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Kevin Hagan
Commission for Energy Regulation
The Exchange
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Dear Kenny and Kevin,

PrePayPower, as Ireland's largest prepay electricity provider, welcomes the opportunity to respond to the SEM Committee "Building Blocks Consultation Paper", part of the Energy Trading Arrangements for the Detailed Design (SEM-15-11).

The paper covers transmission losses, constraints, firm access, priority dispatch, curtailment, de-minimis level, treatment of currency, and publication of data. The generator specific topics – constraints, firm access, priority dispatch, and curtailment – will be treated together in our response at a high level.

We address the topics in order of importance to PrePayPower.

Publication of Data

PrePayPower supports transparency in data publications. We continue to support the concept that Generation Orders should ultimately be published by named generator, but the ultimate company-level demand shape and exposure to imbalances for company-level demand portfolios should remain commercially sensitive.

Publication of data will now inform ex ante trading decisions, rather than ex post analysis and review. Correspondingly, participants have greater sensitivity to what is published and when, and this needs careful further consideration.

For example, we support frequent within-day publication of data from the NEMO and TSO, indicating the total cumulative traded position in the market relative to projected and updated demand and wind forecasts. We also support simple access to such data without investment in unnecessarily complex IT infrastructure, and in particular it should allow for simple and user-

configurable data pulls without undue restrictions on the quantity or collation of that data. We propose that there is an industry workshop held in early 2016 to define a wish-list of the set of data to be published, its timings, and the manner of its publication before procurement of systems are fully defined and difficult to change. Confirmation of the data set to be published should be made by H1 2016 to allow participants to complete their detailed design requirement with their ISEM systems vendors.

Generator Incentives (Constraints, firm access, priority dispatch, and curtailment)

These areas relate on the incentives on, and the risks faced by, generators – particularly new entrant generators and renewable generators – to trade. These incentives are related to the initial concepts set out in the Forwards and Liquidity consultation. For example, if curtailed generation or constrained non-firm generation is exposed to imbalance pricing that becomes another factor in the overall risk management for the generator in its decision to trade.

Whatever the decision arrived at by the SEM Committee, PrePayPower notes that non-firm renewables will constitute a large portion of the liquidity in the ISEM market. The final decision in relation to these matters should, when taken in concert with other elements of the market design such as the imbalance pricing or capacity payment mechanism, not act as a disincentive for this cohort of generation to trade in the ex-ante timeframes.

Note that PrePayPower is not in support on relying solely on penal imbalance arrangements as the main driver for ex ante trading for participants. The liquidity of the intraday market remains unproven at this time, and exposure to such penal imbalances may represent an undue risk to participants. Therefore, there should also be positive structure incentives at play beyond just the certainty of ex ante trade pricing, for example:

- Compensation for curtailment for renewables with ex ante trades could be reconsidered?
- Access to the Capacity Remuneration Mechanism hedging for demand and renewables with ex ante trades only?

Treatment of Currency

PrePayPower supports a single ex ante currency charge levied on demand, with corrections ex post. We note that the treatment of currency and the invoicing of those costs, in comparison to other elements of the market design, appear to be operationally complex. This is picked up within the items discussed in the independent SEMO annual audits. Correspondingly it makes sense to manage such complexity without passing potential corrections through to the market on a weekly level within an annual charge/credit to the market. It also remains as a fair socialisation of costs between participants, North and South.

De Minimis Level

PrePayPower sees no rationale presented for changing the de minimis level at this time within the paper, and has identified no internal business need (or wider market benefit) in changing the level. Therefore PrePayPower supports maintaining the generation site de minimis level at the 10MW Maximum Export Capacity as currently.

Losses

PrePayPower supports no change to the existing SEM Committee policy for losses in relation to demand, i.e. non-locational loss factors for demand, and have no opinion as to whether the rules should be re-evaluated for generation.

We have assumed that the paper's consultation question with regard to the Balancing Market submissions – i.e. should they be at the gate or at the trading boundary – is purely a matter for generators' consideration. While as a non-dispatchable demand portfolio, PrePayPower will not be making INC/DEC offers to the Balancing Market.

PrePayPower is agnostic on the treatment of losses on Interconnection.

Our response is not confidential and may be published in full. If you wish to have further communication in relation to our submission, please don't hesitate to contact me.

Yours faithfully,

Cathal Fay