

Commission for Regulation of Utilities

The Exchange
Belgard Square North
Tallaght
D24 PXW0

By email (billy.walker@uregni.gov.uk)

29 July 2019

Re: SEM-19-031: Imperfections Charge Consultation

Dear Mr. Walker,

Ibec, the group that represents Irish business welcomes this opportunity to present our views on the regulatory authorities (RAs) proposals in relation to Imperfections in the I-SEM, namely the 2019/20 Forecast.

Ibec is the largest business representative organisation in Ireland: we speak for over 7,000 companies across a range of industrial, commercial and non-profit sectors. The organisation and its sector associations strive for business conditions that enable sustainable economic growth.

Ibec has reviewed the consultation paper and the RA proposals. Ibec is concerned with the TSOs forecast Imperfections revenue requirement of €302.65 million for the 2019/20 tariff year. This represents a 53% increase on the 2017/18 tariff year and the increase comes at a time of great uncertainty and competitiveness pressure for Irish business as we approach the prospect of a “no-deal” Brexit on the 31st October 2019. While Ibec welcomes the RA amendments bringing the forecast requirement down to €271.33m, Ibec is still concerned by the decision to allow the €84.44m K factor adjustment in full in 2019-20. When taken together the Imperfections Allowance and the proposed K factor adjustment will result in an Imperfections Charge of €10.40 per megawatt-hour (MWh), compared with €5.22 per MWh for the 2018/19 tariff year.

Ibec recommends that recovery of part of this amount be delayed until the subsequent year, in order to smooth the effects of the increases borne ultimately by consumers. While Ibec does not want to see the TSOs experience working capital challenges, an appropriate reduction/delay is vital to protect industrial competitiveness during this period of great uncertainty.

Ibec recognises that the new market arrangements and the decarbonisation of the power system is likely to lead to more significant fixed costs and price uncertainty in the coming years. However, these dramatic unexpected increases cannot become the norm. Businesses cannot be expected to budget for these increases at short notice. It is vital there is full transparency and that businesses are given good timely notice to prepare and budget accordingly. Ibec requests a meeting with SEMC to discuss the Imperfections Charge notification process and how it might become timelier and more accessible to business in future.

If you require any clarification on the issues raised above, please feel free to contact me directly.

Yours sincerely,

Conor Minogue

Senior Executive, Energy and Climate Policy

