

# **Imperfections Charge**

## **October 2022-September 2023**

### **SEM Committee Consultation**

## **Power NI Response**

5 August 2022

## Introduction

Power NI welcomes the opportunity to respond to the SEM Committee (SEMC) consultation regarding Imperfections Charges for October 2022 to September 2023. This significant increase in charges comes at a time of already high consumer prices and volatility in the market.

## Specific Questions

Within the Consultation Paper the SEMC welcomed views on the following proposals:

### ***1. Whether the TSOs forecasts of costs and assumptions for Tariff Year 2022/23 are reasonable?***

#### ***Power NI response:***

No comment – Power NI rely on Eirgrids expertise in this area to ensure that costs and assumptions are as reasonable as possible.

### ***2: If there are any actions the TSOs could take to minimise Imperfections Charges?***

#### ***Power NI response:***

Power NI understands that the key factor driving the increase in imperfection charges is down to higher fuel prices. Despite this Power NI would be keen to understand the priorities of the TSO with regards to dispatch.

Security of supply is paramount and must remain priority, but this would imply that the cost to so do is a lower priority. Power NI would suggest that given the current climate, the approach to ensure security of supply 'at any cost' no longer feels appropriate and reviewing the priorities around how to ensure this continuity of supply is achieved alongside the impact on imperfections costs should be progressed.

Power NI's view is that the cost of imperfection charges is ultimately paid by customers and therefore any unnecessary costs should be avoided at all costs.

### ***3: If the Imperfections Price Tariff Year 2022/23 should be determined based on forecasts using either daily projected quarterly fuel and carbon costs averaged over a 12 month period or utilising the k-factor run rate approach.***

#### ***Power NI response:***

Power NI feel that given the current volatility in the market, picking a snapshot based on monthly historical averages does not feel appropriate, and given such a challenging environment, it is imperative that costs are kept as low as possible.

The levels of volatility being experienced are at unprecedented levels. It is therefore important that cost projections are set at reasonable levels and that Eirgrid are prepared and in a position to fund or refund inevitable differences in outturned results.

***4: Whether the k-factor for under or over-recovery from previous Tariff Years should be spread over more than one subsequent Tariff Year and, if so, over how many Tariff Years?***

***Power NI response:***

This proposal is imposing a significant increase in charges (including a large K under recovery position) at a time of already high consumer prices. This approach pushes all risk around costs onto suppliers via, potentially unrecoverable higher costs to customers. Power NI feel that given such a significant increase in charges that a phased recovery of K should be applied, allowing costs to be spread and providing customers with as best value as possible.

Whilst Power NI support K being spread across subsequent years, it is acknowledged that this carries risk that imperfections will need to stay at a higher level for longer if further under recoveries are experienced. While this may be sub-optimal, it is the only reasonable approach to take given the high cost pressures which customers are experiencing both generally but more specifically in an electricity context. It is in no-one's interest, including from the recovery of cost perspective, to contribute towards the cost to consumers being unaffordable.

***5: The merits of implementing a biannual review of the costs covered by Imperfection Charges and a proposed modification to the Trading and Settlement Code to allow bidirectional alterations to the Imperfection Charge Factor.***

***Power NI response:***

Whilst a biannual review makes sense due to the K-factor, allowing for tariffs to be reflective, Power NI would highlight the impact such a review would have operationally. The impact on customers tariffs would result in billing updates and customer notifications being required, letter implications and a large amount of administrative effort from staff to ensure tariffs are implemented effectively.

All of this provides a degree of volatility on all retail offerings for customers. Power NI understand that customers and stakeholders value certainty from an annual tariff, and particularly given the current environment, anything that can be done should be done to minimise the impact on customers as much as possible.