

Karen Shiels  
Utility Regulator  
Queens House  
14 Queen Street  
Belfast  
BT1 6ED  
[Karen.Shiels@uregni.gov.uk](mailto:Karen.Shiels@uregni.gov.uk)

Billy Walker  
Utility Regulator  
Queens House  
14 Queen Street  
Belfast  
BT1 6ED  
[Billy.Walker@urgenie.gov.uk](mailto:Billy.Walker@urgenie.gov.uk)

25<sup>th</sup> July 2014

**Subject:      Imperfection Charges for October 2014- September 2015  
                  Consultation  
                  SEM-14-051 (the “Consultation”)**

Dear Karen and Billy,

In light of the direct impact the imperfection charges level has on suppliers and ultimately consumer bills, Bord Gáis Energy (BGE) takes this opportunity to comment on the Consultation.

Firstly, BGE is disappointed to see that despite growing levels of wind and recently introduced TSO incentives to reduce dispatch balancing costs, the overall charges are increasing by almost €40m with a direct cost impact of +€1.03/MWh. This increase and the fact that suppliers have no control over these increases does not bode well for consumer perception of increasing energy bills. BGE supports any efforts taken to reduce the overall burden of these costs for suppliers and thus supports the RAs’ proposal to reduce the overall charges by reference to actual other system charges (OSC) revenue since 2010. BGE further requests justification of the TSOs’ assumed €10m under-recovery which will add to the overall charges, before a decision on 2014-2015 charges is finalised.

Secondly, without seeing and understanding the modelling in more detail, it is impossible for BGE to comment on whether the level of forecasted constraints is accurate or not. What is apparent however is that the cost of constraints is increasingly significantly year on year and is adding to customers’ bills.

Although BGE acknowledges the €27m contribution of SO Countertrading to reducing constraint costs, we believe that a €177.6m annual cost is an unacceptable constraints figure. The figure itself clearly signals the need for investment in the networks to alleviate the drivers of constraints and reduce uncontrollable costs in the longer-term. Given the proposed direction of the I-SEM and the level of constraints on the SEM system, it is likely to become more difficult for the market schedule to deliver a technically feasible dispatch schedule. On that basis, the cost of constraints will increase further in future if the necessary investments are not made. BGE therefore urges the RAs to recognise this signal for urgent investment in the networks and to work within the context of the TSOs’ investment programme and

incentives regime to ensure that the necessary investments are made in a timely and cost effective manner.

I hope you find the above comments helpful and should you have any queries, please do not hesitate to contact me.

Yours sincerely,

---

**Julie-Anne Hannon**  
**Regulatory Affairs – Commercial**  
**Bord Gáis Energy**

{By email}