

Response from Viridian Power and Energy

To

SEM

First Consultation Paper on

Proposed Conditions of System Operator Licences

30th January 2007



Introduction

VP&E note the consultation on the proposed conditions of System Operator Licences. Care needs to be taken over how the licences are drafted in relation to conditions of service delivery to Market Participants. Actions of the system operator can have significant commercial implications for market participants – the setting of the ATC for an interconnector is a simple example of this. VPE suggest that the license for the System Operators should reflect the need for meaningful incentives on System Operators to deliver their function in an economically efficient manner.

Commercial Implications of System Operator Information Provision

Under the SEM (Single Electricity Market) information provided by the System Operators to Market Participants can have material commercial implications for Market Participants. The Regulatory Authorities should therefore monitor the provision of this information to ensure:

- It is provided in a timely manner
- Its' correctness
- The form of delivery is appropriate (whether by E-mail, text message etc.)
- That it is handled appropriately when deemed confidential

In the interests of accountability and transparency in the provision of services to Market Participants by the System Operator there should be a licence condition requiring an appropriate level of responsibility for service delivery underpinned by an audit process.

SONI Licence Condition 13 - Prohibited Activities

SONI should not be permitted to purchase electricity under any circumstances. Allowing a System Operator to purchase electricity could distort the price in the All Island market and undermine opportunities for Market Participants to perform this task. The System Operator would be conflicted in its' independent role and could be in contravention of Condition 15 – Non Discrimination.

Co-operation between SONI and Eirgrid

The required level of co-operation between SONI and Eirgrid in the efficient running of the cross-jurisdictional transmission lines (currently referred to as the North / South Interconnector) is unclear in both licences. The metrics should be outlined more clearly in the licences to avoid potential for a dispute, inefficient running of the All Island System or an undesirable and unnecessary reduction in the Security of Supply in either jurisdiction.

Format of Licences

For clarity both licences should be drafted in a form such that it is clear which areas are harmonised and which sections are necessarily different.

Efficient and Transparent Operation

Both System Operators should be charged with running the System on an efficient basis within the constraints of Security of Supply and available generation. Whilst in many instances it will not be possible to run according to the Unconstrained Schedule (due to Security of Supply considerations, constraints and generator trips) an optimal and transparent methodology for determining the most efficient running of the system should be employed. This methodology should be auditable and published as part of the Compliance requirements (SONI Licence Condition 21 Section 4).