

**Jean Pierre Miura**  
**Utility Regulator,**  
**Queens House,**  
**Belfast**  
**BT1 6ED**

27<sup>th</sup> January 2012

Dear Jean Pierre,

**Re: Treatment of Losses in the SEM (SEM-11-098)**

Power NI (formerly NIE Energy Supply) welcomes the opportunity to respond to the SEM Committee's Consultation Paper on Treatment of Losses in the SEM

As a supplier, Power NI is mindful of changes to the operation of the market which could potentially have a negative financial impact on the consumer. Power NI strongly believes that any such changes should be fully considered in any analysis undertaken and a clear cost benefit assessment completed.

Power NI also, in its capacity as the supplier responsible for settling the Northern Ireland (NI) error in the market, takes a great interest in the effect these changes will have on the Error Supplier Unit (ESU) and also in the timetable allocated for the proposed changes. It is of critical importance that the SEM Committee progresses these options in the right order, with particular consideration to the imminent implementation of Global Aggregation. Currently, any NI error produced as a result of the TLAF calculation is allocated solely to Power NI, and it will be Global Aggregation which will see this error equitably spread across all suppliers. Any fundamental change to the structure and application of TLAF's has the potential to affect the ESU to a significant degree, and it is with a measure of concern that Power NI notes there is no reference in the Consultation Paper to either the ESU or Global Aggregation. There is a question as to why these are not of consideration to the SEM Committee, firstly as the application of TLAF's have an immediate effect, but also because they have near-future financial implications not just to Power NI but to all supplier participants in the market.

It should be of high importance that any changes to the TLAF's be structured to minimise the impact to all-island customers. As detailed in Section 4.4 of the Consultation paper, the options presented (with the inclusion of EWIC) which employ a Uniform TLAF in the Market Schedule lend themselves towards lower costs to Consumers. It should be noted that Power NI concentrates on the figures published with the inclusion of EWIC as it is due to come on around the time that these changes are to be implemented. As such a Uniform factor would be Power NI's preferred second portion of the TLAF methodology. The variance in the costs when accepting a Uniform Market Schedule TLAF is ~€3m, which Power NI views as an acceptable

difference, which then begs the question as to which methodology to apply for the Dispatch. When the second table in Section 4.4 is taken into consideration, the impact on the all-island customer variation, it is quite clear that a combination of a Locational Dispatch and Uniform Market lend themselves to the more significant decrease in consumer costs. While the paper acknowledges that the reductions are small in absolute terms, Power NI welcomes any saving to be made to the all-island customer.

As a final note, with regards to the timetable in Section 6, Power NI would propose that the RA's be prepared to adjust their timetable in the event that Global Aggregation is delayed for any reason.

Please do not hesitate to contact me should you wish to discuss this response further.

Yours sincerely,



Wallace McKee

Power NI