Response to the CER’s Information Paper

on

Proposed modifications to Generation and Supply licences, necessitated to implement the Integrated Single Electricity Market (I-SEM)

CER/17/111

from

BORD na MÓNA

4th July 2017
Dear Sir/Madam,

Bord na Móna is pleased to have the opportunity to air our concerns around the proposed modifications to Generation and Supply licences which we hold primarily on the basis that the Balancing Market Principles Code of Practice (BMPCOP) proposal, as an alternative to the licence conditions, inherently threatens a reasonable cost recovery model to allow the fair commercial operation of our generation assets.

The prescriptive proposed approach is at odds with the workings of a competitive market, which is the purported reason for demoting the existing licence condition to a subsidiary document which can be modified outside of the statutory process associated with current licences. Rather than mitigating market power we believe that it will force generators to price below the average variable costs of generation, which will effectively increase (rather than decrease) market power.

This will occur as a direct consequence of removing standard short run marginal cost requirements from the licence conditions in favour of the alternative approach of defining the cost standard to be included in complex offer data, by reference to a prescriptive list of cost items which the SEM Committee may amend from time to time. We believe that this approach offers the opposite to the intended desired objectives of greater clarity and flexibility to generators.

To be clear, we believe that this will limit cost recovery to a level that is in fact below the short run marginal cost of generation, thereby subjecting assets to unfair regulatory conditions. We believe that such an outcome may be an unintended consequence and certainly not what was originally intended in the proposed move from Licenses¹ towards compliance within the I-SEM BMPCOP document.

We hope that you appreciate the justified commercial nature of our concerns in this matter which are all the more crystallised by the increasing challenges against achieving cost recovery due to restrictions in each of the Energy, Ancillary Services and Capacity markets.

We remain of course available to discuss any aspect of this submission.

Yours sincerely,

[Signature]

Regulatory and Compliance
Bord na Móna PowerGen
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Newbridge
Co Kildare

¹ ie, within 'Offers in the I-SEM Balancing Market' (SEM-16-059) nor in the more recent SEM Committee’s Decision Paper, ‘Complex Bid Offer Controls in the I-SEM Balancing Market’