



## **Gaelectric Holdings Plc.**

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Response Paper to:

### **Consultation on SEMOpx Revenue Recovery Principles**

**Gaelectric Holdings Ltd. Response**

16/05/2017

**Public**

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### **Document Details**

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## 1 GAELECTRIC COMMENTS

Gaelectric Holdings Plc. (“Gaelectric”) welcome this opportunity to engage with the SEM Committee on SEMOpx Revenue Recovery Principles. Given the design of the mandatory pool market and the spot markets as the exclusive route to market for physical power, we agree that exchange services must be procured. We further recognise the necessity for the joint regulatory authorities to underwrite the establishment costs of SEMOpx through the TSO charging basis. However, via underwriting the establishment costs of SEMOpx, we believe the SEM Committee are well positioned to ensure that any costs savings enjoyed by SEMOpx should be passed onto market participants through a more competitive fee structure, perhaps periodic reviews and revisions to the SEMOpx fee’s. Furthermore, SEMOpx must ensure that they offer route to market solutions that can cater for all market participants. In this context, we have provided the feedback below.

### SEMOpx Entity Structure

Currently registration and on-boarding costs for generators to participate in the SEM are less than €10,000 per unit including collateral. Indicative figures from both the consultation and other EPEX based spot power market around Europe suggest a cost of approximately €100,000 per company (including minimum collateral requirements and clearing bank fee’s)<sup>1</sup>. This is a 10X increase in fixed costs in year one with potential recurring annual fees of approximately €50,000. Increases of this magnitude in fixed costs present significant challenges for projects, particularly supplier lite projects, which have been supported by the regulatory authorities, particularly the CER over the last number of years. With this in mind, Gaelectric believe that every effort should be made to rationalise the cost of the SEMOpx solution, and bring it into line with other competitive offerings. In parallel, we look forward to a positive engagement with all parties concerning the planned introduction of a competitive option to SEMOpx through Nordpool. We expect that EirGrid and the SEM Committee facilitate this in an expedient fashion in order to at least provide alternatives for routes to market for all participants, large and small.

Nordpool, who have recently been granted a NEMO licence to operate in I-SEM, currently offer an alternative model. It must be recognised that a key factor for participation in the markets is going to be the costs associated with same, and it is not unreasonable to suggest that based on evidence in other markets, there is a considerable gap in charges between EPEX Spot and Nordpool in other markets where they compete. Given that the SEM Committee did not develop a monopoly in terms of power exchanges, we look forward to the effect of competition well in advance of I-SEM Go-Live.

We have also considered the structures being offered by both exchanges and we continue to believe that SEMOpx must formulate a route-to-market whereby client generators can;

- Nominate a 3<sup>rd</sup> party trading service provider (participant)
- Set up their own account into which payment for volumes traded on individual clients’ behalf can be transferred

Such a reduced involvement in active EA Market trading by the generator should be reflected in exchange fee’s specific to that generator.

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<sup>1</sup> Gaelectric accept that NCM fee’s may be less than Non-Clearing Member fee’s

### **Revenue Recovery**

Gaelectric would welcome clarity from the regulators as to what exactly constitutes “establishment costs”. Considering the establishment costs may be recovered through TSO charging, Gaelectric believe that allowing an open target revenue collection model for OPEX recovery for SEMOpx would not be appropriate. Gaelectric agree that a cap and collar should be applied to this revenue collection method. Such controls should remain cognisant of the potential for NEMO competitors to enter the market and increase competition in this area. Regarding revenue recovery for SEMO, we believe the existing allowed revenue recovery model should continue.

## **2 CONCLUSION**

Gaelectric would like to thank the SEM Committee for consulting on the revenue recovery principles for market operators in I-SEM. Market operator offerings and fee structures will be a fundamental component of an efficient market place and we therefore hope the SEM Committee take sufficient action in ensuring competitive route to market solutions for all market participants. If there are any further questions do not hesitate to contact us.