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RE: Response to Regulatory Framework for NEMO from October 2022 – SEM-22-037

Dear Leigh, Adam,

EirGrid plc, the currently designated NEMO for Ireland¹, and SONI Ltd, the currently designated NEMO for Northern Ireland² welcome the opportunity to provide feedback on the SEM Committee's consultation ([SEM-22-037](#)) regarding the Regulatory Framework for NEMO from October 2022 (the **Consultation Paper**).

SONI and EirGrid work together, through a Contractual Joint Venture, SEMOpX³, to jointly deliver NEMO services including; registration of market participants, market systems operation (excluding the operation of EUPHEMIA), settlement, credit risk management, managing currency risk, and providing access to market data for the all island SEM Market. SEMOpX is used as shorthand in this response to refer to EirGrid and SONI in their respective capacities as designated NEMOs .

SONI and EirGrid, through SEMOpX, also operate the intraday coupling arrangements in the SEM.

In the Consultation Paper the Regulatory Authorities (**RAs**) pose a specific question with respect to the duration of the next designation period for EirGrid and SONI. In addition the RAs note that there will be a requirement to consult separately on the future revenue recovery approach for SEMOpX. SONI and EirGrid address both of these key components of ongoing NEMO service delivery in this response.

i. Enduring NEMO Designation

In Section 2 of the Consultation, the RAs states that *"Following engagement with SEMOpX, the RAs now understand that SEMOpX are comfortable to receive an enduring designation, subject to ongoing monitoring of their compliance with the CACM criteria, and therefore there is no need to consider the circumstances where SEMOpX might decide to no longer offer services in the event that another NEMO enters the market and makes SEMOpX no longer viable."*

The above statement does not fully reflect SEMOpX's position and may be open to misinterpretation. It implies that SEMOpX would continue to provide NEMO services even where it is no longer viable to

¹ [CRU19805b-CRU-NEMO-Designation-Order.pdf](#)

² [UR_NEMO_Designation_Order.pdf](#) (uregni.gov.uk)

³ SEMOpX itself is not a designated NEMO

do so. This is clearly not the case. A proposal which provides for designation on an enduring basis would, under the current regulatory framework in Ireland and Northern Ireland, particularly as applied to EirGrid and SONI in regard to the licence conditions as currently extant in the respective Market Operator Licence, be of notable concern in the absence of a clearly defined process for a NEMO to be able to terminate its designation. No arrangement should be such that it seeks to bind a party to provide services for an extended period of time where it is not commercially prudent for the party to do so.

The RAs propose to “redesignate SEMOpx and to monitor their continued compliance with the requirements of Article 6 of CACM through annual reporting. The RAs proposed the next term of designation (from October 2022) will apply on an enduring basis.”

While EirGrid and SONI are supportive of being designated on an enduring basis and are committed to operating in line with the requirements of CACM in the provision of NEMO services, such operation can only be committed to where financially viable to do so, and where there is a clearly defined process for a NEMO to be able to terminate its designation.

ii. Regulatory Revenue Recovery

The RAs state in Section 3 of the Consultation paper that “there will be a requirement to consult separately on the future revenue recovery approach for SEMOpx”. This is on the basis of the RAs’ position that they “remain of the view that there is still a clear rationale for licence conditions and an associated revenue control being applied to SEMOpx in the absence of competition for NEMO services”.

SEMOpx recognises that this approach provides some certainty to SEM participants at least in the scenario where there is no competition in place. As such where SONI and EirGrid are re-designated as NEMOs, and the terms of the MO licences continue to apply, the current principles of the extant regulatory framework should continue to apply including that:

- All efficient costs of providing a NEMO service, irrespective of market share or additional costs associated with price floors for minimum volumes in each of the day ahead and intraday auctions, as set out in SEM-19-019, are provided for while such revenue control arrangements are applied regardless of whether competition arises in the market during this time.
- Any incremental costs imposed on SEMOpx that can be directly attributable to a Participant will be treated as a pass-through cost.
- Volume based fees, greater than forecast or that do not meet the fixed costs (i.e. lower than the floor in the respective contracts) which form part of the contracted services and market coupling costs will be treated on a pass-through basis.

In addition, and against the backdrop of the proposed enduring designation, the associated tariffing and fee structure would need to be suitably flexible in the event of another NEMO entering the market.

SEMOpx would welcome the opportunity, in engaging with the RAs regarding the future revenue recovery approach, to explore the potential to introduce regulated revenue control arrangements reflective of the proportionate scale of SEMOpx. This is with a view having in place arrangements that provided the RAs with sufficient clarity and oversight of NEMO charges, where SEMOpx is the only

provider of NEMO services in the SEM, while limiting any unnecessary burden on either SEMOPx or the RAs.

SEMOPx remains available to discuss any element of this response with the RAs should that be beneficial.

Kind regards,

[sent by email and accordingly bears no signature]

Michael Kelly
Director of Market Operations
*On behalf of EirGrid Plc. and SONI Ltd.
in their respective capacities as designated NEMOs.*