

Response of Bord Gáis Energy Supply

to

The Commission for Energy Regulation

On the draft principles paper entitled

Proposals for a Green VIPP (GVIPP) Auction 2006

Bord Gáis Energy Supply (BGES) welcomes the opportunity to comment on the above mentioned draft principles paper, issued by the Commission for Energy Regulation (CER) on 6th March 2006. Bord Gáis Energy Supply (BGES) has considered the paper and requests that the CER take this response into account when considering the issue further. Views expressed herein represent those of BGES only.

Introduction:

BGES welcomes the CER/ESB proposal to make available 183MW of green electricity contracted to ESB under the Alternative Energy Requirement (AER) type contracts. BGES believes that the auction process should be:

- (a) Fully transparent
Therefore market participants should be given access to the following information:
- Why is the auction limited to 183MW green electricity?
 - What projects constitute the 183MW green electricity?
 - Which AER contracts do the projects align to?
 - What fuel mix (i.e. wind, hydro, etc) constitutes the 183MW?
- (b) Must replicate the AER contract arrangements (in so far as is possible).

BGES recognise that ESB must remain whole to their actual cost base under the proposed transaction. However it is imperative that there is no potential for monetary gain by ESBCS arising from the process. In this regard we wish to seek clarification that BNE represents the actual cost to ESBCS when in fact the auction capacity is expected to be removed from ESBCS supply base and no other cost other than the contracted purchase cost will be incurred. Additional transparency could be provided by basing the auction reserve price on the actual contract costs rather than on BNE. In any case, CER must ensure that the entire difference between ESB contract costs and the auction receipts is fully offset against the PSO levy. This may be more than the currently described process of off-setting the difference between BNE and the auction receipts to the PSO levy.

Auction Parameters:

BGES requires some clarification/further detail around certain points contained within this section:

- (a) The GVIPP capacity will exclude those values that are required to ensure an efficient settlement process?
- (b) A reduction in the proportion of GVIPP capacity is possible if an AER plant becomes unavailable to ESB CS?
 - Under what circumstances might this occur
 - In the interests of transparency, the relevant plants to the 183MW GVIPP auction must be made available to market participants.
- (c) BGES believes that in the absence of a definitive BNE figure, the contract duration options is best served by ESB making available two 6-month contracts with a second auction for the latter 6-month contract held later in the year. It is illogical to bid for green electricity on a premium basis to a yet-to-be-determined BNE price. Suppliers will be unnecessarily exposed to its determination for half the contract duration.
- (d) It is difficult to determine whether a profiled/non-profiles price option is desirable, in the absence of any information in relation to the actual profile which will be applied to the 183MW GVIPP capacity. BGES would therefore support making available both pricing options in the actual Invitation to Bid, where participants must determine on which basis they will bid. In any event, the actual profile versus the deemed profile differential must be offset against the PSO levy, whether as a positive or as a negative.

In summary, BGES's concern is that the auction process should be entirely transparent and that market participants will have the opportunity to bid for this electricity on a fair and reasonable basis. We believe there is no fundamental reason why the specific detail behind the GVIPP 183MW capacity cannot be made available to market participants. For instance, information with regard to the inclusion (or not) of AER VI contracts where there is a take-up option to front end load contract payments could be materially significant. We also question why the auction has been limited to this 183MW.

BGES requests that the CER move to reduce uncertainty for Suppliers in a manner that is consistent with ESB CS being held whole to their actual costs.