



Electricity Supply Board

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Philip Newsome,
Commission for Energy Regulation,
The Exchange,
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CONSULTATION PAPER

**SEM Trading and Settlement Code Supplier Suspension Delay Period and
Generator Suspension Delay Period**

AIP/SEM/07/427

Dear Philip,

ESB Customer Supply (ESBCS) welcomes the opportunity to respond to this consultation paper on the Supplier Suspension Delay Period (SSDP) and Generator Suspension Delay Period (GSDP). We support the key views expressed in the consultation paper i.e.

- the pool cannot be a fully collateralised market.
- the additional Required Credit Cover (across all participants) for each additional day of Undefined Exposure Period would be approx. €12 million, based on the consultation paper assumptions.
- the Supplier Suspension delay Period should be 14 days (our assumption is that this is calendar days which is usually equivalent to 10 business days)*
- the Generator Suspension Delay period should be 7 days (our assumption is that this is calendar days which is usually equivalent to 5 business days).*

*We request clarification that our assumption regarding the latter two points is correct.

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We agree with the Regulatory Authorities view that 7 (calendar) days is sufficiently long to determine the reasons for a supplier's default (most likely to be the inadequate provision of the required credit cover) and that it is prudent to allow for a further 7 (calendar) days to facilitate the possible financial survival of the supplier in difficulty.

We agree that the Market Operator should consult with the Regulatory Authorities before a Suspension Order issues against a participant in the market. However, we also suggest that the Supplier of Last Resort should be notified simultaneously that there is a potential default situation arising in the market. 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 stand-by basis and assist in a smoother overall SoLR process if a direction finally issues.

We note that the Regulatory Authorities propose to make changes to the Trading and Settlement Code via an Urgent Modification Proposal in order to shorten the SSDP in Northern Ireland from a currently much longer period of at least 25 days. We would suggest that statutory changes should be pursued to ensure that the periods are aligned in both Northern Ireland and the Republic of Ireland in time for the 'Go-Live' date of 1st Nov 2007.

Appendix 1 of the consultation paper describes the wholesale market processes for giving effect to a Supplier of Last Resort Direction in both Northern Ireland and the Republic of Ireland, bearing in mind that these are still in the process of development. There is significant variation currently in the development stages in both jurisdictions i.e. NIE T&D and the Supplier of Last Resort in Northern Ireland require time to prepare for the facilitation of the MPRN bulk transfer process and cannot facilitate a retrospective effect from the date of the bulk transfer taking place whereas daily retrospective transfers can occur in the Republic of Ireland. In the interest of harmonisation and consistency this variation should be remedied at the earliest opportunity.

Appendix 1 also mentions that the Supplier of Last resort is not designated in Northern Ireland. However, the AIP decision paper 'Regulation of ESB and NIE in SEM: A Decision Paper (Ref. AIP/SEM/304/07 of 20th June 2007)' confirms that NIES will act as the Supplier of Last Resort and Universal Service Provider in Northern Ireland.

Yours sincerely,

Gerry McDonald,
ESB Customer Supply.

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