



**Electric Ireland Response:
Consultation On Changes to Reduce Collateral
Requirements in The Balancing Market**

SEM-22-024

8th June 2022

General Comments

Electric Ireland (EI) welcomes the opportunity to respond to the SEM Committee consultation on Changes on Reduce Collateral Requirements in The Balancing Market. We consider it positive and timely to assess and reevaluate the current approach to collateral requirements in the balancing market.

We support the consultation proposals to amend the Single Suspension Delay Period and believe that the benefits of reducing collateral requirements outweigh the increased risk of bad debt in the balancing market.

Given our current designation as the Supplier of Last Resort in the Republic of Ireland, we believe it is important that SEMO can perform to the new timeline to ensure that the steps required under the process can be undertaken as intended.

Responses to Consultation Questions

1. Do you agree with the SEM Committee’s proposals to amend the Single Suspension Delay Period to 5 days and thereby reduce the Undefined Exposure Period to 7 days?

Electric Ireland agrees with the proposal to amend the Single Suspension Delay Period to 5 days and thereby reduce the Undefined Exposure Period to 7 Days to reduce the collateral burden on Participants. As noted in the consultation, the Undefined Exposure Period has been consulted on annually by the SEM Committee since I-SEM go-live and we would propose that this continues to be reviewed in future to allow for any unintended consequences to be rectified.

2. Do you agree that an increased risk of bad debt in the balancing market is an acceptable trade-off when weighed against the reduced collateral burden on all Participants in the market on an ongoing basis?

We believe that the benefits of reducing collateral requirements outweigh the increased risk of bad debt in the balancing market.

3. In your view, what are the reasons why many Participants in the balancing market are posting extra Credit Cover, significantly over and above their Required Credit Cover?

Electric Ireland cannot provide any specific reasons why participants may post extra credit cover, however the reasons outlined in Q4 are likely a contributing factor.

4. In your view, are the approval times for Letters of Credit causing Participants to post extra Credit Cover as “headroom” as they believe they may find it difficult to meet the timelines of a Credit Cover Increase Notice (CCIN) with a Letter of Credit?

Electric Ireland cannot provide any specific reasons why participants may post extra credit cover, however the approval times for Letters of Credit are likely a contributing factor causing participants to post extra credit cover.

5. What are your views on the approval times for Letters of Credit generally? Are there any changes that could be made to the current approval processes that would allow Letters of Credit to be approved more quickly (bearing in mind that Letters of Credit must meet the conditions set out in Agreed Procedure 9)?

Electric Ireland has no comments in relation to the approval times.