



22 February 2008

Stephen Powell
Commission for Energy Regulation
The Exchange
Belgrad Square North
Tallaght
Dublin 24

RE: Directed Contracts Implementation Report (SEM-08-02)

Further to recent correspondence / discussions, and following receipt of the Directed Contract Implementation Report dated 5 February 2008, ESB PG would like to make the following comments in response to the report as part of the consultation process:

Subscription Window

PG supports the condensing of the initial Subscription Window to three weeks and the supplemental window to one week.

PG supports the timetable as proposed with the exception of the end date of the initial window. We believe that a gap of one business day should be maintained between the end of the initial window and the commencement of the supplemental window to enable supplemental volumes to be determined and communicated to participants. We propose that the initial window should end on Thursday May 15th to facilitate this requirement.

Eligible Quantities

PG supports the higher daily eligible quantities of 15% or 15MW.

Quarterly Products

PG supports the introduction of quarterly products.

Product Definition

PG recognises that closer alignment of product definitions to the EFA blocks facilitates further liquidity in the Irish market and is willing to support the market consensus in regard to the product definitions proposed. This applies to both the peak and mid-merit 1 product definitions. Note that PG would not support multiplicity of peak and mid-merit 1 products.



Master Contract

PG supports the changes proposed to the Master agreement, subject to review of legal drafting, with the following additional comments:

PG supports changing the deadline for issuing the monthly invoice to the 7th business day, provided:

- the settlement date also moves back by two days to preserve the existing payment window; and
- credit margining would take place on the 13th business day to preserve the one business day gap after the invoices are due for settlement.

In the area of credit cover, and in order to keep the contracts for the current year and the year which is at auction separate, PG believe it would be more practical to ensure that Letters of Credit for the new contracting period are separate letters of credit and this should be clear from the rules.

To avoid dual processes between the current contracts and the new 2008 contracts, PG would propose amending the existing contracts to bring the processes in line.

Given the recent issues faced by the Market Operator with re-settlement of Nov 07 and Dec 07 and the respective delays in market publication, PG request that clause 7.7.2 in the DC Master Agreement is modified. The modification is requested to state that upon the completion of the Market Operator's monthly settlement re-run, either party can request for an adjustment to be made reflecting the newly available information. Our suggestion is that the resettlement of CfDs would follow the same timing as MO resettlement.

PG believes this will prevent ambiguity in invoicing rules as experienced in the current situation. Therefore, neither party to the contract is required to continually prepare invoice statements as the Market Operator publishes data, but can wait until the entire month(s) in question are completely re-settled.

PG would also like to record its intention to work with the industry to carry these contractual principles over to the Non-directed process also, notwithstanding the fact that NDC contracts are not the subject of this consultation.

Subscription Process

Although not the subject of the consultation paper, PG would like to suggest that subscriptions no longer be accepted by phone. The complexity of electing up to a maximum amount of 15% or 15MW in any quarter for any product (BL, MM, PK) could lead to errors in phone conversations and a fax / electronic process can alleviate this risk. PG is happy to provide a subscription template for use in the subscription process.

PG is open to amending the bid submission window from 8:30am - 10am to 8:30am – 11am in both the Initial and Supplemental windows.



CfD Contracting Timeline

While supporting the overall timeline, PG would like to record that the timetable for CfD contracting in 2008 is very challenging to implement. In particular, there is a very short reaction time from receiving DC contract volumes / pricing formula on April 14th to commencing trading on April 28th. Any improvement in the availability of these data would greatly assist the system development and testing effort on the part of sellers and reduce the risk of errors for all participants.

General

The Market Monitor is currently conducting an investigation into adherence to bidding principles by market participants. PG would seek to have closure on the MMU's findings in this regard prior to publication of the DC volumes and DC pricing formula.

Yours sincerely,

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