



AIP Memo

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FROM	AIP Project Team
SUBJECT	Small Scale Generator Forum
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On the 4th May 2007, the Regulatory Authorities (RAs) hosted a forum to present the changes arising from the introduction of the Single Electricity Market (SEM) to Small Scale Generators.

Representatives of the RAs, NIE T&D, ESB Networks, and the SEM Implementation Team gave presentations on the SEM Design, the registration requirements for below de minimis generators who will trade outside of the market and the registration requirements for generators that choose to participate or must participate in the SEM (see attached).

A number of queries were raised at this forum to which the RA's would like to respond:

1. Why is the de minimus level set at 10MW?

The RAs decision, to implement a gross pool on the Island of Ireland was made in part to increase liquidity in the wholesale market. The de minimis level was initially proposed to be 5MW in the High Level Design Paper (AIP-SEM-06-05).

In the Trading & Settlement Code v 1.0 consultation paper (AIP-SEM-10-06), the proposed de minimis level was increased to 10 MW. This reason the RAs increased the de minimis level was to strike a balance between the goal to increase liquidity in the wholesale market, the need to operate the transmission network effectively and the avoidance of putting onerous obligation on small generators, such as data submission etc. There were two further consultations on the Trading and Settlement Code (TSC v1.2, AIP-SEM-07-07 and TSC v1.3, AIP-SEM-07-68). The RAs have not received any responses in relation to these consultations to convince them the de minimus level should be changed.

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The de minimis level of 10MW is consistent with the de minimis level in the Grid Code. Generators with an MEC of 10MW have a sufficient impact on the transmission network to therefore should be subject to central dispatch under the SEM.

2. Why is there a limit of 3 suppliers to which generators trading outside of the market are permitted to contract with?

Following analysis of ESB Networks documentation describing the existing and known planned out-of-market trading arrangements pre-SEM (including the possibility of selling to another supplier), it was decided that 3 suppliers would be sufficient for out of market generators. Any other Generator with more than three contracts with suppliers was active in the existing wholesale market. Therefore it was felt that 3 suppliers would be enough for a small generator to trade with outside the market and any generator wishing to contract with many more suppliers would opt to supply into the pool. There is also the matter of the potential administrative burden put on the meter data businesses due to contracting with many more suppliers.

This was consulted on last year as an Ireland-only consultation (CER/06/151) following a "minimum requirements for SEM" AIP draft decision (AIP-SEM-74-06). A CER decision paper (CER/06/250) has been published with this design.

3. The RAs published a decision on the Use of Intermediaries in the Single Electricity Market on the 28th February. This decision limits the use of Intermediaries within the market to suppliers who had entered into contracts with generators prior to the 28th February 2007. Some generators with an MEC > 10MW are considering entering into REFIT contracts with ESB PES. The REFIT contracts are structured as physical bilateral contracts rather than Contracts for Differences (CfDs). As these contracts will not meet the requirements to have PES act as the generators' intermediary, the contractual obligations of the REFIT contract do not fit with the licence requirements under the SEM. What will be done to ensure the REFIT contractual requirements do not put generators in breach of their licence requirements?

The DCMNR have advised that there is not a standard, government-issued REFIT contract. The contracts are designed by the individual Suppliers. Therefore, the RAs consider that it is the responsibility of the Suppliers offering the contracts and the Generators entering into the contracts to ensure that the terms of the contract are not contrary to their licence requirements under the SEM or the SEM Trading and Settlement Code.