

Balancing Market Principles Code of Practice - Residual Risk

An Information Note

30th January 2018

SEM-18-001

Introduction and Background

The Commission for Regulation of Utilities (CRU) and the Utility Regulator (UR), together with the Regulatory Authorities (RAs), jointly regulate the Single Electricity Market (SEM) on the island of Ireland. The SEM Committee (SEMC) is representative of both RAs and makes decisions on their behalf.

The current SEM, in place on the island of Ireland since November 2007, is undergoing significant change, with detailed design of the new Integrated Single Electricity Market (I-SEM) now nearing completion. It is expected that new market arrangements will be in place by May 2018.

The Bidding Code of Practice (BCOP), which is in effect in the SEM, is due to be replaced by the Balancing Market Principles Code of Practice (BMPCOP), in the I-SEM. The BMPCOP applies only to commercial offer data submitted to the balancing market in the form of complex three part bid offer data, such three part bid offer data consists of the following components:

- a) A price-quantity component;
- b) A start-up costs component; and
- c) A no load costs component.

Residual Risk

The BMPCOP allows for the inclusion of a 'residual risk' figure within start-up costs.

Paragraph 28 of the BMPCOP states:

'A Licensee may, in respect of one or more specified generation units, apply to the Regulatory Authority for approval to include as a function of an incremental start-up

or a sub-set of start-up categories outlined in paragraph [30] an Eligible Cost Item falling within sub-paragraph [27f]. Any such application shall include:

a. a statistical or actuarial study validating the level of cost sought to be included; and

b. a certificate from an officer of the applicant that such costs:

i. are included in a similar manner for all similar units operated by the Licensee and any of its affiliated companies;

ii. cannot be mitigated by maintenance and/or insurance;

iii. were not, and could not reasonably have been, anticipated in the investment decision for the relevant generation set or unit; and

iv. are not attributable to energy actions by the same set or unit in the Day Ahead Market, Intra Day Market or the Balancing Market.'

Paragraph 29 of the BMPCOP states that, *'the RAs shall issue a reasoned decision approving or refusing inclusion of such costs'*.

In order to provide adequate time to enable RA approval/disproval, where appropriate, of any residual risk submissions, the RAs request that any participants wishing to include a residual risk value, within their start-up costs at go-live, submit this value to the RAs by no later than Thursday 1st March 2018.

The RAs will respond to any applicants within two weeks of receipt of their submission and in this response provide a timeline within which their residual risk value will be assessed. The ability of the RAs to approve any submissions, in time for the commencement of the I-SEM, will be impacted by applicants' willingness to respond to RA queries and provide information in a timely manner.

If you have any questions on the above please do not hesitate to contact Bronagh McKeown at bronagh.mckeown@uregni.gov.uk.