

Market Monitoring Unit
Northern Ireland Authority for Energy Regulation
Queens House
14 Queen Street
Belfast
BT1 6ER

FAO Tadhg O'Briain

3rd December 2007

Dear Tadhg

Re: Week Two Market Behaviour

Following the release of week two market data there are a number of issues which have given us immediate cause for concern. We considered it imperative that we raise these issues as soon as possible. We would welcome a response on the specific points as raised below. The main issue is that we do not want an unjustified two shifting and thermal cycling regime to be imposed on our plant with the associated risk of increased plant damage.

Generation Licence Condition 15 Cost Reflective Bidding in the SEM:

There are a number of instances where participants have submitted excessive start up costs leading to inflexible units on the system. The fact that the plants in question (Moneypoint, Poolbeg and Huntstown) are all associated with the dominant ESB and Viridian duopoly is of particular concern. The Moneypoint submission for 14th Nov is more than five times our own submission for the same day and it is difficult to see how this is reflective of the actual costs as per the bidding code of practice. In the second week the data shows a change in the behaviour of some participants with significant increases to start up bids. This is a clear manipulation of the SEM rules designed to undermine what is already an imperfect Market.

Incremental bids submitted by Dublin Bay Power and Coolkeeragh (circa. €17) are clearly contrary to the SRMC bidding code as they would require a gas price significantly below spot or a plant efficiency of greater than 100 percent. Additionally there is a lack of linkage between spot fuel prices and bids. Indeed changes over the two week period made by some participants to bid parameters are reflective of predatory bidding practices. We are concerned that this may be an indication that the so called "ring fencing" arrangements are proving to be ineffective. We would therefore seek an assurance of rigorous enforcement of such arrangements.

T&SC Section 4.26 Accurate and Reflective Data:

We also note that a large section of the ESB & Viridian portfolios are quoting hot start up times of between 8 and 12 Hours resulting in a large block of inflexible plant. We would ask that the plants are benchmarked against recognised best practice for the relevant technology and deviances from this explained and fully justified.

Conclusion

The behaviour as highlighted above is, we suspect an example of the type that we predicted in our consultation responses and meeting of the 10th October. It is consistent with our own experience in other markets (e.g. with the 'duopoly' of Nat Power and Powergen following vertical integration).

We therefore seek confirmation from the Market Monitor that these anomalies are being investigated as a matter of priority and that action will be taken to ensure that these issues are addressed without delay.

Yours Sincerely

Andrew O'Hare

AES Kilroot Power Ltd