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# CONSULTATION ON AGRREGATION IN THE SEM

## Erova Energy Response

Erova would like to thank the SEM Committee for the opportunity to reply to the consultation on Aggregation in SEM.

### Introduction

Erova is a trading company based in Ireland. Erova provides routes to market for over 500MW of wind assets in SEM. Erova's clients are a mix of large and small generators and PSO and non PSO supported generators. Erova provide various routes to market including PPAs and CFDs. Erova hedge exposure to our CFD Client's imbalance position by trading in the day ahead markets through our assetless unit.

### Export Only Supplier

Erova are a trading company with no plans to supply electricity to customers. Erova's core business is to provide a route to market for renewable generation. Erova hold a supply licence for three reasons;

1. To provide a PPA for REFIT/RESS generation,
2. To provide a route to market for de-minimus generation and
3. To provide intermediary services to larger generators (if their intermediary is required to be a supplier).

The SEM currently allows a participant with a supply licence to register as an export only supply unit in the market. This function allows Erova to provide a route to market for generators without having to go through the process of qualifying as a small supplier (when we do not intend to supply customers).

As an export only supplier we can aggregate generation from de-minimus generators. De-minimus generators who do not want to register directly in the SEM can register as negative demand (and obtain benefits) against a supply unit. Erova then hedge the imbalance position of these generators through our assetless unit. We believe this is a form of aggregation service however it is limited by the following;

1. Only up to 10 de-minimus sites can be registered against an Export Only Supplier.

2. Meter data must be requested manually at the end of each month.

Erova appreciate the practicality of the Export Only Supplier and understand the limitations are due to the manual nature of processing the data for the MRSO. If it was possible for an Export Only Supplier to implement a restricted form of EMMA where it only received meter data for its clients and was unable to send market messages to other suppliers etc. potentially the limit on the number of small generation sites allowed to be registered against the Export Only Supplier could be lifted.

### Intermediaries and Aggregation

The consultation states that the RAs have identified two broad forms of aggregation in the SEM today, DSUs and Intermediaries. An intermediary can act on behalf of one or more other market participants as a registered participant in the SEM for the purpose of trading or settling imbalances on behalf of the market participant they represent. A participant can be intermediary for many generators in the SEM and generate into the SEM and receive Imbalance revenues on aggregate for the generation.

However, the definition of an intermediary is that it acts as if it were the Generator so an intermediary in the ex-ante markets would have to trade explicitly under the Generators Unit ID. If the intermediary does trade explicitly for the generator in the ex-ante markets the market will not recognise the generator's trade and the generator will not receive constraint payments if it is constrained down. The Intermediary cannot aggregate their Clients' generation in the ex-ante market, if they did, they would not be an "intermediary" for the Generator and when the Generator was constrained down it would not receive any compensation.

Being an intermediary for a generator and trading them explicitly in the ex-ante markets is not a form of aggregation. In order for an intermediary to aggregate generation in the ex-ante markets and be considered as having non-discriminatory access to the ex-ante markets (compared to an intermediary who traded explicitly for the generator or the generator themselves trading in the ex-ante-markets) when the generator who was traded in aggregate is constrained down it would have to receive constraint payments and any other market compensations which are normally given to generators who act individually in the ex-ante markets rather than in aggregate.

Erova has CFD's in place with Clients who have a third party as intermediary in SEM. The intermediary is not required to trade them in the day ahead markets as they have a hedge in place with Erova. (A significant number of our clients have an intermediary in SEM who will not trade in the ex-ante market for them). Erova aggregates our CFD client's generation and trades the aggregated generation in the ex-ante markets through our assetless unit. This we believe is a form of aggregation as the market cannot distinguish which trade is associated with which generation asset. The trade is made in Erova's name. This aggregation service is a route to market for generators who have an intermediary in place who do not want to trade them in the ex-ante markets or is not competitive in terms of cost for trading them.

In order for an aggregator of this kind to continue to have non-discriminatory access to the ex-ante markets Erova would like to remind the SEM Committee that a party who is intermediary for a generator in SEM may not be the party who trades the generator either implicitly (with a CFD in place) or explicitly (as intermediary or as trader for a generator registered directly in the market) in the ex-ante market. The intermediary status in SEM should not be linked to the entity who can trade for the generator in the ex-ante market.

Do the current market functions of Intermediaries and DSUs fulfil the requirements of an Aggregator as defined in the CEP?

Erova do not believe the function of Intermediary fulfils the requirements of an Aggregator as defined in the CEP. An intermediary acts on behalf of a generator in the market. Their function is to act as if they are the generator. They take on the financial and regulatory obligations and liabilities of the generator. The role of an intermediary is not to aggregate demand or generation. In fact, the role of the intermediary is to act as the individual generator in the market, so in essence the intermediary “is” the generator. An intermediary acting for the generator in the ex-ante markets must explicitly trade them and cannot aggregate generation in the ex-ante market unless they implicitly trade for the generator (in this case they wouldn't be trading as an intermediary but an Aggregator).

An Aggregator is defined as a person who aggregates generation for sale into the market. Erova through our assetless unit aggregate generation and sell it into the ex-ante markets. Certain generators cannot access this type of aggregation however, if they have a firm connection and are subject to constraints. These generators cannot be aggregated for sale into the ex-ante markets as they will not receive constraint payments unless they are explicitly traded.

### Conclusion

In the consultation the SEM committee asks if there are updates which could be made to the existing market structure which would facilitate participation by Aggregators in a non-discriminatory manner?

The Export Only Supplier is similar to the VLP in the UK but is limited in its access to the market. If extended so that it could provide a route to market for more than 10 de-minimus sites it would facilitate the participation of this type of Aggregator.

We also believe if constraint payments (or any other applicable market payments available to generators who trade explicitly in the ex-ante market) were based on the difference between the generator's availability and the dispatched down quantity rather than on an explicitly traded volume in the Day Ahead market this would make available a form of aggregation service to all generators and not just those with a non-firm connection (who are not entitled to these payments).