



Energy for  
generations

Generation & Wholesale Markets

**Response to:**

**SEMOpX Price Control Draft Determination Consultation**

8<sup>th</sup> Sept 2017

## **Summary**

ESB GWM welcomes the opportunity to respond to the Draft Determination Consultation Paper for SEMOpx. Given that the power exchanges are the only route to I-SEM scheduling in the day ahead timeframe, it is important that any regulation of SEMOpx in no way acts as a barrier to trade or causes any distortions. The overall sums of monies being sought by SEMOpx are not significant given the overall value of the market and so distortions created by the regulatory regime could be more costly than the monies sought. In this vein, ESB GWM remains of the view that explicit revenue regulation of SEMOpx wasn't required but note the SEM Committee's preference for regulation.

## **Allowed Revenues**

ESB has no explicit comment on the levels or revenues required by SEMO as the Regulatory Authorities (RAs) will have a greater end to end view of SEMOpx's business. However, we would point out that the resourcing of SEMOpx is critical at the start of I-SEM. I-SEM is a new market and ex-ante trading will be new for many and there may well be teething issues. It is important that SEMOpx has ample expert resources available to work with the market in the first year of operation. In the first year of the market there will be many questions put to SEMOpx about why certain outcomes happened or why the algorithm results were the way they were. If SEMOpx is under resourced in this area at the start of the market, confidence in the wider market may be lost. In addition, it is likely that SEMOpx should have a contingency available in the event that unforeseen market development issues arise.

## **Key Performance Indicators**

Given the RAs' choice of regulatory framework, ESB GWM agrees that the implementation of some key performance indicators is useful and that it is appropriate to incentivise SEMOpx on these KPIs. However, the ability to incentivise SEMOpx on certain issues may ultimately depend on the contractual arrangements SEMOpx has in place with its own service provider. To this end, the RAs may need to work with SEMOpx to align KPIs with SEMOpx's own arrangements. Aside from this, ESB GWM generally agrees with the performance indicators proposed by the RAs. Given the quite narrow role SEMOpx will play in the market, ESB believes that systems availability and publication of results in a timely manner is very important. ESB is also of the view that customer service is important and in particular support in understanding market events and outcomes. Therefore, we would support the range of KPIs set out by the RAs. For the KPIs to be as useful as possible we believe there needs to be a financial element to them and believe the RAs may be able to leverage off the mechanism used for the SEMO revenue control.

## **Tariffs**

Given the expected levels of costs associated with the ex-ante markets compared with the overall market value, ESB GWM has no particular concern with the structure of the tariff proposed. The RAs will be aware that the proposed structure does result in customers with a higher load profile paying a

significant proportion of SEMOpx costs even though they may require the least effort from SEMOpx but given the sums involved this may not be an issue.

ESB GWM is of the view that the relationship between regulated tariffs and NEMO competition is an issue that needs consideration. There are uncertainties when forecasting outcomes in I-SEM and any deviations from forecast will result in correction factors. If the level of demand or the number of participants fails to materialise, SEMOpx would be left with a correction factor which will push up tariffs in subsequent years. Any such correction factor could be enough to change the dynamics of the market with regard to competition between NEMOs. This is an inherent risk with the proposed framework and at the outset it can only really be addressed by a robust assessment of assumptions. To this end, we would question the assumption of 50 individual paying members of the exchange given the level of costs associated with the clearing element of that market.

Finally with regard to participation fees, ESB GWM would welcome more detail on whether there are any additional costs associated with trading in the ex-ante markets. For example, EPEX Spot publishes a [price list on its website](#) which has a fixed and variable fee but also has a list of other charges for accessing the market. Clarity is welcomed on whether there are any other costs of participation not included in the RAs' Draft Determination and if there are, clarity is required on when these costs will be revealed.

We hope the RAs find these observations useful and we would be happy to discuss our submission with you at any time.