonable.

VPE state that they are unclear what potential scenarios would result in a generator suspension as set out in sections 2.243 and 2.246 of the TSC. VPE cannot comment on whether the proposed 7 days without considering what scenarios would result in such suspension.

Regulatory Authorities' Response

The Regulatory Authorities welcome respondents' support for their proposal that the Generator Suspension Delay Period should be 7 (calendar) days.

In relation to the query about generator suspension, the Regulatory Authorities note that a Participant may have both Supplier Units and Generator Units and paragraph 2.243 of the TSC obliges the Market Operator to issue a Suspension Order in respect of all of a Participant's Units which may include both the Supplier Units in respect of which it is in Default as a result of credit cover failures and Generator Units in respect of which there may be no default. It should also be noticed that there is a requirement set out in paragraph 6.231 of the TSC for a Participant to post the Fixed Credit

Requirement as a minimum in respect of each of its Generator Units. There is therefore the possibility of a Participant being in default in respect of credit cover for its Generator Units.

Supplier of Last Resort (SoLR)

Consultation Paper

The consultation paper stated that the process of removing a defaulting Participant from the ability to incur further debts in respect of its Supplier Units requires the removal of all the MPRNs from the relevant Supplier Unit(s). If such MPRNs were not allocated to any Supplier Unit, the energy concerned would be allocated in the wholesale market to the relevant Error Supplier Unit. In order to allocate such MPRNs to another Supplier Unit, unless a failing supplier decides to sell its customer base to another supplier, a Supplier of Last Resort Direction is required. Such a direction may be associated with the removal of the supplier's licence.

The consultation paper added that the relevant Regulatory Authority in each jurisdiction has the power, under defined circumstances, to issue a direction that the customers of a failing supplier should be taken over by a designated Supplier of Last Resort. The effect of such a direction is to put in place a deemed supply contract between each of the customers of the failing supplier and the Supplier of Last Resort (SoLR), which the SoLR can rely on for billing purposes.

The consultation paper then described the legal framework for the issue of a Supplier of Last Resort Direction in each jurisdiction.

Key Comments

Airtricity commented that the consultation highlights an omission in the NI Licence revision process whereby the time for revocation has remained at 30 days noting that it would support the reduction of this timescale to 24 hours as in Great Britain as a means of reducing market exposure arising from the discrepancy between the suspension delay period and the duration of the legal process. It also stated that it would support (in the medium/longer term) a review of the Electricity Regulations (Northern Ireland) 2007 and/or the Insolvency (Northern Ireland) Order 1989 to permit the SoLR process to be triggered in line with TSC requirements and independently of insolvency proceedings. It also noted that once the law/licence changes could be brought into effect, the additional SoLR exposure to the extended NI insolvency process would be reduced to be equivalent to that in Ireland.

ESB Customer Supply suggested that the Supplier of Last Resort should be informed when there is a potential default situation arising in the market, noting that this additional notice, before the possible issue of a formal Supplier of Last Resort Direction, would allow for contingency arrangements to be set on a standby basis and assist in a smoother overall SoLR process if a direction finally arises. It also highlighted differences in the SoLR processes in the two jurisdictions and stated that in the interests of harmonisation and consistency this variation should be remedied at the earliest opportunity.

ESB International noted the differences in supplier termination provisions in Northern Ireland and the Republic of Ireland and suggested that the Northern Ireland process should be brought into line with the Republic of Ireland and that the Regulatory Authorities should examine the necessary changes to truncate the SoLR process.

NIE expressed its concern that the consultation paper was proposing arrangements for an event of supplier suspension without the SoLR process for Northern Ireland being fully understood and consulted upon. It urged the RAs to quickly identify the SoLR in NI so that they may work to develop a viable and practical solution, noting that this would help to further minimise the risk and cost exposure of all SEM participants and for the SoLR in the North it will minimise set-up time and transaction costs. NIE believe that, if the appointment decision is delayed, there will be insufficient time for the selected supplier to provide a cost effective solution for all parties involved.

Synergen stated that the RAs need to align the legal provisions relating to SoLR on an All Island Basis within 1 year of market go-live.

Regulatory Authorities' Response

The Regulatory Authorities note that the Commission for Energy Regulation (CER) has published a consultation document on the arrangements for Supplier of Last Resort⁶ in Ireland and relevant comments received in response to this consultation will be dealt with there. In addition the Northern Ireland Authority for Utility Regulation (NIAUR) plans to consult upon the arrangements for Supplier of Last Resort in Northern Ireland and similarly relevant comments will be taken account of in that process.

In the TSC context, the Regulatory Authorities do not support the concept that the Supplier of Last Resort should be given information to allow it to prepare for the transfer of MPRNs once the relevant Direction is given. The Regulatory Authorities take the view that it would be inappropriate for them to enable information to be provided to the SoLR prior to the making of a Supplier of Last Resort Direction, while noting that such a direction is likely to have a period before it comes into effect during which the SoLR can make the necessary preparations..

The Regulatory Authorities remain committed to the need to streamline the processes for effecting the ending of a defaulting Participant's ability to incur further debt under the TSC. Such streamlining will include work to reduce the timing of the retail processes for SoLR and for transfer of MPRNs (in the case of a sale of customers between suppliers as well as SoLR) in both jurisdictions. The Regulatory Authorities are working with the relevant parties to this end.

⁶ See CER/07/114, "Supplier of Last Resort in Electricity under the Single Electricity Market", 8 August 2007

Insurance

Consultation Paper

In the consultation document the Regulatory Authorities stated that they did not propose that any changes to the TSC should be made in respect of insurance provisions to replace the provisions in relation to Participants' Required Credit Cover.

Key Comments

Airtricity stated that it agreed that it would be difficult to obtain reasonable insurance cover for an undefined liability, but noted that it might be possible to obtain a competitive quote for a defined liability of (say) €20m, which could allow the market exposure to an individual defaulting Participant to be limited for a Supplier Suspension Delay Period of up to the proposed 14 days without imposing an undue security cover burden on surviving Participants. It further added that while it is clear that an insurance option is infeasible for 1 November, the RAs should investigate the cost of insurance once the market is operational and underwriters have access to the data needed to evaluate the risk of Participant default.

VPE proposed that some level of insurance cover should be sought by the Market Operator to cover events of unsecured bad debt noting that this may not be perfect cover but would at least limit the level of bad debt exposure in the market.

Regulatory Authorities' Response

The Regulatory Authorities are not yet convinced that insurance is likely to be a more efficient way of providing collateral than credit cover; whether as a replacement for, or as an addition to, Participants' credit cover and agree that any such change would not be feasible prior to the Market Start Date. However, it is accepted that there could be a place for insurance in the management of debt risk in the Pool if it could be demonstrated to improve the efficiency of the operation of the market. The Regulatory Authorities further note that with effect from the Market Start Date it will be open to any party, who believes that insurance may provide a route by which the TSC objectives (set out in paragraph 1.3 of the TSC) may be better facilitated in relation to the risk of supplier default, to propose a suitable modification to the TSC to give effect to such a change and would be happy to consider such a proposal at the appropriate time.

2. Regulatory Authorities' decision

Supplier Suspension Delay Period

In accordance with paragraph 2.249 of the SEM Trading and Settlement Code, the Regulatory Authorities hereby determine that the Supplier Suspension Delay Period shall be 14 calendar days with effect from the Market Start Date.

Generator Suspension Delay Period

In accordance with paragraph 2.249 of the SEM Trading and Settlement Code, the Regulatory Authorities hereby determine that the Generator Suspension Delay Period shall be 7 calendar days with effect from the Market Start Date.

TSC modification

The Regulatory Authorities intend to propose a Modification to the Trading and Settlement Code to achieve the following:

- (a) require the MO to issue a Statutory Demand to any Participant who has received a Suspension Order in respect of its Supplier Units in NI;
- (b) specify a debt under the TSC as continuing to exist to the extent that a shortfall has been paid through a credit call and the credit cover has not been replaced; and
- (c) require the MO to calculate the Undefined Exposure Period based upon the defined value of the Supplier Suspension Delay Period;
- (d) changes to paragraph 2.244 to allow the Suspension Order to take effect following the removal of all MPRNs from the Supplier Unit, so that such a Supplier Unit is suspended until such time as the Participant has discharged its Default; and
- (e) changes to effect the alignment of Agreed Procedure 1 with the above changes where necessary.

3. Next Steps

CER published a consultation document⁶ on changes to the Supplier of Last Resort processes on 8 August 2007. Responses to that consultation were requested by 31 August 2007.

As mentioned above NIAUR plans a consultation on the Supplier of Last Resort processes in Northern Ireland and is working to minimise the time required to give effect to a SoLR Direction. In addition, NIAUR published a consultation⁷ on 4 September 2007 on the notice period for revocation of supply licence under certain circumstances from the present 30 days to 24 hours, in line with the changes in Great Britain.

In relation to the changes to the TSC mentioned above, the Regulatory Authorities are developing the detailed legal drafting required, but are not convinced that such a proposal could properly be

⁷ Consultation by NIAUR on a Licensing Scheme and On changes to the Terms of Revocation of all Northern Ireland Supply Licences, 4 September 2007.

considered to comply with the criteria for a Modification Proposal to be considered to be Urgent set out in paragraph 8.53 of the TSC. Such changes would not threaten the ability to deliver a properly functioning market by the Market Start date or result in one or more Parties being in breach of the Code and they could not be considered to represent an obviously material error in the Code. The Regulatory therefore cannot propose such a modification until after the Market Start Date. After that point in time such a modification will be proposed by the Regulatory Authorities.