

Retail Trading for Non Participant Generation in the Single Electricity Market in Ireland

CER/06/151

Response by Airtricity

Introduction

Airtricity welcomes the Commission's proposals to grant options to trade with more than one supplier to non-participant generators in Ireland. Our view is that, with appropriate design, implementation of this decision will pose minimal risk to the implementation of the baseline SEM requirements as set out in AIP/SEM/74/06 for SEM go-live. Equally the costs related to the implementation of this proposal will be minimal.

Non-Participant Objectives

The overriding rationale for below de minimis generators exercising the option of non-participation in the SEM is to avoid the financial and administrative burdens of the market system. Equally for other business and strategic reasons, a small generator may choose to sell its output to multiple suppliers. An example of this is a small developer adding capacity incrementally as his access to resources improves. Such a developer will have more options to employ if he is not obligated to sell his incremental capacity to the supplier to which he may be currently contracted. Hence with this option, the balance of power is maintained, whereas under the alternative provision, single suppliers hold the upper hand which they can exploit in bargaining situations.

Regulatory Objectives

The baseline requirement in the AIP/SEM/74/06 document for non-participant generators to sell to only one supplier forces the affected generators to weigh off one consideration against the other. A stated aim of the Regulators in implementation of the SEM is to place minimal burden on participants. With particular respect to small generators, the Commission states in the proposal document that, "Costs to smaller generators of trading post the commencement of SEM ... should be minimised." Airtricity fully supports this stance of the Commission and welcomes every effort to minimise the impact of SEM implementation on the operations of small generators.

Thus Airtricity welcomes the Commission's consideration, in light of minimising costs and ensuring adequate flexibility amongst other benefits, to facilitate additional trading options for non-participant generators in Ireland over and above those outlined in AIP/SEM/74/06.

Commentary on the Proposals

In detail Airtricity is in agreement with the proposals of the Commission;

1. To allow a below de minimis generator located in Ireland to sell its output to a maximum of three supplier units,

2. That the sale only pertains to the splitting of gross *export* amongst the relevant supplier units,
3. This division will be done on a fixed, predefined percentage or on the basis of metered output, with all percentages adding up to 100%,
4. That such assignments may only be changed once in a calendar year from the date of assignment, except where a contract is terminated and/or a relevant supplier unit exits the market.

In affording de minimis generators the option of non-participation in the SEM, benefits accrue both to the generators, in exempting them from the system's financial and administrative burdens, and to the market in limiting the number of low volume administrative processes, while focusing on the participants with the most potential impact on the market.

Conversely, by limiting non-participant generators to trading with only one supplier, some of those benefits would be forfeited and other difficulties introduced; these include reduction of flexibility and business options, disincentive to expand investments, balance of power falling to the existing sole suppliers

Thus the opportunity to trade with more than one supplier, up to a maximum of three is welcome.

Implementation Approaches

With respect to implementation, Airtricity agrees that either of the proposed approaches (Physical Metering or Registration of Contracts/IT System Splitting) will facilitate the selling of output to multiple supplier units. However, our preference is for the Registration of Contracts/IT System Splitting approach. Our recommendation here is for a solution that is simple but scaleable, cost-effective with no unnecessary complication; a low-volume, low-impact implementation will be adequate.

- a) The Physical Metering option has the apparent benefit of avoiding any data collector system development. However it is a more expensive option overall, resulting in substantial additional cost to generating plant development each time a new generation unit is added.
- b) Employing a Registration of Contracts/IT System Splitting however, involves layering a level of abstraction over the physical systems and using software processes to manipulate metered data; this is not only more cost-effective but is simpler and easily scaleable. Equally this requires a one time charge for implementation; with each additional generation unit, there is little or no cost involved.

Under this approach, where a generator has the maximum number of supply customers proposed (3), the single metered data stream is split up in ratios according to the predetermined contract shares notified to the Data Collector (which do not change frequently – minimum timeframe of 12 months) and assigned to suppliers' accounts. This is an arrangement that even very small generators can deploy.

Summary

With the Commission's current proposal to permit non-participant generators to sell to a maximum of three supplier units, we agree that smaller generators have more options to employ in executing their strategic interests. This will not only encourage more investment – particularly in renewable generation, but also support more retail competition, as noted by the Commission.

Airtricity agrees that the benefits to non-participant generators of additional flexibility, reduction of costs associated with market participation, promotion of competition in the retail sector are supported by this proposal.