

Commission for Energy Regulation  
The Exchange  
Belgard Square North  
Dublin 24

Utility Regulator  
Queens House  
14 Queen Street  
Belfast  
BT1 6ED

15<sup>th</sup> February 2017

Dear Commission for Energy Regulation and the Utility Regulator,

PrePayPower, as Ireland's largest prepay electricity provider, welcomes the opportunity to contribute to the SEM Committee's consultation on the Capacity Remuneration Mechanism (CRM) Capacity Market Code (CMC) Consultation Paper (SEM-17-004).

Our comments are focussed on the specific issues of interest to a supplier:

- Charges on Suppliers for the Capacity Market by the System Operator;
- Restrictions on who can participate in a capacity auction (or provide secondary trades) should be limited as much as possible so as to lower the likelihood of hole-in-the-hedge issues; and
- Timing on the T-1 transitional auctions to allow for adequate time to arrange hedging with generators which will not engage with suppliers until after the CRM auction.

There is insufficient detail regarding the charging by the System Operator under the CMC, e.g. periodicity of invoices, etc. Either:

- a) The concept of invoicing suppliers under the CMC should be dropped entirely and suppliers should be invoiced for the recovery of such costs under the I-SEM (with revenues reconciled between Balancing Market Operator and Transmission System Operator as required); or
- b) Further detail on the invoicing process needs to be included in the CMC drafting.

**PrePayPower's preference is to include CMC operation cost recovery into the Balancing Market Variable Market Operator Charge** as the commercial terms of both cost recoveries (payment term, requirement for no collateralisation of future charges) can remain consistent with each other.



If New Capacity that has cleared a CRM auction is late in construction, or Existing Capacity that has cleared a CRM auction becomes insolvent (or any other issue which prevents them from paying difference payments), both scenarios would contribute to the “hole in the hedge”. These events could be realised post the T-1 auction, or within the capacity year itself. The CMC should have the flexibility, on Regulatory Authority instruction, to either re-run a T-1 auction with the same bids / offers to secure incremental capacity (the existing cleared participants not impacted only in potentially an upwards only change in capacity clearing price). Such capability does not appear to be included within the CMC, and this should be tied into section F.19.1 of the T&SC.

Finally, the potential for running a T-1 transitional auction within two months of a capacity year leads to a very short-timeframe for a supplier to arrange hedging. **Transitional T-1 auctions must be run a minimum of eight months in advance of the capacity year to facilitate adequate time for hedging.**

Our response is not confidential and may be published in full. If you wish to have further communication in relation to our submission, please don't hesitate to contact me.

Yours faithfully,

Cathal Fay



ID	I-SEM CMC Reference	Short Title	Commentary / Explanation	Suggested Drafting Change to the CMC	Relevant Cross-Reference for any impacted section
1	B.7	System Operator Charges	There is insufficient detail in the CMC regarding the invoicing for System Operator Charges	Include <i>when</i> the CMC charges should be levied, and their periodicity, or preferably remove all reference to Variable System Operator Charges and recover any such costs through the Variable Market Operator Charge.	
2	D2.1.5	T-1 re-run capability	There should be an ability – on Regulatory Authority instruction – to re-run the CRM auction with certain generators excluded	D2.1.5 should allow for a within-year supplementary auction. This auction should use the same qualification data and auction data, but exclude a given generator. Clearing prices should be at least the same level as that cleared previously. Capacity Charge changes (if any) should be reflected in F.19.1 of the T&SC	F.19.1 of T&SC  New sections throughout F.8 giving the rules for the operation of such an auction.
3	D2.1.5 (a)	T-1 Transitional Auctions	The T-1 auction should give enough time to develop a hedging position thereafter.	(e) for a transitional T-1 Auction, fall no less than eight and no more than thirteen months prior to the start of the relevant Capacity Year;	

