



Response to the Regulatory Authorities Consultation

Single Electricity Market

Treatment of Gas Transportation Capacity Costs

(SEM-12-089)

on behalf of

AES Ballylumford Ltd and AES Kilroot Power Ltd

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Queries to

Commercial Department
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1.0 Introduction

As a major stakeholder within the Northern Ireland gas market, AES Ballylumford Limited and AES Kilroot Power Limited (collectively “AES”) welcomes the opportunity to respond to the consultation ‘Single Electricity Market, Treatment of Gas Transportation Capacity Costs (SEM-12-089)’ - the “Consultation”

2.0 Comments

AES does not purchase or trade gas in the Republic of Ireland (ROI) and therefore we have little experience of the operation of this market, its liquidity etc. However, on the basis of the information provided in the Consultation, it would appear to AES that the market has sufficiently developed to allow consideration of including short term gas transportation capacity costs as part of the Commercial Offer Data (COD) for ROI based generators. We note and agree with the points raised in the Consultation in relation to the lack of transparency of prices in the secondary market and this would need to be addressed.

Whilst in Northern Ireland (NI) the purchase of short term gas capacity products is possible, the lead time for purchasing such products (12 days) and the lack of a secondary trading market would lead AES to the conclusion that the inclusion of such costs as part of the COD for NI based generators may be problematic. By using the forward costs of short term capacity products, it may be possible to satisfy the principles of SRMC, but calculation of the Opportunity Cost, as provided for in the Bidding Code of Practice, would be difficult.

Given that generators in ROI and NI operate and compete within the Single Electricity Market, AES would suggest that the SEM Committee carefully considers any potential distortive impacts associated with ROI generators including short term gas capacity products within their COD. AES also notes the issues raised in the Consultation in relation to calculation of the BNE costs for the Capacity Payments Mechanism. AES would be extremely concerned that NI based generators could see a recalculation/reduction in Capacity Payments but be unable to include these gas transportation capacity costs in their COD.

Therefore, whilst AES is supportive of the principle of including short term gas capacity costs in the formulation of COD, until the gas market for short term capacity products in NI has developed sufficiently to allow NI generators to include such cost in their COD, AES would have some concerns in relation to the inclusion of short term gas capacity costs in the COD in one jurisdiction only.