



IWEA response to the Consultation on Harmonised Ancillary Service Arrangements and the Bidding Code of Practice

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IWEA welcomes the opportunity to respond to the consultation on Harmonised Ancillary Service Arrangements and the Bidding Code of Practice.

IWEA supports Option 2 in the proposal and this option provides more certainty and transparency. Under this option the SEM Committee would issue a Clarification stating that AS benefits **must not** be deducted or referred to in the build-up of Commercial Offer Data. In compliment, the BNE will have its total AS revenue, including aspects that vary with output (i.e. Variable elements), deducted from the annual pot size. IWEA supports this option as it provides simplicity and transparency by keeping the bidding principles unchanged.

The SEM has been designed as an energy only market. A move away from the current approach is a significant change to the SEM which was based on (1) An energy only market, (2) An Ancillary Services market and (3) the Capacity Payment mechanism. Option 1 tries to merge the energy market and the ancillary services market and appears not to recognise that Ancillary services are services that require payment. Removing the incentive for generators to provide AS has potentially worrying consequences for the electricity system. For this reason IWEA does not support Option 1.