

SEMOpX Revenue Requirement for 2023/24

Information Paper

SEM-22-059

22nd August 2023

EXECUTIVE SUMMARY

The SEMOpx Revenue Requirement for 2023/24 and the 2021/22 K-Factor were submitted on 26 July 2023 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 2023. In the immediate term, the RAs propose to roll over the final year of the current price control for a further year¹. 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 2023/24.

The RAs have reviewed the SEMOpx submission and calculations and following engagement with SEMOpx have approved the revenues shown in Table 1 below for the period from 01 October 2023 to 30 September 2024.

The overall revenue requirement below is approved until 30 September 2024. This allowance had been approved subject to re-designation of SEMOpx as NEMO¹. The Statement of Charges will be published by SEMOpx based on Table 1 below with inclusion of a caveat that these charges will apply subject to the redesignation of SEMOpx as NEMO.

Category	€m (March 2023 prices)
2023/24 SEM-20-007 ² Revenue	€5.027
2021/22 K-Factor	0.931
Total 2023/24 Revenue	€5.957

Table 1

¹ SEM-22-037 Regulatory Framework for NEMO from October 2022 | SEM Committee

² SEM-20-007 SEMOpx Price Control Decision Paper published on 11th March 2019

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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 2023 until 30 September 2024 and the K-Factor for 2021/22.

SEM-20-007³ set out the SEM Committee's Decision in relation to the SEMOpX Price Control and therefore SEMOpX's revenues from October 2019 to September 2022. In the immediate term, the RA's have proposed to roll over the final year of the current price control for a further year. 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 2023/24 Revenue Requirement

2.1 SEM-20-007 Revenue Requirement

The total revenue allowance for SEMOpX for the 2023/24 period is €5.027m in March 2023 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 Payroll, Facilities and Overheads, IT and Telecommunications, Finance and Regulation, Contract Services and Market Coupling Costs as set out in SEM-20-007. Finance costs include the return on SEMOpX's Regulatory Asset Base, Depreciation and SEMOpX's margin.

FX settlement costs was a new line item introduced to the revenue requirement submission for 2022/23 tariffs. SEMO requested that FX settlement costs be included due to their recent quantum given the high prices experienced during 2021/22. In the past these costs formed part of the K-factor process as it was a lower

³ SEM-20-007 SEMOpX Price Control Decision Paper published on 11th March 2019

amount. SEMOpx believed that the FX Settlement Costs would likely form a significant component of the total SEMOpx costs, and hence an estimate of FX Settlement Costs was included in the Allowable Revenues for the 2022/23 period to ensure that these costs are recovered as close to the time that they are incurred as possible. SEMOpx believe that in order to avoid excessive financing costs and working capital requirements, an estimate of these FX Settlement Costs should be included in the Allowable Revenues for the FY23-24 period as well. SEMOpx requested an allowance of €820k for 2023/24 in their submission but the RAs have allowed an estimate of €400k (based on actual FX settlement costs for 2022/23) at this time.

SEM-20-007 Revenue Requirement	Tariff Year 2023/24 €m (March 2023 prices)
OPEX	4.408
Finance	0.619
Total	5.027

Table 2

2.2 Correction Factor for 2021/22

SEMOpx under recovered €863k in total for tariff year 2020/21 (in March 2022 prices).

2021/22 K-factor summary	€m (March 2022 prices)
2021/22 Revenue allowance	5.039
Total recovered through tariffs	4.176
K factor	0.863
	€m (March 2023 prices)
K factor	0.931

Table 3

2.3 Total Revenue Requirement for 2023/24

Category	€m (March 2023 prices)
2023/24 SEM-20-007 Revenue	€5.027
2021/22 K-Factor	0.931
Total 2023/24 Revenue	€5.957

Table 4