

To: Mr Sean Mac an Bhaird
Commission for Energy Regulation
The Exchange
Belgard Square North
Tallaght, Dublin 24
8 November 2011



Submission in Response to ‘Review of Electricity and Natural Gas Supply Licences’ (CER/11/817)

Dear Sean,

We welcome the opportunity of responding to this consultation paper entitled “Review of Electricity and Natural Gas Supply Licences”. This submission specifically refers to Section 3.5 entitled “Demand Side Vision” and the proposed modification to the Supplier Licence for Demand side Units.

As the SEM is now more than four years in operation it is timely to now address the licensing issue of Demand Side Units in order to enable this important element of the wholesale market to be brought into operation.

The following are our comments:

1. DSU to Comply with Bidding Code of Practice

Modifying the Licence Conditions to comply with the Bidding Code of Practice is a welcome and understandable step in this regard. However we urge that this should be applied in a pragmatic manner as the calculations for a DSU, in contrast to that of a conventional generating unit, will contain an element of aggregation.

For example, the bids for a conventional generating unit of say 100 MW are calculated for a single machine with a single fuel with considerable certainty, albeit for different loads, to make up the different (P,Q) bids. In contrast to this a DSU is likely to have a multiplicity of locations to reach a capacity a 100 MW; each location of perhaps 1 MW or less will have its own unique characteristics and circumstances in determining the bid price for each (P,Q) and hence will not be as straightforward or clear-cut as that for a conventional generator.

In short, we are clearly stating that the requirement for compliance with the BCOP is welcome, but that its application should be tempered with a

degree of pragmatism. If not, there is a risk that several more years will elapse before this element of the SEM is developed by interested parties and brought into operation.

2. Credit Cover and Letter of Credit

Under the current SEM arrangements and licences, Suppliers post a Fixed Credit Cover of €20,000 plus a calculation of both the Supplier's Energy and Capacity Exposure. Without going into the details of the calculation this Credit Cover amounts to about 6% of the Supplier's annual purchases from the pool.

Under the proposed modified Supplier licence and Mod_36_10 a DSU may decide not to engage in supplying electricity to customers; in which case it is crucial that a DSU is not subject to the suppliers' credit cover regime, but rather is aligned to that of a generator. This element of the SEM, namely DSU, is already several years late in getting off the mark and hence it is important that no unnecessary financial burdens are placed on a DSU. Of course each DSU that operates in the market should pay its fair and equitable charges but its position is unique in that it is acting as a negative generator while operating under a supplier's licence – hence the need to introduce a requirement for BCOP compliance.

Finally, while we recognise that DSU have a leg in both camps of the SEM (suppliers and generators) we urge the Commission to ensure that DSUs are treated fairly and equitably in terms of market operation charges.

Sincerely yours

Peter Duffy

Enercomm International

Date: 8th November 2011