

**NIE Energy Limited  
Power Procurement Business (PPB)**

**Interim Arrangements :  
Fuel-Mix Disclosure in the SEM**

**Consultation Paper**

**SEM-09-052**

**Response by NIE Energy (PPB)**

18 June 2009.



## **Introduction**

NIE Energy – Power Procurement Business (“PPB”) welcomes the opportunity to respond to the consultation paper which seeks views on the proposals for interim arrangements in relation to the Fuel-Mix Disclosure in the SEM.

## **Comments**

While PPB is not directly affected by the proposals for interim arrangements, there are a number of areas where we consider further clarity is needed.

The first issue relates to the precise application of the rules in relation to the treatment of Power Purchase Agreements where a supplier is the intermediary. As the RAs will be aware, NIE Energy comprises two separate businesses, NIE Energy PPB and NIE Energy Supply, both of which operate under a single supply licence but with strict ring-fencing applied to ensure the businesses operate independently. NIE Energy Limited, acting through the Power Procurement Business, operates in the SEM as intermediary for a number of generating units. It is not clear how these PPA contracts will be treated under the proposed arrangements. We would expect they would just form part of the average pool fuel-mix although if the definition of “supplier” were to be interpreted as the legal licensed entity then that could inadvertently create a linkage between NIE Energy PPB and NIE Energy Supply under these interim fuel-mix disclosure arrangements.

In terms of the implementation proposals, the obligation to gather information on the fuel source for the SEM has been allocated to the System Operators. However we note that in respect of dual fuel units, the fuel type is to be inferred. It is not clear on what basis this is to be inferred since for example a number of generating units use secondary fuels during startup or to support generation at low loads. Depending on the rules adopted, this will introduce scope for an error in the fuel mix and will make it more difficult to reconcile environmental impact information with verified emissions that are published by the EU (i.e. the total CO<sub>2</sub> calculated by aggregating all suppliers’ emissions (sales \* CO<sub>2</sub> emissions factor) may not add up to the verified totals thereby casting doubt about the integrity of the data). Where there is doubt, it would seem appropriate for the TSOs to seek a breakdown of the fuel-mix allocation from the relevant market participant rather than to simply infer an allocation.

Finally, we note there is a requirement for the TSOs to provide NET imports/exports for interconnector flows. However this may create a conflict with the treatment of interconnector flows as bilateral contracts that sit outside the general SEM fuel mix. It would seem more appropriate for the interconnector imports and exports to be reported separately which would aid verification of bilateral data reported by suppliers (and resolution of any disputes).