



**Single Electricity Market
(SEM)**

**SEMOpX Revenue Requirement for
2021/22**

Information Paper

**SEM-21-050
15 June 2021**

EXECUTIVE SUMMARY

The SEMOpx Revenue Requirement for 2021/22 and 2019/20 K-Factor was submitted on 14 May 2021 by EirGrid and SONI in their capacities as designated NEMO in Ireland and Northern Ireland respectively.

The current price control for SEMOpx is in place until October 2022¹. This Information Paper provides an overview of the annual K-Factor and Revenue setting process in line with the allowances set out for the tariff year and next steps for the publication of the SEMOpx Charges for 2021/22.

The RAs have reviewed the SEMOpx submission and calculations and are content with the proposed revenues for the period from 1st October 2021 to 30 September 2022.

The overall revenue requirement below is approved until 30 September 2022 and a SEMOpx Statement of Charges will be published by SEMOpx based on Table 1 below.

Category	€m (March 2021 prices)
2021/22 SEM-20-007 Revenue	€4.197
2018/19 K-Factor	-€0.308
Total 2020/21 Revenue	€3.889

Table 1

¹ Set out in [SEM-20-007](#)

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1. Introduction

1.1 Background

SEMOpX provides day-ahead and intraday electricity market trading within the Single Electricity Market (SEM). The SEMOpX revenue requirement outlined in this information paper covers the period from 1 October 2021 until 30 September 2022 and the K-Factor for 2019/20.

SEM-17-096 set out the SEM Committee's Decision in relation to the SEMOpX Price Control up to the end of September 2019, while SEM-20-007 set out SEMOpX's revenues from October 2019 to September 2022. The revenues outlined in SEM-20-007 are based on a mid-tariff (March 2019) price base and are adjusted for out-turn inflation up to March of each year based on the indices set out in the price control Decision.

The annual revenues for SEMOpX are adjusted to account for any K-Factor for over or under recovery.

2. SEMOpX 2021/2022 Revenue Requirement

2.1 SEM-20-007 Revenue Requirement

The total revenue allowance for SEMOpX for the 2021/22 period is €4.197m in March 2021 prices, indexed from the March 2019 prices set out in SEM-20-007. This is comprised of Opex and Finance costs as set out in Table 2.

Opex costs include Labour Costs, Facilities and Overheads, IT and Telecommunications, Finance and Regulation and Contract Services and Market Coupling Costs as set out in SEM-20-007.

An adjustment has been made to the revenue requirement for 2021/22 to provide for the forecast cost for the introduction of an Intraday auction Backup Co-ordinator (BCO) function for the Intraday 1 and 2 auctions given the increased volume and value of trades in these auctions following Brexit. The Intraday auctions between the SEM and GB include a market coupling coordinator but did not initially include a BCO role as is in place in the Day Ahead Market. In the Day Ahead Market, the BCO can take over the running of the auction if the primary coordinator (which rotates between NEMOs on a periodic basis) has system, staff, or database issues for example. The Regulatory Authorities have confirmed with SEMOpX that a BCO function in the Intraday market is warranted and that additional Opex costs associated with this will be recovered on a pass-through basis as part of the SEMOpX revenues.

Finance costs include the return on SEMOpX's Regulatory Asset Base, Depreciation and SEMOpX's margin.

SEM-20-007 Revenue Requirement	Tariff Year 2021/22 €m (March 2021 prices)
OPEX	3.657
Finance	0.540
Total	4.197

Table 2

2.2 Correction Factor

The current SEMOpx Price Control Decision was published in March 2020, so the SEMOpx charges for 2019/20 were based on the 2018/19 charges which were rolled forward.

SEMOpx has over recovered €298,770 in total during the tariff year, due in part to the revenue provided for in the rolled over 2019/20 charges versus the revenue allowance set out in SEM-20-007.

The SEMOpx charges are also set by reference to a forecast of Traded Volumes for the upcoming tariff year. An increase in the level of traded volumes compared to the forecast used in setting the initial SEMOpx tariffs has also contributed to this over recovery.

2019/20 K-factor summary	€m (March 2020 prices)
2019/20 Revenue allowance	3.658
Total recovered through tariffs	3.957
K factor	-0.307
	€m (March 2021 prices)
K factor	-0.308

Table 3

2.4 Total Revenue Requirement for 2021/22

Category	€m (March 2021 prices)
2021/22 SEM-20-007 Revenue	€4.197
2019/20 K-Factor	-€0.308
Total 2021/22 Revenue	€3.889

Table 4