



Energy for
generations

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ESB Generation and Trading Response:

SEM-19-063 SEMOpX price control consultation

20th December 2019



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1. INTRODUCTION

ESB Generation and Trading (ESB GT) welcomes the opportunity to respond to SEM's Consultation Paper on SEMOpx price control consultation paper (SEM-19-063).

ESB GT's response is broken into two sections; the first is an executive summary of ESB GT's response to the Consultation Paper and the second section lists ESB GT's responses to the consultation.

2. EXECUTIVE SUMMARY

ESB GT would like to take the opportunity to highlight salient points from our response for consideration:

- ESB GT strongly believes that audit funding is necessary and should be kept in the price control. ESB GT believes that while this funding hasn't been used to date, that stripping it from the price control is not in the best interest of the market. ESB GT is of the view that auditing ought to be completed to assess SEMOpx performance and compliance with the code. Rather than removing the funding the RAs should be requesting SEMOpx to raise a modification requiring an annual audit.
- ESB GT would like to stress the importance of including training in the price control. ESB GT believes that offering training is paramount to preventing actual and perceived barriers to entry. It is good practice to offer training as it ensures communication of changes and encourages new entrants.
- ESB GT is supportive of SEMOpx providing an Urgent Market Messaging platform. ESB GT along with other industry participants requested SEMO/EirGrid to provide such a platform before ISEM Go-Live. Unfortunately, this wasn't possible. ESB GT are of the view that a platform provided by SEMOpx would be beneficial to the industry as it could pool all ISEM participants to one platform.

3. RESPONSE TO CONSULTATION QUESTIONS

In this section ESB GT has commented on the Consultation Paper.

Treatment of the K-Factor

The consultation paper addresses the treatment of K-factor in the price control year on year. In scenario 2 the SEMC has stated that a correction factor for under/over recovery "*could apply to SEMOpx or to SEMO given that the licence conditions pertaining to the NEMO are ascribed to the Market Operator licences*". As in ESB GT's previous response to SEM-19-003, ESB is concerned with this position. ESB GT believes that any correction factor should only be contained within a ring-fenced business unit and not as is implied here.

Labour Costs

The RAs have stated that "*insufficient justification has been provided for the increase in resources from 10.65 internal FTEs to 12.25 internal FTEs*" which ESB GT supports. In light of the experience gained from the first year of I-SEM, ESB GT would expect to see efficiency gains not an increase in costs.

Finance and Regulation

In 2017 SEMOpx had included costs for an audit however to date no audit has been complete. This consultation proposes to remove the Market Audit allowance from the SEMOpx price control, on the understanding that no Market Audit will be required for SEMOpx. However, ESB GT believes that this an annual audit is required. Auditing is a mechanism by which the performance of SEMOpx and compliance with the SEMOpx Rules and Operational Code can be assessed, and ESB GT considers there to be significant benefits to an audit being performed.

Predictable Capex

SEMOpX requested funding for participant training which the RAs are minded to reject. The RAs noted that training was necessary before go-live of the new market as part of the Participant Market Readiness workstream but that it is unclear of what training would be provided going forward. Training is an ongoing necessity for an evolving and growing market. Training for market participants is a common feature of markets elsewhere, for example in GB where National Grid and Elexon provide training year on year for new participants and existing to ensure a level playing field between competitors and to ensure changes are communicated. In addition, ESB GT does not see the cost of training as being prohibitive and would therefore request that the RAs reconsider this position.

The RAs have rejected a SEMOpX proposal to provide a platform. ESB GT does not support this minded-to position and would strongly advise the RAs to reconsider. ESB GT is supportive of SEMOpX providing an Urgent Market Messaging platform. ESB GT along with other industry participants requested SEMO/EirGrid to provide such a platform before ISEM Go-Live. Unfortunately, this wasn't possible. ESB GT are of the view that a platform provided by SEMOpX would be beneficial to the industry as it could pool all ISEM participants to one platform.

Proposed KPIs

SEMOpX has requested that it is allowed 30 working days in which to respond to general inquiries. The RAs have proposed to reduce the response time to 20 working days. ESB GT appreciates the direction of travel taken here from the RAs in driving efficiency however still believe that 20 working days in the dynamic and fast paced energy trading market of today is still too long. ESB GT would ask that the RAs reconsider this further and shorten the length of time for general query responses.