

**Submission by Bord na Móna**

**to the**

**Consultation Paper on Generator  
Financial Reporting in the SEM**

**SEM/11/106**

**Date 3<sup>rd</sup> February 2012**

## Consultation Paper on Generator Financial Reporting in the SEM

### Response to Consultation

#### 1 Introduction

Bord na Móna (BnM) welcomes the opportunity to make a submission on the *Consultation Paper on Generator Financial Reporting in the SEM*.

In the first instance it is important to highlight that Bord na Móna, as a member of the National Electricity Association of Ireland (NEAI), fully supports and endorses the association's submission on this consultation. In the interest of streamlining the consultation process in general and this submission in particular, Bord na Móna would be grateful if the RA's would take as read, the arguments contained in the 'industry's' response as being a constituent element of this response.

The association's submission covers a number of pertinent issues, including:

- Transparency – published conclusions from CEPA<sup>1</sup> & MMU<sup>2</sup>
- Policy – there has been no policy decision to return to a regime of 'price control' for generators
- Proportionality – the requests for the proposed information would appear to have failed the proportionality test and may be *ultra vires* the RAs.
- Competition – no evidence, compelling or otherwise has been proffered to suggest that the SEMC proposal would enhance competition
- REMIT Directive – which purports to provide confidence to stakeholders in the integrity of the market
- Commercially Sensitive Information – asymmetry created between licenced companies and non-licenced third parties.

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<sup>1</sup> "Market Power & Liquidity in the SEM", A report for the CER & Utility Regulator, 15/12/2010

<sup>2</sup> SEM-09-039

- Directive for Common Rules for the Internal Market in Electricity (2009/72/EC) – which provides for the preservation of the confidentiality of commercially sensitive information.

The fundamental purpose of this submission is to formally put into the record, Bord na Móna’s support for the NEAI response and to further expand on a limited number of related but relevant points; namely the comparison with the GB market and how the removal of confidentiality could impact negatively on final consumers.

## 2 Comments

### Comparison with the GB market.

Notwithstanding the NEAI’s argument that the RA’s have not justified the need for Generators to supply, and the subsequent publication of the ‘additional’ information; the comparison with the GB market is flawed on three fundamental counts.

Firstly, the bilateral structure of the Betta market ensures that wholesale prices are effectively opaque<sup>3</sup> with 80 – 90% contracted prior to the balancing market. This contrasts dramatically with the SEM where all energy is purchased through the pool at the system marginal price (SMP) which is published daily for every time period.

Secondly, Ofgem explicitly identified abuse in the GB market. Ofgem’s 2009 policy paper was a direct response to concerns “*that the GB wholesale electricity market is increasingly vulnerable to undue exploitation of market power*”<sup>4</sup>. In addition Ofgem identified aggravating factors and possible causes for their concern including “*current*

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<sup>3</sup> “DECC Market Design Workshop”, London, 7<sup>th</sup> April 2011, David Newberry, University of Cambridge, Electricity Policy Research Group

<sup>4</sup> “Addressing Market Power Concerns in the Electricity Wholesale Sector – Initial Policy Proposals”, Ofgem, March 2009, at pp 5, retrieved from <http://ofgem.co.uk>

*shortage of transmission capacity relative to the transmission entry rights sold to generators<sup>5</sup>*, and *“a lack of confidence in the ability of prices to reflect market conditions<sup>6</sup>”*. It can be rightly argued that the very structure of the SEM’s gross mandatory pool, cost reflective bidding in the BCoP coupled to the efficient work of the MMU ensures that specific concerns articulated by Ofgem could not arise in the all-island SEM.

Furthermore, the proposal to publish *“a report detailing the results and providing comparisons, where appropriate with other markets<sup>7</sup>”* is unnecessary and may possibly lead to ambiguous conclusions. Unnecessary, in the sense that SEAI already publish biannual data<sup>8</sup> detailing the cost of energy, including electricity, supplied to a variety of end users. This data and reporting methodology is standardised as it forms part of Eurostat Electricity Price Transparency program.

In the absence of an EU wide standard reporting mechanism, the proposed additional information requested from generators in the SEM, if used to compare with generators operating in other markets would at best be a proxy for reality and could lead to sensationalised interpretation and reporting.

### Confidentiality

The requirement, in particular, to supply ‘Non-Fuel Operating Costs’ which would then be published raises numerous legal issues relating to confidentiality clauses and privity of contract.

In addition and somewhat ironically, it is presumed that if costs such as fuel transportation, maintenance and other services were made public, the result would be

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<sup>5</sup> *Ibid.*, at pp 9

<sup>6</sup> *Ibid.*, at pp9

<sup>7</sup> SEM-11-106 at pp 7

<sup>8</sup> “Electricity & Gas Prices in Ireland” retrieved from [http://www.seai.ie/Publications/Statistics\\_Publications/EPSSU\\_Publications/Electricity\\_and\\_Gas\\_Prices/Electricity\\_and\\_Gas\\_Prices\\_in\\_Ireland\\_1st\\_Semester\\_2011.pdf](http://www.seai.ie/Publications/Statistics_Publications/EPSSU_Publications/Electricity_and_Gas_Prices/Electricity_and_Gas_Prices_in_Ireland_1st_Semester_2011.pdf)

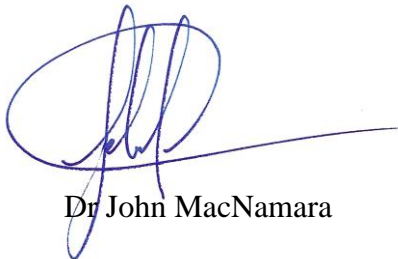
upward pressure on these prices (as suppliers ascertain what the market will bear) which would ultimately be passed back to final consumers.

Conclusion

Bord na Móna believe that the proposal suggested in the consultation paper is unwarranted, disproportional, possibly *ultra vires* and is potentially a retrograde step for competitiveness in the SEM, which in the opinion of the RA's and independent consultants is currently meeting its design objective<sup>9</sup>.

Bord na Móna are anxious to meet and discuss this matter with the RA's so as to further communicate our opposition to the suggested changes to generator's reporting obligations but also to allay any fears the RAs may harbour regarding the 'bottom lines' attributable to Bord na Móna's licenced generating assets.

For and on behalf of  
Bord na Móna,



Dr John MacNamara

3<sup>rd</sup> February 2012

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<sup>9</sup> SEM-12-002