



17<sup>th</sup> December 2010

Mr. Colin Broomfield  
Utility Regulator  
Queens House  
14 Queen Street  
Belfast  
BT1 6ER

Mr. Clive Bowers  
CER  
The Exchange  
Belgard Square North  
Tallaght  
Dublin 24

Via email

**Re: SEM-10-075**

Dear Colin/Clive,

Endesa Ireland welcomes the opportunity to respond to the *Consultation on Harmonised Ancillary Services Payments and the Bidding Code of Practice*.

The SEM was designed to have three separate revenue streams (1) an energy only market, (2) an ancillary services market and (3) the capacity payment mechanism. Option 1 merges the energy market and the ancillary services market and appears not to recognise that ancillary services are services that require payment. Removing the incentive for generators to provide ancillary services has potentially worrying consequences for the market. Merging the energy and ancillary services markets is a significant change to the SEM High-level Design, which does not seem warranted. Endesa Ireland does not support Option 1.

Endesa Ireland agrees with the SEM Committee's preferred Option (Option 2), which would see ancillary services classified as a fixed revenue, so that it is not included in the formulation of Commercial Offer Data but would be deducted from the annual Capacity Pot.

Endesa Ireland notes that in the Decision Paper *Fixed Cost of a Best New Entrant Peaking Plant, Capacity Requirement and Annual Capacity Payment Sum for the Calendar Year 2011* (SEM-10-053) the SEM committee included Ancillary Services Payments of €837,705 in the calculation. This figure fed into the BNE peaking plant price for 2011 and Annual Capacity Payment Sum for 2011.



If the SEM Committee was now to decide that ancillary services constitute a variable charge and should not be included in the BNE calculation, this would require adjustment of the Annual Capacity Payment Sum for 2011, which would cause unnecessary disruption.

From the point of view of clarity and avoiding undue complexity Endesa Ireland believes that Option 2 is the best practical solution and it meets the overall objective of ensuring that Ancillary services are not 'paid twice'.

Please don't hesitate to contact me should you wish to discuss any aspects of this response.

Regards,

A handwritten signature in blue ink that reads "Deirdre Powers".

Deirdre Powers  
Director, Energy Management