

PPB's comments on the Consultation on Regulation (EC) 1775/2005 infringement action

23 March 2012

PPB has two comments to make at this stage and we acknowledge that the detail on a number of the areas that need to be addressed will be consulted upon in the near future.

Short Term Products

PPB is concerned that the short term products proposed for Northern Ireland appear to be much less flexible and liquid than equivalent products available in RoI and that such a difference could have a significant impact on how electricity generators participate in the Single Electricity Market (SEM). The products proposed for NI seem to be only capable of being acquired a significant period ahead of an actual trading day. The window for application is open for 2 business days, commencing 12 business days prior to the relevant month. If our understanding is correct, this means the shortest lead time for procuring short term capacity is approximately 2 weeks and for capacity at the end of a month, the lead time is approximately 6 weeks. This could not be considered as a short term market which is further reinforced by the fact the capacity cannot be traded in a secondary market to other shippers. This will effectively result in a commitment to capacity well in advance of the point of need and is, we understand, very different to the position in RoI where capacity can be procured and traded much closer to real-time. This could have a significant impact on generator bidding in the SEM, since if capacity can truly be traded short term in RoI, the cost of that capacity would be an avoidable cost in the RoI and hence RoI generators would be obliged to include that cost in their bids into the market. However, the proposed timescales for trading short term capacity products in NI means that is unlikely to be an option for NI generators and such an outcome would lead to an artificial market distortion in the SEM.

Relevant point on the SNP

PPB agrees with the UR that it would appear most rational for the relevant point on the SNP to be at Gormanstown since that is clearly the interface point between the networks and TSO control. We note there is no infrastructure at the border and the precedent established by the designation of Moffat as the relevant point.

Finally, we would like to raise concerns at the proposed timetable for consultations which show most consultations providing only 2-3 weeks for respondents to consider the matters being consulted upon and to collate their views and provide responses. There is a significant draw on resources for electricity market participants relating to the ongoing consideration of options for the development of the SEM to comply with the requirements of the Target Model and such tight turnaround times will be difficult.