

To:
Sean Mac an Bhaird
Commission for Energy Regulation
The Exchange
Belgard Square North
Tallaght, Dublin 24
17 Jan 2012
Email: Smacanbhaird@cer.ie



Submission on Proposed Decision Paper on “Review of Electricity and Natural Gas Supply Licences” (SEM-11-220)

Dear Sean,

Enercomm welcomes the publication of the Proposed Decision Paper on the “Review of Electricity and Natural Gas Supply Licences” (CER -11-220) and is pleased to make a submission on it.

Our comments refer to Consultation Proposal 7 (Demand Side Units) and its corresponding Consultation Question Q9. Respondents are invited to comment on the proposal to introduce a new condition into the electricity supply licence to bind any Demand Side Units to the Bidding Code of Practice. Respondents are asked to state if they are in favour of the proposal and the drafting of the condition, and to outline their reasons for agreement or disagreement.

Entirely Opposed to this Proposed Change

Enercomm is entirely opposed to this proposed change and questions the rationale for going down this route. Of course it is necessary to ensure that Demand Side Units (DSUs) are properly and appropriately regulated but it is our considered view that this is the entirely wrong approach. Our understanding from discussions with the SEMO and TSO is that a DSU will be treated and registered as a predictable price maker generator. In those circumstances it must comply with all the requirements of a generator namely registration, register capacity, and comply with the BCOP etc. While it is a very different generator from a ‘conventional ‘ generator it is treated in the market as a predictable price maker generator and subject to the same Codes; for this reason it should be treated as such in the whole regulatory framework unless there is a compelling reason for doing otherwise.

Complex, Convolutd and Costly

While one would expect a DSU to be treated as a small/medium sized predictable price maker generator - with the minimum level of regulatory complexity – the outcome of the proposal in the Proposed Decision Paper is that a DSU must register as a predictable price maker generator, register a netting unit and register a (self supply) supplier unit. All of this adds complexity and cost to the establishment and operation of a DSU. It would seem rational that the regulation of a new entity in the market – as is the case with a DSU almost five years after the commencement of the SEM – should be as straightforward and unwieldy as possible coupled with the minimum of red tape. Under the proposal a number of the additional processes and attendant costs will come into effect e.g.:

- Double registration (generator and supplier)
- Compliance with the retail market and requiring RSMD resources
- Double credit cover requirement (generator and supplier)
- Administrative overhead of maintaining a supply business – albeit a self supply business with a minimum of one customer
- Additional overhead of DUoS, TUoS and other retail-related processes, invoices and payments – all relating to one customer

Much Ado about Demand Side Participation

Back in 2003 when the MAE (Market Arrangements for Electricity) with a gross mandatory pool were mooted there was much ado about the fact that such a pool would incorporate Demand Side Participation - unlike the old England & Wales pool. The electricity industry here was very chuffed with itself in that it was forward-looking and innovative. It has taken almost 10 years to get from those early proposals to mapping out the regulatory regime for this. Now is the time to ensure the DSU regulatory framework is smooth, straightforward and supportive. We suggest that if a regulatory regime was being established to choke, cripple, hamper demand side participation then the current proposal is the way to do it – treat it as a generator but operating under a modified supplier licence, and in addition double up on almost all the processes and costs. Is this the way to foster and encourage demand side participation?

Demand Side Developments in the Future

The SEM has been praised for its vision and courage in what it is seeking to achieve; as one senior manager in EirGrid recently publicly stated that no other TSO is contemplating what is being planned here between now and 2020. There is every reason to believe that the same vision should apply to demand side participation, with an increasing focus and smart grids, electric transport and emerging technologies. Some of these developments may emerge from universities, technical institutes of education and R&D groups in the coming years. Surely a smooth, uncomplicated and straightforward approach should be adopted rather than implementing a complex, convoluted and costly regime.

In Conclusion

In conclusion we urge the CER to look at this proposal again – even it means going to consultation on it again. Such a move should not impede or hold up the other areas of consultation in this paper. The rationale should be that a generator (including a DSU) requires a generator's licence and complies with all of the generator requirements in the relevant Codes and Rules. Similarly, a supplier should require a supplier's licence and comply with all of the supplier requirements in the relevant Codes and Rules. If some party wishes to engage in both generation and supply then it is simply a matter of doubling up. Finally, the economy on the island of Ireland needs all the help it can get; this is an opportunity to get a new element of energy regulation right and furnish some of that help.

Sincerely Yours

Enercomm

Date: 17th Jan 2012