

KiWi Power Ireland thanks you for the opportunity to provide our comments to the Integrated Single Electricity market (I-SEM) High Level Design for Ireland and Northern Ireland from 2016 Draft Decision Paper. We believe that Demand Response can continue to play an important role in on the entire island of Ireland from 2016 onward provided that it is implemented and incentivised in the appropriate manner. Demand Side Units (DSUs) and Aggregated Generator Units (AGUs) are still in a growth stage and it is imperative that the I-SEM allows continued expansion. With this in mind, KiWi Power's response to the consultation is below.

Capacity Remuneration Mechanism (CRM) – KiWi Power welcomes the decision of the SEM committee to include a CRM. However, we believe the choice of the reliability option places Demand Side Units (DSUs) in a poor position to continue participating in the market. Small participants such as DSUs derive their primary income from the CPM, but the Reliability Option (RO) presents particular difficulties.

DSUs do not currently receive an energy payment when dispatched. If this approach continues in the ISEM, DSUs will be effectively penalised under the RO, as the proposed mechanism states that should the reference price rise above the strike price, then the generator must pay back the difference between the two prices. While a conventional generator will receive an energy payment and can use this payment to fulfil the reliability option, a DSU cannot enact the same as DSUs do not receive energy payments. As such, a DSU would not be incentivised to build a market given the potential commercial exposure.

Capacity Bidding – It is stated that capacity will be determined by a centralised source, and an annual auction will be held to determine optimal price. However, a year-ahead auction leaves DSUs at a disadvantage given that – by nature – DSUs provide flexible capacity throughout the day, week and year. It would be a significant hurdle for DSUs to accurately bid, years or even a year in advance, the quantity of capacity for which they could confidently make available. In addition to offering flexible capacity, DSUs grow and evolve organically with clients leaving and joining a DSU portfolio within a one-year time horizon, thus constantly affecting what a DSU could optimally offer at a point in time. In this way, a DSU's business inherently relies on shorter commercial timelines to earn benefits and to pass those benefits on to their clients. In contrast, large generators do not have this hurdle and can offer a level of capacity to the market with a degree of certainty. Long lead times are inherent to how a power plant is planned and built, so a year ahead market would suit them, but not a DSU.

The existing CPM approach in the SEM has worked well, giving both small and large participants equitable access to the benefits of participating in the market. It has been fair, transparent and non-discriminatory. The Regulatory Authorities should consider that DSUs and AGUs are typically small with limited resources, and the proposed changes would add administrative burden, increase cost of operation and leave DSUs/AGUs at a disadvantaged participatory position.