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Dear Minister,

I am pleased to present to you the second annual report of the Commission for Electricity Regulation in respect of the period from 1 January 2000 - 31 December 2000.

This report is presented in accordance with paragraph 25(c) of the Schedule to the Electricity Regulation Act, 1999.

Kind regards,
Yours sincerely

Tom Reeves
Commissioner for Electricity Regulation
On 19 February 2000 the Irish electricity market opened to competition for the 400 customers consuming over 4GWhours per year and for all customers consuming green electricity. The Commission, from its establishment in July 1999 worked towards achieving actual market opening on that date. I am pleased to report that this target was achieved and that there was a trading system in place along with transmission and distribution use of system charging regimes.

On balance I consider the opening of the market has been a success with over 50% of the eligible customers moving to licensed suppliers and almost 6000 customers to green suppliers. There have also been significant levels of trade across the interconnector.

I welcome the further opening to 40% of the market as planned by the Minister for 2002. In advance of the opening date the Commission will advise newly qualifying customers (approximately 1000) of their entitlements.
There has been considerable interest shown by parties wishing to enter the Irish electricity market. It is very important that new and potential entrants to the market feel and believe that there is a level playing pitch for all. New generators and suppliers must have fair and timely access to the electricity network. We have to clearly demonstrate that new competitors are welcome in the market, while at the same time giving ESB a fair chance to compete and to secure its future. The current review of the rights of generators to access the transmission system is very important in this context.

The Irish electricity system requires further generation capacity in order for it to meet the agreed adequacy standards. Electricity generation is a capital-intensive industry and it takes time for new stations to be constructed and commissioned. There are some weaknesses in the transmission and distribution networks, which will require new investment. It will, however, take some time for the investment programmes in generation and networks to be fully in place. Interim measures were agreed with ESB for meeting generation needs in Winter 2000/2001. A similar programme will be put in place for Winter 2001/2002.

I have some concerns at present concerning the efficiency of the Trading System. We have top-up, spill and secondary prices while the VIPP has a contract price and its own secondary price. All of these prices need to be reviewed and the establishment of a simpler regime considered. A review of the system may be required sooner rather than later in everyone’s interest.

I would like to thank all the parties who contributed to the various panels and committees established by the Commission and those who commented on our consultation papers. Without this level of input from the industry the work of the Commission would be far more difficult.

The Minister has announced that the Commission will take over responsibility for regulation of the natural gas industry. The Commission looks forward to taking on these additional duties.

Tom Reeves
Commissioner
The electricity industry in Ireland has traditionally been structured as a monopoly, dominated by the Electricity Supply Board (ESB) and absent of competition. For more than seventy years ESB has been the sole supplier of electricity, serving the country well and contributing to the ongoing development of the economy.

However, as considered appropriate for most developed economies, the electricity industry in Ireland is being liberalised with the emphasis on competition in a regulated environment. This means that for the first time, ESB will be exposed to competition in its home market.

The European Commission initiated the drive towards the creation of a single market in which electricity could be traded in a manner similar to any other commodity. On 19 December 1996, the European Council and European Parliament adopted EU Directive 96/92/EC, establishing a legal framework for commencement of the liberalisation process across all member states and common rules in the generation, supply and transmission and distribution of electricity. To enable the development of an electricity market and ensure a level playing field for all competitors, the EU Directive required that each member state establish a mechanism for the regulation of its electricity industry.

In December 1998 the Minister for Public Enterprise published a Bill to facilitate the opening of the Irish electricity market and to provide for the establishment of a regulatory body, the Commission for Electricity Regulation. This Bill was enacted into law on 14 July 1999 as the Electricity Regulation Act, 1999, which provides the regulatory framework for the introduction of competition in the generation and supply of electricity in Ireland. This Act was the first step in implementing the requirements of EU Directive 96/92/EC.

Arising from the Electricity Regulation Act, 1999, licensed independent generators may enter the sector and have rights of access to the transmission and distribution systems on tariffs regulated by the Commission. The top 28% of the electricity market was opened up to competition on 19 February 2000, comprising
approximately 400 of the largest consumers of electricity. These are known as eligible customers and are now free to choose their power supply from any licensed supplier. In addition to the eligible market, there is 100% opening of the “green” market, meaning that a licensed supplier sourcing electricity from renewable, sustainable or alternative forms of energy may supply any customer. To encourage the development of energy efficient Combined Heat and Power (CHP) plants, the Act enables licensed CHP plants to sell electricity to their main heat customer, irrespective of that customer’s electricity consumption.

ESB has remained a vertically integrated company with separate business units for generation, transmission, distribution and supply. ESB may also compete in the eligible customer market using a subsidiary company, ring-fenced from ESB’s other business units.

Statutory Instrument (SI) No. 445 of 2000, enacted into law on 20 December 2000, implements the remainder of the requirements of the EU Directive 96/92/EC. It allows for the establishment of an independent Transmission System Operator (TSO), to be known as EirGrid. While transmission system ownership will remain with ESB, EirGrid will operate as an independent statutory company, licensed by the Commission. It will have responsibility for the operation, maintenance and development of the transmission system, as well as power station dispatch and the Trading System Settlement Administrator (SSA). The SI also provides for a Distribution System Operator, which will be operated, owned and ring-fenced within ESB. As a result of the SI, ESB will be required to keep separate accounts for its electricity undertakings, including generation, transmission, distribution and supply activities. A key function of the Commission under the SI will be to regulate the prices charged by ESB to non-eligible customers, those who do not currently have a choice of supplier.
Mission, Values and Role

In recognition of its statutory duties, the Commission has set itself a mission to promote an electricity market which delivers choice, high quality and competitively priced electricity to the consumer on a safe, secure and sustainable basis.

In regulating the market and exercising its duties, the Commission operates to a set of core values. These values represent what it stands for and are an integral part of the organisation’s functioning. The Commission’s core values are to:

- Operate independently
- Act with integrity
- Offer balance and fairness in all our dealings
- Operate transparently
- Provide excellent service
- Value its employees.

The Commission’s primary duties are to protect the interests of final customers and not to discriminate unfairly between various players.
in the market. The Commission believes that liberalisation of the electricity industry and the introduction of competition is essential in an advanced economy such as Ireland’s, making a substantial and long-term contribution to Ireland’s economic and social development. The Commission has adopted a forward looking approach promoting increased choice for all consumers, while fulfilling its various statutory functions and duties, such as promoting competition, promoting efficient use and production of electricity and taking account of the environment.

As the transportation of electricity by ESB’s transmission and distribution networks is closest to a natural monopoly, the Commission takes an active regulatory stance in relation to the operation, maintenance and development of these networks, as well as approving tariffs for third party access to the system.

The Commission encourages competition in the generation and supply segments of the electricity market, by authorising the construction of new generating plant, licensing the production of electricity and licensing new players wishing to enter the newly opened supply market. It oversees the system for trading electricity in Ireland, which is governed by the Trading and Settlement Code, and approves amendments proposed to the Code.

ESB will no longer seek approval for its tariffs from the Minister for Public Enterprise. Under the SI the Commission will have the key responsibility for regulating prices for those non-eligible customers.
During the year, 25 plants were issued with a Licence to Generate Electricity, with a capacity totaling over 660MW.

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Generation Licences

Authorisations to Construct

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<th>Number of Plant Types Authorised to Construct</th>
<th>Total MW of Plant Types Authorised to Construct</th>
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<td>CCGT</td>
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<td>CHP</td>
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<th>Emergency Peat Wind Hydro</th>
<th>Total MW of Plant Types Authorised to Construct</th>
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Key Tasks - 2000

Authorisations and Licences

Since the partial opening of the electricity market on 19 February 2000, one of the aims of the Commission for Electricity Regulation has been to promote competition in the generation and supply of electricity. With this in mind, the Electricity Regulation Act, 1999 has provided the Commission with the necessary powers to authorise and licence new players entering the electricity market. The assessment and issue of Authorisations and Licences, as well as monitoring and enforcement, is one of the key functions of the Commission in the new electricity market.

The Act specifies that anyone wishing to construct a new generating station or reconstruct an existing generating station must obtain an Authorisation to Construct from the Commission. In Statutory Instrument 309 of 1999 the Minister for Public Enterprise established criteria by which the Commission may determine such an application. Based on these the Commission assesses applications in detail using a wide variety of measures, such as the:

- Technical and financial abilities of the applicant to carry out activities proposed
- Effect the plant will have upon the safety and security of the electricity system
- Efficient production of energy and protection of the environment.

Under the Act the Commission also has powers to grant, or refuse to grant, a Licence to Generate Electricity and a Licence to Supply Electricity. There are three separate classes of Licence to Supply Electricity:

- Licence to supply eligible customers
- Licence to supply all final customers with electricity produced from “green” sources
- Licence to supply final customers with electricity produced from combined heat and power to the single premises of the main heat customer.

Authorisations

During the year 2000 a total of 27 plants were issued with an Authorisation to Construct, with a combined capacity of over 1,400MW.

The largest stations (in terms of capacity) issued with an Authorisation during 2000 are:

- Synergen – over 400MW Combined Cycle Gas Turbine Station at Pigeon House Road, Ringsend, Dublin 2
- Ireland Power Energy Ltd. – a 400MW Combined Cycle Gas Turbine Station at Damastown Industrial Park, Mulhuddart, Fingal County
- Huntstown Power Company Ltd. – over 300MW Combined Cycle Gas Turbine Station at Huntstown and Johnstown, Finglas, County Dublin
- Dungarvan Energy Ltd. – a 110MW Combined Cycle Gas Turbine Station at Dungarvan, Co. Waterford.

In view of its commitment to encourage renewable forms of electricity generation, the Commission is pleased to have authorised the construction of 10 wind farms and 6 hydro stations.
Trading and Settlement Code

The electricity market opened on 19 February 2000. A trading regime was established and the Trading and Settlement Code ("the Code"), which sets out the trading rules was put in place.

The Code contains the administrative, legal and commercial aspects of the trading and settlement arrangements, as well as the algorithms describing detailed settlement rules. The Code sets out the roles of different players in the market, in particular the Settlement System Administrator (SSA), part of ESB National Grid, which settles all trades of electricity and the Meter Registration System Operator (MRSO), part of ESB Distribution, which provides the metering data for the independent sector. The Commission works closely with both bodies to ensure the efficient functioning of the market.

On 18 February 2000 the Commission approved the first version of the Code and on 20 November a second revised and updated version of the Code was approved. In addition, twelve Agreed Procedures have been published which detail procedural issues arising under the Code.

Trading and Settlement Advisory Committee

To assist in the development of the Code the Commission established a Trading and Settlement Advisory Committee (TSAC). This group, chaired by the Commission, was made up of representatives of independent power producers (including combined heat and power and renewable sectors), suppliers (including ESB) and the Transmission System Operator (TSO). The Trading and Settlement Code Advisory Committee (TSAC) examined proposed modifications as well as discussing market issues and receiving market reports. The minutes of the various meetings are available on the Commission’s website.

Trading and Settlement Modification Panel

The Trading and Settlement Code Modification Panel, which replaced TSAC, was set up under the Trading and Settlement Modification Panel Rules. The Panel is a forum dedicated to proposing and assessing proposed
modifications to the Code and comprises representatives of each sector of the industry: CHP generators, ESB Power Generation, independent power producers, green generators, green suppliers, MRSO, TSO, SSA, ESB, suppliers and a representative of the Commission. Initially the Panel will examine almost 100 proposed modifications to the Code.

Top-up and Spill Prices

The Top-up and Spill prices for 2000 were prepared in accordance with a Policy Direction from the Minister for Public Enterprise and are designed to settle energy imbalances between market participants. Top-up prices were determined ex-ante and published on 17 February 2000. The Spill Price on the other hand is calculated for every half hour of the day in arrears.

The independent sector has been able to purchase top-up from ESB (Power Generation) in sufficient quantity to provide adequate back-up supplies at prices that average out over the year to the estimated full cost of a best new entrant (BNE). The Commission in February also published this BNE price.

The independent sector can spill to ESB (Power Generation) at ESB’s avoidable fuel cost for an initial tranche of 25% of total eligible customer demand. This was estimated to be 200 MW in 2000, but the figure will increase with eligible customer demand growth and with further market opening in 2002. The SSA calculates the Spill price ex post and the Trading and Settlement Rules, Appendix 7 to the Code, determine how energy spilled into the market is priced.

Top-up entitlement and secondary pricing

The Commission issued a Decision Paper, CER/00/16, in August 2000, which set out modifications to the Trading and Settlement Code such that (a) access by independent sector generators and suppliers to top up would be limited and (b) supplies in excess of top up would be available to independent sector generators and suppliers at a secondary price, set at a multiplier of the top-up price.

Also in August of 2000 the Commission put in place interim arrangements, limiting access to top-up and setting the secondary price, to remain in place until such time as the
Commission had consulted on and implemented a more enduring solution. This consultation was to include consideration of secondary pricing. Accordingly, in November the Commission published a consultation paper, CER/00/75, which set out a number of options on how access to top up by independent sector generators and suppliers might be limited and on how the price of top up in excess of a generator’s or supplier’s entitlement might be determined.

Generation Capacity Statement
In March 2000 the Commission published the Generation Capacity Requirement to 2006 document prepared by ESB. The purpose of this document is to relate the forecast demand for electricity to the projected generation resources, in order to identify any shortfall in confirmed generating capacity in the state under a number of future scenarios.

VIPP Auctions
A Policy Direction of the Minister for Public Enterprise of July 1999 stated that ESB may enter into voluntary commercial contracts with licensed electricity suppliers once it has met its ESB Public Electricity Supplier (PES) and normal top-up obligations. Under the Act the Commission must have regard for the need to promote competition and, recognising that new power stations would not be on the system for some years, commenced discussions with ESB on a means by which early competition could be introduced.

In August 2000, following public consultation, the Commission reached agreement with ESB on proposals for Virtual Independent Power Producer (VIPP) auctions for both green energy and conventional non-green, or brown energy.

The final proposals provided for the auction of 600MW of non-green electricity, in 1MW tranches, and 40GWh of green electricity, in 1GWh tranches, each for one year. The non-green electricity was offered for sale over the course of three auctions, the first for 400MW and two further auctions of 100MW each.

In all 564MW of the available 600MW was sold over the three auctions to three successful bidders, ePower, ESB Independent Energy (ESBIE) and Viridian Energy Supply (Energia). In addition 32GWh of the green electricity available was sold to ePower and ESBIE.
In the programme of market liberalisation for electricity the transportation of power by networks is the function least suited to introduction of competition and that closest to natural monopoly. This monopoly position requires that the Commission takes an active regulatory stance in relation to the operation of, maintenance and development of the networks business and ensuring that development of the networks business assists in the liberalisation process.

In a market place with competitive generation and supply it is essential that suppliers are able to transport energy from generators to final customers. This is carried out under a system of regulated charges as approved by the Commission and which varies depending on location and the voltage level at which generators and customers are connected.

The Commission’s powers are set down in Sections 34 and 35 of the Electricity Regulation Act, 1999, where the Commission may direct the ESB in relation to the terms and conditions for connection to and use of the networks.

**Use of System Charging**

The Commission approved the tariffs to be levied for use of the transmission and distribution systems for market opening on 19 February 2000. The Transmission Use of System (TUoS), 25% of which is paid by generators and 75% by load, was approved at an average of 0.51p/kWh.
Generators on the system pay a different TUoS depending on their location, thus facilitating a locational signal for generators to locate where they are most needed on the system, so that constraints can be minimised.

The Distribution Use of System (DUoS) charge is paid entirely by load and was approved at an average of 2.06p/kWh. In approving these charges the Commission took into account an appropriate rate of return on the assets and the necessary operating and capital expenditure to maintain a well-developed network. The charges were initially granted for one year to facilitate market opening and are currently part of a comprehensive review being undertaken by the Commission.

Use of System Agreements
During the course of 2000 the Commission consulted on and approved Use of System Agreements, necessary to facilitate the VIPP auctions. The Commission’s role was to ensure that a fair balance was achieved between the user (supplier) and company (ESB) with regard to rights when using the system.

Connection Asset Principles
At the time of the Commission’s formation all new generators connecting to the system were connected on the basis of “deep connection principles.” This meant that a generator connected to the system had to pay not only for any connection assets that might be necessary to connect them to the system (“shallow connection assets”) but also any “deep reinforcement works” that might be necessary to allow it to be dispatched.

On 23 December 1999 the Commission issued a direction, which provided for parties to pay only for their “shallow connection assets”, thus reducing the costs for new entrants into the generation market. The additional “deep reinforcement works” are paid for by all users through the use of system charges.

To facilitate the implementation of this shift the Commission published a paper on “Connection Asset Principles” to determine the boundary for shallow asset connection, the outcome of which was to embody the principle that the customer should pay for the “least cost technically feasible connection consistent with the appropriate planning criteria.” This also required a change to the generation connection agreement for intending Independent Power Producers (IPPs), which was published, and consulted on, during the course of the year as the Supplemental Deed to the existing Generation Connection Agreement.

Connection Agreements
The newly liberalised electricity industry will require that every customer sign up a Connection Agreement that will provide a new interface between the customer and ESB as networks provider. The Commission has consulted on such agreements and believes that these reflect a reasonable balance between the rights of the user and the ESB. These agreements are necessary to facilitate the change of Supplier process.
Grid/Distribution Code

The Grid Code is essentially the “rules of the road” when it comes to connecting equipment to and use of the National Transmission Grid. The Commission approved the Grid Code in December 2000. The Commission also approved the Distribution Code in March 2000, which sets out connecting and operating conditions for the distribution system.

Interconnection

Competition in generation can come not only through the introduction of new generating stations in the state but also from the import or export of power through interconnection with other systems. During 2000 the Commission oversaw the auctioning of 30MW export capacity on the Ireland - Northern Ireland Interconnector to new suppliers, thus encouraging the creation of an all-Ireland market. A tranche of 100MW of capacity was auctioned by OFREG, the Commission’s counterpart in Northern Ireland, for import into the state. Further investment in interconnection with other systems has been sanctioned by the Commission to facilitate increased interconnector transfers in the future.

International Practice

Over the course of the year 2000 the Commission has taken part in European meetings on the Electricity Liberalisation Process, the Gas Liberalisation Process and Council of European Energy Regulators Working Groups on Harmonisation, Congestion and Cross Border Trading, to ensure that practice in the Irish market is consistent with, and can draw on, international best practice in the regulatory environment.

Gas Capacity Allocation

The Commission was charged with the undertaking of an assessment for the allocation of scarce gas capacity in the Bord Gáis Éireann transmission system, under the Gas (Amendment) Act, 2000, whereby rights in the natural gas network were awarded to intending power station projects on a first-to-commission basis. As part of this process the Commission also took into consideration any “adverse effect on competition” and “security of supply” considerations. The Commission received four applications from intending projects and awarded rights to three parties, namely Huntstown Power Company Limited, Dungarvan Energy Limited and Synergen. The Commission has an ongoing role in this regard in monitoring the successful applicants’ progress towards meeting their intended commissioning date.

East Coast Statement

During 2000, and in conjunction with the competition for the allocation of scarce gas capacity, the Commission requested National Grid to produce a report on the feasibility of new generation locating in the Dublin region. This report, “The East Coast Statement”, indicated the shortfall of available transmission capacity in the Dublin region allowing applicants to make an informed choice in the gas competition.
Organisation Development

The Commission aims to create an organisational structure that supports the delivery of its strategy, goals and objectives. During the year the Commission appointed a team of senior management, with Heads of Function leading three divisions within the organisation - Consumer and Corporate Affairs, Generation & Supply and Networks. The Commission’s organisational structure is shown above.

During the year the Commission also recruited individuals to ensure the delivery of the Commission’s objectives and policies, including Senior Analysts, Analysts, administrative and secretarial staff. By the end of the year there were 16 staff employed at the Commission. In June 2000 the Commission moved from its temporary accommodation at South Frederick Street, in Dublin city centre to a purpose built complex at the Plaza House, Belgard Road, Tallaght, Dublin 24. To meet the work programme and particularly the additional functions conferred on the Commission by the recently implemented SI 445 of 2000, the Commission commenced a recruitment drive in December 2000 to further increase staffing resources. Advertisements were placed in the national press with a view to the Commission recruiting further Senior Analysts, Analysts, administrative and secretarial staff.
Licensing

The Commission will continue to assess applications for Authorisations to Construct or Reconstruct Generating Stations, Licences to Generate and Licences to Supply Electricity, with a view to licensing new entrants into the market. Post-issue licence monitoring and enforcement will also become more pertinent to ensure that all market players comply with Licence conditions. This ranges from monitoring the construction and efficient performance of new power plants to ensuring that they adhere to all applicable Irish and EU environmental laws. In addition the Commission will monitor licensed suppliers to ensure they have adequate systems to allow for proper customer management and care.

Top-up entitlement and secondary pricing

In November 2000 the Commission published a consultation paper which set out a number of options on how access to top-up by independent sector generators and suppliers might be limited and on how the price of top-up in excess of a generator’s or supplier’s entitlement might be determined.

The Commission is currently considering all comments received on these matters and will issue a final decision on the Secondary Price early in 2001 and the other outstanding matters relating to top-up entitlement shortly thereafter.

Firm and Non-firm Access

In its Draft Direction under Section 34(1) of the Electricity Regulation Act, 1999, regarding Connection to and Use of the Transmission System, the Commission proposed that
generators should have access to the transmission network on a timeframe related to the completion of the generator’s shallow connection assets. At that time the Commission stated its intention to publish a consultation paper addressing the matter of firm/non-firm access to the transmission system.

Firm access to the grid means that if a generating plant is turned down, as a result of constraints on the grid, the generator will be compensated. If the generator has non-firm access, however, it will not be compensated for being requested to turn down. These two could also be mixed; for example, one could have some proportion firm and some non-firm. This raises the question of how such rights should be allocated and what other possibilities for trading could be applicable.

A paper will be published early in January 2001 and will invite interested parties to comment on whether and how the trading rules should be modified to facilitate generators trading in the market from the date of their shallow connection. The paper will present: the current situation, new generators initially having non-firm access, certain generators (old and new) having firm access, generators trading firm rights, the TSO managing constraints and losses via locational pricing and financial transmission rights. The advantages and disadvantages of each proposal will be presented and issues and questions raised at the end of the paper.

The Commission will consider all comments and submissions received and will host a public meeting in late March to give respondents an opportunity to discuss the matter further.

Vesting Arrangements
The Minister for Public Enterprise’s Industry Framework provides for a five-year contract between ESB (PES) and ESB (PG) and this agreement will form the basis for a transfer pricing arrangement between the two parties.

Under the recently introduced Statutory Instrument, the Commission is tasked with examining charges and the costs underlying the charges for electricity supplied by ESB in its role as ESB (PES). ESB’s role as Public Electricity Supplier is to sell electricity to the franchise market.

The franchise market comprises those customers that do not have a choice of supplier and eligible customers that elect to be supplied by PES (but have the freedom to move to another supplier). Under the current market arrangement, ESB (PG) provides output to ESB (PES). Where necessary, the Commission can then direct ESB to amend such charges.
The Commission will commence a review of the appropriate level of ESB (PG) Revenue for output provided to ESB (PES) with a view to completing the process by July of 2001.

Public Service Obligations
Section 39 of the Electricity Regulation Act, 1999, provides that the Minister for Public Enterprise may direct the Commission to impose on ESB and other licence holders public service obligations in relation to security of supply, regularity, quality and price of supplies, environmental protection and use of indigenous energy sources.

The Minister recently notified the European Commission of her intention to impose public service obligations on ESB. These proposed public service obligations relate to the use of peat-fired generation for security of supply reasons and the use of certain renewable, sustainable or alternative generation for environmental protection.

When approved by the European Commission, the Minister will direct the Commission to impose PSOs on ESB to provide for the additional costs involved by way of a transparent charge levied on final customers. It is expected that such approval will be forthcoming early in 2001 and a draft Order will be published shortly afterwards. The Commission will determine the PSO charge applicable in each year and calculate the appropriate Levy to be applied.

VIPP Auctions
Following on from the success of the first VIPP auctions the Commission will commence discussions with ESB regarding a second series of auctions. The Commission plans to run the second series of auctions in autumn of 2001.

Market Opening
The Minister for Public Enterprise has indicated that the market will open from the current 28% to 40% in 2002, that equates approximately to the 1GWh level of annual consumption. This means that the number of eligible customers will increase from the current approximate of 400 to almost 1400. Therefore more customers will be able to avail of the benefits of increased competition, choice and innovation. In anticipation of this increase, the Distribution section of ESB will be installing profile meters for those customers about to become eligible.

The Commission is currently examining the issues surrounding the further opening of the market. The market will open fully, i.e. 100%, in 2005. The further opening of the market presents challenges for the Commission and the market operators, as well as market participants. The Commission will be gearing up throughout 2001, in anticipation of this challenge.

Trading and Settlement Code Consultations
The Commission is currently consulting on a number of important issues regarding the Code; the issue of who should accede to the
Code and under what circumstances; the question of how CHP plant should be treated under the Code; and the issue of access to the transmission system be it firm, non firm or another format.

Information Projects
The Commission intends to research market participants’ and the public’s information requirements and investigate how these might be best addressed. The Commission intends to review its website in the light of information needs. For example, the Commission intends to publish spill price data on its website for public consumption and to arrange a public forum on the issue of cross border interconnector trading.

Green Balancing
Under the Trading and Settlement Code, “green” generators or suppliers (those generating or using renewable, sustainable or alternative forms of energy) are entitled to purchase unlimited top-up. This is a reflection of the positive approach of the Commission regarding the renewable sector and greatly facilitates the market participants, as some renewable electricity sources, for example wind, cannot supply continuously given the fluctuating weather conditions. However to meet the requirements of the legislation and Condition 20 of a green supply licence, the green supplier is required to supply no more electricity to final customers than that which is available to it using renewable, sustainable or alternative forms of energy on an annual basis from the date of licence issue. While the Commission considers it vital that a green supplier complies with the spirit of this Condition, during 2001 it will implement a flexible procedure for its implementation.

Forecast Statement
The Commission will oversee the production of a forecast statement by EirGrid, which will provide information on the estimated generation capacity required for the State, the need for transmission infrastructure investment and the performance of the network. The first element of this forecast, the Generation Adequacy Statement for the Period 2001 to 2007 will be published in April 2001.

Use of System Charging
The current review of use of system charges for the transmission and distribution systems will result in a new tariff regime, which will be completed in 2001. The review examines all aspects of cost and efficiency for the transmission and distribution systems from 2001 to 2005 with a view to implementing a tariff regime that will incentivise the networks business to make cost savings which can ultimately be passed onto final customers. This review also approves the capital spend on networks to deliver the increased capacity necessary in a growing economy and improvements in quality of service and supply to be delivered to final customers. The Commission is considering the treatment of Autoproducers in the Transmission Charging Regime as a particular aspect of this review.
Network Licences

Under Regulation 5 of Statutory Instrument (SI) No. 445 of 2000, the Commission will licence EirGrid to act as the Transmission System Operator, the TSO. The TSO will be responsible for operating and ensuring the maintenance of the transmission system, including generator scheduling and dispatch, ensuring the availability of all ancillary services and exploring opportunities for expansion of the existing network. The TSO will also be responsible for system connection agreements including charging, recovering of transmission use of system charges and administering the trading and settlement system. ESB will maintain ownership of, and responsibility for, the transmission assets and will be issued a separate Transmission System Owner Licence. A Distribution System Operator Licence will also be issued to ESB.

The SI sets out that the Commission is to act as a final arbiter in the negotiation of an Infrastructure Agreement between EirGrid as Transmission System Operator and ESB as Transmission Asset Owner. This agreement will include the contractual relationships between the parties in relationship to connection, operation, maintenance and development of the transmission system.

The Commission will issue a Direction to ESB to ensure that appropriate resources are made available to ESB National Grid during the period of transition between the signing of the SI’s Regulations on 20 December 2000 and the effective date on 20 June 2001. The Commission will also approve a scheme for the permanent transfer of assets and liabilities, including accommodation and staff, from ESB to EirGrid.

The Commission will establish industry representative Grid and Distribution Code Review Panels, to act as advisory bodies on any proposed amendments to these documents.

Dispute Resolution

During the course of 2001 it is the Commission’s intention to put in place a dispute resolution procedure to fulfill its obligations under Section 34 of the Electricity Regulation Act, 1999. The Commission will look at international practice in the regulatory environment in devising an appropriate procedure that is acceptable to all market participants.

Transmission Connections

The Commission will approve the form of the Transmission Connection Agreements for both generators and demand customers, and the charging policy for new connections, as well as the process for applications for new generators to connect to the transmission system. SI No. 445 sets out a new provision that shallow connections to the transmission system may be provided by parties other than the TSO if the applicant so wishes. The Commission will consult on setting out an approved set of technical criteria that such “contestable connections” must comply with, thus opening up to competition another element of the industry traditionally associated with a monopoly provider.
Interconnection

Competition in generation can come not only through the introduction of new generating stations in the state but also from the import or export of power through interconnection with other systems. During 2001 capacity in the Ireland-Northern Ireland Interconnector will be doubled to 600MW and a new Scotland-Northern Ireland connector will come on line.

The Commission intends to liaise with the TSO and regulators in Northern Ireland and Scotland on the implications of international trade in electricity.

Organisation Development

Following the initiation of a recruitment drive at the end of 2000, the Commission intends to employ an additional 12 staff across the various levels to assist in the delivery of the Commission’s objectives and policies, including Senior Analysts, Analysts, administrative and secretarial staff. Recruitment is planned across all functional areas and takes account of the existing duties of the Commission and those set out under SI No. 445 of 2000.

In addition, the Commission will commence planning for the implementation of gas regulation, responsibility for which is expected to pass to the Commission later in 2001. This planning will address structural, procedural and resourcing issues.
Appendix I:
Documents Published by the Commission from 1 January 2000 to 31 December 2000

0001 Metering Code
0002 Report on the Consultation - Draft Authorisation to Construct or Reconstruct a Generating Station
0003 Final Proposals for Trading Across the Ireland - Northern Ireland Interconnector
0003a Summary of Comments Received - Trading Across the Interconnector with Northern Ireland
0004 Final Proposals for a Transitional Electricity Trading and Settlement System
0005a Authorisation to Construct or Reconstruct a Generating Station
0005b Application for Authorisation to Construct or Reconstruct a Generating Station
0005c Guidance Notes - Authorisation to Construct or Reconstruct a Generating Station
0006a Licence to Generate Electricity
0006b Application for Licence to Generate Electricity
0006c Guidance Notes - Licence to Generate Electricity
0008a Licence to Supply Electricity
0008b Application for Licence to Supply Electricity
0008c Guidance Notes - Licence to Supply Electricity
0010 Treatment of Distribution and Transmission Losses
0011 Best New Entrant Decision Paper
0012a Top-Up Prices in 2000
0012b Top-Up Prices at the Trading Point
0013 Commission’s Approval - Use of System Charges

Trading and Settlement Code

0007 The Code
0007a Appendix 7 of the Code - Trading and Settlement Rules
0007b Framework Agreement
0007c Trading and Settlement Code Modification Letter
0007d Agreed Procedure 1 - Interface data
0007e Agreed Procedure 2 - Ex-post Unconstrained Schedule
0007f Agreed Procedure 3 - Green Customer Demand Reconciliation
0007g Agreed Procedure 4 - Demand Forecast and Generation Scheduling and Dispatch
0007h Agreed Procedure 5 - Short Notice Declaration Compensation
0007i Agreed Procedure 6 - Interconnector Trading
0007j Attachment to Agreed Procedure 6 - Interconnector Capacity Request Form
0007k Agreed Procedure 7 - Instructions Profiling
0007l Agreed Procedure 8 - Settlement for Units with Shared Metering Systems
0007m Agreed Procedure 9 - SSA Entry Process
0007n Attachment 1 to Agreed Procedure 9 - Market Participant Admission High Level Process Diagram
0007o Attachment 2 to Agreed Procedure 9 - Market Participant Admission Application
0007p Attachment 3 to Agreed Procedure 9 - Market Participant Admission Application, SSA Response

0014 Customer Profiles; Classes 3 to 8
0014a Generation Licence; Amended Condition 3
0015 Supply Licence; Amended Condition 3
0016 Limits on Access to Top-Up: A Decision by the Commission for Electricity Regulation
0016a Annex 2 to the Decision Paper, Revised Rules for Purchases over and above Top-Up Entitlements
0033 Revised Non-Green VIPP Agreement
0034 Revised Non-Green VIPP Invitation to Bid
0035 Commission’s Direction on Connection Asset Costs: Guiding Principles paper
0035a Report and Conclusions Following Consultation - Connection Asset Costs: Guiding Principles paper
0040 Overview Guide to the Green VIPP Auction
0041 VIPP Auctions Notice
0042 Invitation to Bid in the Green Virtual IPP Auction
0043 GVIPP Agreement
0044 Summary of Comments received regarding Virtual Independent Power Producer (VIPP) Auctions
0045 Invitation to Bid in the Non Green VIPP Auction
0046 Non-Green VIPP Agreement
0047 Overview Guide to the Non Green VIPP Auction
0048 Processing Applications for Connection to the Transmission System
0049 Capacity Margin
0050 Best New Entrant 2001 - Consultation Paper
0051 Accession to the Trading and Settlement Code by Generators with a Power Purchasing Agreement with ESB PES
0052 The Treatment of Autoproducers in the Transmission Charging Regime
0053 Version 2.0 of the Trading and Settlement Code
0054 Appendix 7 to the Code Version 2.0
0055 Treatment of Top up for the Independent Sector
0056 Eligible Customer Letter
0057 Results of the Gas Network Capacity Competition
0058 Draft Direction under Section 34(1) of the Electricity Regulation Act, 1999
0059 General Conditions For Connection of Industrial and Commercial Customers and Generators To The Distribution System
0060 Standard Connection Agreement
0061 Major User Connection Agreement
0062 Interim Arrangements for Customers Wishing to Change Supplier
0063 Best New Entrant Price 2001 - The Commission’s Decision
0064 Top up Prices in 2001
0065 Top up Prices at the Trading Point Spreadsheet
0066 Urban and Rural Domestic Profiles
0080 Results of the Gas Network Capacity Competition
0081 Draft Direction under Section 34(1) of the Electricity Regulation Act, 1999
0082 General Conditions For Connection of Industrial and Commercial Customers and Generators To The Distribution System
0087 Standard Connection Agreement
0088 Major User Connection Agreement
0089 Interim Arrangements for Customers Wishing to Change Supplier
0090 Best New Entrant Price 2001 - The Commission’s Decision
0091 Top up Prices in 2001
0091a Top up Prices at the Trading Point Spreadsheet
0092 Urban and Rural Domestic Profiles

ESB0001a Grid Code - Demand Forecasts
ESB0001b Grid Code - System Services
ESB0001c Grid Code - Demand Control
ESB0001d Grid Code - Emergency Control and Power System Restoration
ESB0001e Grid Code - Monitoring, Testing and Investigation
ESB0001f Grid Code - Safety Co-ordination
ESB0002a Draft Distribution Agreements - General Conditions
ESB0002b Draft Distribution Agreements - Standard Connection Agreement
ESB0002c Draft Distribution Agreements - Major User Connection Agreement
ESB0003 Distribution Loss Adjustment Factors
ESB0004 Transmission Losses Treatment
ESB0005 Transmission Use of System Charges
ESB0006 Distribution Use of System Charges
ESB0007 Transmission Use of System Agreement
ESB0008 Distribution Use of System Agreement
ESB0009 Details of Virtual Independent Power Producer (VIPP) Capacity Auction
ESB0010 Details of Green Virtual Independent Power Producer (VIPP) Capacity Auction
ESB0011 Generation Capacity Requirements to 2006
ESB0012 Connection Asset Costs: Guiding Principles
ESB0013 Threshold for Profile Metering: ESB Submission to the CER
ESB0014 Grid Code Operational Code 7 - Information Exchange
ESB0015 Grid Code Operational Code 8 - Operational Testing
ESB0016 Scheduling and Dispatch Code 1 - Generation Scheduling Code
Appendix II:

Relevant Legislation


The EU directive concerning the internal market in electricity came into force on the 19 February 1997 and was implemented in Ireland on 19 February 2000. The Directive required that approximately 28% of the Irish electricity market be opened up to competition at that time, increasing to about 32% by February 2003. This will allow independent electricity generators and/or suppliers to contract directly with designated eligible customers for the supply of electricity.

**Electricity Regulation Act, 1999**

The Electricity Regulation Act, 1999 provides the regulatory framework for the introduction of competition in the generation and supply of electricity in Ireland. The Act provided for the establishment of the Commission for Electricity Regulation and gives it the necessary powers to license and regulate the generation, distribution, transmission and supply of electricity.

**Policy Direction - Trading in Electricity**

One of the functions of the Commission for Electricity Regulation under Section 9(1)(a) of the Electricity Regulation Act, 1999, is to publish, pursuant to a policy direction or directions of the Minister, which shall be made publicly available when given to the Commission, proposals for a system of contracts and other arrangements, including appropriate rights and obligations, for trading in electricity.

This policy direction was received from the Department of Public Enterprise by the CER on 27 July 1999.

**S.I. No. 213 of 1999:**

*Electricity Regulation Act, 1999 (Commencement) Order, 1999*

This Order brings into operation on 14 July, 1999, the provisions of the Electricity Regulation Act, 1999.
S.I. No. 214 of 1999:
Electricity Regulation Act, 1999 (Establishment Day) Order, 1999
This Order appoints 14 July, 1999, to be the establishment day for the purposes of section 8 of the Electricity Regulation Act, 1999. On that day the Commission for Electricity Regulation was established to perform the functions conferred on it by the Electricity Regulation Act, 1999.

S.I. No. 309 of 1999:
Electricity Regulation Act, 1999 (Criteria for Determination of Authorisations) Order, 1999
This order sets out the criteria in accordance with which an application for an authorisation to construct or reconstruct a generating station may be determined by the Commission for Electricity Regulation.

S.I. No. 382 of 1999:
Electricity Regulation Act, 1999 (Schedule, Paragraph 16) Levy Order, 1999
This order imposes a levy on certain specified classes of electricity undertakings in 1999, for the purpose of meeting expenses properly incurred by the Commission for Electricity Regulation in the discharge of its’ functions under the Act.

S.I. No. 436 of 1999:
Electricity Regulation Act, 1999 (Schedule, Paragraph 16) Levy (No. 2) Order, 1999
This order imposes a levy on certain specified classes of electricity undertakings in 2000, for the purpose of meeting expenses properly incurred by the Commission for Electricity Regulation in the discharge of its’ functions under the Act.

S.I. No. 445 of 2000:
European Communities (Internal Market in Electricity) Regulations, 2000

S.I. No. 447 of 2000:
Electricity Regulation Act, 1999 (Schedule, Paragraph 16) Levy Order, 2000
This order imposes a levy on certain specified classes of electricity undertakings in 2001, for the purpose of meeting expenses properly incurred by the Commission for Electricity Regulation in the discharge of its functions under the Act.

All of the above are available on the CER website at www.cer.ie.