

ESB PG response to the consultation document; Bidding the Opportunity Cost of Carbon Allowances (SEM/08/005).

ESB PG welcomes the opportunity to comment on this consultation. The issue of the treatment of carbon allowances has been discussed in earlier papers and during the market design. The current agreed position of bidding opportunity costs, and respecting the National Allocation Plan, has been a fundamental part of the market modelling and investment decisions. ESB PG agrees with the views expressed in the discussion paper that the current mechanism should continue.

The discussion paper also comments on possible Government intervention outside the market. The SEM is a complex market with a number of factors influencing a generators ability to make a commercial rate of return. While ESB PG accepts that a market will not necessarily guarantee that an individual generator makes a return, it must ensure that new generation is built to meet increasing demand. ESB PG is concerned that an element of the market is being examined without reference to its affect on the overall economics of the market. Any changes internal or external to the SEM must be viewed in light of the overall market design to ensure that the market will continue to function.