

TYNAGH ENERGY
L I M I T E D

Clive Bowers
Commission for Energy Regulation
The Exchange
Belgard Square North
Tallaght
Dublin 24

Colin Broomfield
Utility Regulator
Queens House
14 Queen Street
Belfast
BT1 6ED

Ref: TEL/EOD/10/279

20th December 2010

RE: Harmonised Ancillary Service Arrangements and the Bidding Code of Practice

Dear Clive and Colin,

The views of Tynagh Energy Limited (TEL) in relation to the recent SEM Committee/Market Monitoring Unit consultation paper regarding the correct treatment of Harmonised Ancillary Services (HAS) benefits under the Bidding Code of Practice (BCOP) are outlined below.

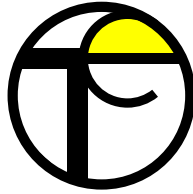
Of the three policy options presented within the consultation paper, TEL supports Option 2 which would see all HAS benefits continue to be treated as fixed costs and therefore be excluded from the formation of generator Commercial Offer Data (COD). TEL is not convinced that either of the other two other options presents a case that is economically more superior to that represented by the status quo.

Including an estimate of future HAS benefits into the formulation of COD would not be a trivial exercise. For instance, in the case of reserve payments, it would be very difficult to accurately represent the pattern in which HAS benefits are distributed to generators within the confines of ten Price/Quantity pairs. That being said, Price/Quantity pairs would appear to be the most appropriate position for benefits such as this to reside, including an estimate of HAS benefits within generator No Load costs would not send an accurate price signal as this would suggest that, once synchronised, generators are always capable of receiving HAS benefits, which is of course not the case in reality.

The proposals outlined in Option 1 and Option 3 would see generators making discretionary bidding deductions to take account of variable HAS benefits. This would greatly inhibit the ability of office of the Market Monitoring Unit to detect instances of gaming within the SEM. One method of circumventing this issue would be to issue a prescribed formula that all generators must adopt when calculating HAS benefits. However such a move would be contrary to the principle based bidding rules that are currently enforced.

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Finally, as the annual capacity payments sum for 2011 has already been decided upon, deciding to readjust the provisions that have already been made for HAS payments would only serve to increase regulatory uncertainty within the market.

Yours sincerely

A handwritten signature in black ink, appearing to read 'E. O'Donoghue', with a long horizontal flourish extending to the right.

Eamonn O'Donoghue
Risk & Regulatory Manager