
Response to the SEM Committee's Consultation Paper

on

Balancing Market Principles Code of Practice

(SEM-17-026)

from

BORD^{NA}MÓNA

12th of May 2017

1 Executive Summary

Bord na Móna (BnM) welcomes the opportunity to respond to the SEMC's consultation paper on Balancing Market Principles Code of Practice, which has subsequently been developed arising from the recent publication of the SEMC's decision paper on Complex Bid Offer Controls in the I-SEM Balancing Market (SEM-17-020). In reviewing the proposed content of the BMPCOP document, BnM would like to express a number of high-level concerns regarding cost recovery and governance.

2 BMPCOP Content

Whilst Bord na Mona welcomes the inclusion of a number of cost items such as VOM, foregone costs, foregone DS3 revenue in certain circumstances, to the recoverable costs in the complex bids in the balancing market, there still remains legitimate concerns around the detailed and prescribed nature of the content proposed in the BMPCOP, posing a threat to the flexibility to allow for full cost recovery for participants. Notwithstanding the legal obligation on the Regulatory Authorities that all license holders are capable of financing their activities and investments.

This concern is compounded for plants that are competing and offering flexibility in the balancing market to provide services to the TSO and are not be located behind a locational constraint. This type of plant will not have an opportunity to recover short term cost in the preceding energy market timeframes and is potentially overly regulated in I-SEM energy markets, where its flexibility is most valued.

This situation is also impacted by the wider question on the opportunity for cost recovery across the different revenue streams, Energy, Capacity and DS3, each of which needs to be looked at in the round. In the absence of detailed evidence based analysis that the prescriptive content approach in the BMPCOP, covers the two goals of delivering a competitive price and allowing generators the opportunity to recover legitimate costs, BnM would like to reiterate its support for a bidding principles approach.

3 Impacts of decision from SEM-17-020 – Complex bid offer controls in the I-SEM Balancing Market

BnM concerns regarding the proposed changes to the governance and the approach proposed to transfer the details of the SRMC from the Generation Licence to a Balancing Market Offers Principle document, as outlined in BnM's response to SEM-17-020 still remain. The stimulus and rationale for the change from the existing principle based SEM arrangements is unclear and unconvincing. BnM believe that the implication of the redundancy of the licence condition which is afforded stability through a statutory process would potentially be subject to an undefined change now that it is referenced in the BMPCOP a secondary principles document. This will open both existing generators and potential new entrants to uncertainty.

4 Concluding Remarks

BnM acknowledge that the objective of the proposed BMPCOP is to drive competitive behaviour in the Balancing Market, however its un-intended impact on the potential for cost recovery and governance arrangements highlighted above may open generators and new entrants to uncertainties that could seriously undermine investment confidence in the market in the medium and longer term.

As a final comment and in the absence of supported evidence regarding cost recovery across all revenue streams, BnM would like to re-iterate the governing documents must allow all plants including those providing valuable flexibility the opportunity for a financial return, for which we believe is undervalued.

If you have any queries or require clarification on any point, please do not hesitate to contact me.

For and on behalf of Bord na Móna,



Adele Woods

Wholesale Market Manager, BnM Powergen.
