

28 October 2008

Ref: "Harmonised Ancillary Services, Other System Payments & System Charges AIP-SEM-08-128"

Bord Gáis Strategic Investments (BGSi) welcomes the opportunity to respond to consultation paper 'AIP/SEM/08/128 – 'Harmonised Ancillary Services, Other System Payments & System Charges'. The transparency and unbundling of ancillary services has the potential to provide a positive investment environment and also enhance the security and economic operation of the Single electricity market (SEM). BGSi comments are on selected sections as follows.

Reserve Charges

BGSi accepts the principle that a generator which is earning revenue from providing a reserve service should pay a charge should it fail to provide the service when called upon.

However the indicative charges in Appendix C of the paper are excessive. BGSi suggests that a fairer trade off between risk and reward be used in the provision of this service.

Proposed Reserve Design Features

In OM9 of Proposed Reserve Design Features it states "*TSOs will be allowed to enter into contracts with market participants for reserve to take into account longer term system requirements and facilitate investments in certain types of plant and equipment*"

The TSO entering in to contracts would provide system security and strong investment signals to back up generation. BGSi believes that the offering of contracts by the TSO to back up generators should be dependent on the type of fuel used by the generator. In the interest of meeting the government targets on reducing Co2 emissions BGSi believe these contracts should be offered to lower Co2 emitting generation first.

Warming Contracts

BGSi would support the introduction of a service for warming contracts.

Multimode Operation

BGSi strongly believe that any introduction of a service for multi mode operation, in order to benefit from both an economic and security of supply perspective, must consider the investment choices made for plants already on the network and currently under construction. A multi mode operation payment should consider the additional costs which would be incurred to retro fit these plants and operate and maintain them.

Generators under Test

BGSI believes the existing methodology for testing generator units, which has undergone consultation as part of the development of the Trading and Settlements code, is sufficient and should be retained.

Regards,

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