



Airtricity Response to

**Consultation on SEMO Revenue and Tariffs for
October 2009 – September 2010**

SEM-09-077

14 August 2009



Airtricity's fundamental concern with the implications of the proposals in the consultation on SEMO Revenue and Tariffs for October 2009 – September 2010 relates to the impact on the role SEMO has to play 'to facilitate...*development* of the Single Electricity Market', as provided for under section 1.3 of the TSC. The activities arising out of this crucial requirement are often well delineated, such as in work of the now completed Day 1+ project and the ongoing work of the Modifications Secretariat. But a significant quantity of these activities lie embedded with daily operational activities, such as the proactive work of developing modifications proposals for more efficient market operations and responding to requests that arise from deliberations of the Modifications Committee and the various Working Groups set up to address particular market issues, possibly as well as requests from the Regulatory Authorities.

The consultation paper on SEMO Revenue and Tariffs for October 2009 – September 2010 has dealt in detail with the funding of SEMO to facilitate its operation of the SEM. Our reading of it is that imperatives of the current economic situation are driving efforts to ensure that SEMO functions as efficiently as possible, with no perceived 'slack'. Juxtaposed against that argument, and in our view more persuasive, are the numerous and fundamental issues facing the SEM – functioning of the CPM, principles of market scheduling and dispatch, increasing wind penetration onto the system, interconnection with other markets: issues not bound by the reel of TSC timelines, but issues that surely are of vital concern to the future of the market. Our fear is that efforts to fashion SEMO at this early stage into a 'lean' organisation may prematurely squeeze out the non-urgent, but highly important developmental role of SEMO in the SEM. While efficient operation of the SEM is important, it is equally important that the market is adequately resourced to anticipate and comprehensively respond to the current highly dynamic landscape of electricity systems and markets.

In the months following SEM Go-Live, development of the SEM was effectively centred on the Day 1+ Project which essentially was put in place to complete the provision market features which were designed for but were not implemented by the Go-Live date. It is our understanding that this project was resourced outside SEMO regular OPEX and CAPEX. In this sense a significant core of the enduring work of SEMO, which is to facilitate the development of the SEM, was housed in a specifically delineated project work.

During the life of the Day 1+ Project (April 2008 – January 2009), a primed and dedicated pool of resources existed, as earlier stated, to implement outstanding SEM TSC provisions. But being available, this resource pool also took on the analysis and implementation of certain substantive Code changes that arose from the Modifications process, such as changes related to Mods 72_07, 86_07 and 87_07. Relatively non-substantive modification proposals such as for corrections to manifest errors in the Code, accounting for

misalignments between the Code and the Market Systems, requests for provision of more information would have then being processed through the mainline SEMO functions.

However since the effective base lining of the Day 1+ work stream in June 2008, a number of very substantive and significant modifications proposals not captured by the Day 1+ Project have subsequently been progressed through the modifications process, with further significant changes anticipated. Quite a number of these have had Working Groups set up to examine the issues in greater detail, with some of those groups running for significant lengths of time and requiring substantial analytical support from the MO. In addition issues relating to SEM attaining M+13 around November 2008 and the increased frequency of resettlements and related funds transfers have in combination led to a long, and increasing, queue of outstanding issues, which all require non-operational time to address them.

Given the situation as sketched above and also given the relative infancy of SEM, and by consequence SEMO, freezing SEMO operational costs to April 2008 levels, to a time when the SEM was just six months old and when the core of developmental activities was housed in the Day 1+ Project and not yet embedded in mainline operational functions, may prevent SEMO from developing into an effective agent for market development.

Prior to making its final decision, Airtricity will urge the Regulatory Authorities to extend consideration of their detailed proposals and their implications to the TSC requirement for SEMO to facilitate, in addition to market operations, development of the Single Electricity Market.

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