

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

**Trading and Settlement Code  
SEMO Revenue and Tariffs  
for  
October 2009 – September 2010**

**Consultation Paper**

**SEM-09-077**

**Response by NIE Energy (PPB)**

14 August 2009.



## **Introduction**

NIE Energy – Power Procurement Business (“PPB”) welcomes the opportunity to respond to the consultation paper on the SEMO Revenue and Tariffs for October 2009 – September 2010.

## **Comments**

### **Form of Regulation**

PPB understand that SEMO were seeking a three year price control however PPB note that the Regulatory Authorities (RAs) propose a one year price control to be applied to the 12 month period 1 October 2009 to 30 September 2010. PPB has no objection in principle for a longer-term price control being applied in the future and will provide response to any consultation held at that time. PPB believes that given that this price control is for one year the proposed regulatory structure is appropriate.

### **Revenue and Charges**

#### **Proposal 1**

PPB agrees that the SEMO’s revenues should be indexed with an inflation expectation for the next price control period of 0%.

#### **Proposal 2**

PPB considers that the level of service and performance provided by SEMO is essential to the smooth and efficient execution of the SEM. In the area of flexibility in facilitating market tests, communication with participants (MOUGs, Workshops etc) and delivering Secretariat services to the Modification Committee SEMO has preformed well. However, PPB feel that there is room for improvement particularly in relation to responding to market queries, retrieval of historical market data and reducing errors in the publication of data. PPB agrees that the allowed budget for payroll be set at an appropriate figure to ensure that the current level of service is not adversely impacted and provides for future enhancement to performance.

#### **Proposal 3**

While the nature of the proposed communications links upgrade is unclear, should this be justified then, PPB agree with setting the budget for IT & Telecommunication at €2,194,000.

#### **Proposal 4**

PPB agrees with setting the budget for facilities at €1,323,514.

#### **Proposal 5**

As acknowledged in section 3.2 of this consultation paper, SEMO’s role can be summarised as to facilitate the efficient, economic, coordinated operation and administration of the Single Electricity Market. Given this role, it is not clear why SEMO would, or should, incur the costs of the specified studies that are possibly outside the remit of SEMO and some may fall more appropriately in

Transmission System Operator remit. Given this PPB disagrees with the proposed allowance for Professional Fees of €680,000.

**Proposal 6**

PPB agrees with the proposed allowance for general and administrative costs of €346,902.

**Proposal 7**

PPB agrees with the budget for corporate services being set at €50,000.

**Proposal 8**

PPB agrees that the allowance for predictable capital expenditure should be fixed at €571,714.

**Proposal 9**

PPB agrees that the allowed WACC be set at €1,852,259.

**Proposal 10**

PPB agrees that the allowed Depreciation be set at €1,852,259.

**Proposal 11**

PPB disagrees with the introduction of a new charge to recover Make Whole Payment costs, as this may require, additional investment for participants to make amendments to their current systems, to account for a new line item appearing on an existing invoice or, to process a new invoice. PPB proposes that the Make Whole Payment costs be included within the Dispatch Balancing Costs.

PPB agrees with the net nominal value for Dispatch Balancing Costs (including Make Whole Payments) be set at €106,311,652.

**Proposal 12**

PPB agrees that the SEMO's accession fee should be fixed at €1,115.

**Proposal 13**

PPB agrees that the SEMO's Participation Fee should be fixed at €2,800.

**KPIs**

PPB does not agree with two of the assumptions made by SEMO in relation to their proposed KPI's. Firstly, the metric for publishing the statements and invoices should be to publish at the time stated in the Trading and Settlement Code and secondly, the first two weeks after a system release should not be excluded from the annual target. This will ensure importance is given to good system testing before moving a release to the production environment.

PPB believes that the publication of the statements and invoices should be grouped together under one KPI.

Other areas for KPIs are:

- Accuracy of data published i.e. there should be no need to republish data unless erroneous data was provided to SEMO by data providers.

- Response to participant queries. A response from the help desk issuing a query number should not be considered as a metric for this KPI. Simple queries should receive a response within 2 days while more complex queries could have a target of 2 weeks.

Depending on agreement of appropriate KPIs which shall deliver real benefits for the market and given that this is a one year price control PPB would agree that 2.5 % of OPEX costs is appropriate as the reward mechanism.

### **Major Market Change**

PPB agrees with the RA's proposal to set the incentive for Major Capex Projects to 10% of savings.