



**Single Electricity Market  
(SEM)**

**Generator Financial Performance Reporting  
Update to Requirements**

**Decision Paper**

**SEM-19-036**

**15 August 2019**

## Executive Summary

In 2012 the SEM Committee published its decision (SEM-12-027) on the requirements and arrangements for annual reporting on the financial performance of generation companies. Since 2012 the revenues accruing to generation companies participating in the wholesale electricity market has evolved, primarily as a result of the new SEM trading arrangements which went live on 1<sup>st</sup> October 2018, the introduction of the new Capacity Remuneration Mechanism and DS3 system services. This combination of these new arrangements and the emergence over several years of certain clarifications to the template for reporting financial information, have resulted in the need to make amendments to the original financial reporting template—as introduced in 2012 - which generation companies are required to submit annually to the RAs.

To address these changes, the RAs published a Consultation Paper on 4<sup>th</sup> June 2019 (SEM-19-025) with proposed changes to the fields in the template for reporting, primarily to account for the revenue streams associated with the above evolution of electricity markets and associated revenues. The RAs also invited stakeholders to consider any other financial performance related categories or breakdowns which might be relevant to the electricity market, both now and into the near future.

Having considered the responses to the consultation paper, the key updates to the reporting arrangements are summarised as follows:

- The updated financial reporting template now includes breakdown elements which were introduced by the RAs informally for the previous two published reports;
- The template has been updated to align with new revenue streams under the new SEM arrangements, the CRM and DS3 System Services;
- New breakdown elements are included in the template in order to align with new market arrangements. This includes breakdowns for DA, ID, BM, System Services and ROs. The submission of the data for these new breakdown elements commences for the FY2019 (not FY2018) reporting;
- Analysis of the “By Type” grouping will continue in the report until it becomes non-relevant or risks breaching the publication of commercially sensitive information; and
- The RAs will monitor the outlook for the sub-types making up a potential new “By Technology” grouping with a view to introducing the publication of the RAs’ analysis when a sufficient number of the sub-types (e.g. PV, Offshore Wind, DSU, battery, etc.) attain a critical level of capacity to warrant consideration as being significant for the purpose of informative reporting.

The RAs will send the financial reporting template for FY2018 to generation companies shortly after this decision paper is published, with a view to it being returned to the RAs by mid October 2019. The RAs plan to publish the generator financial performance report in Q1 2020.

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# 1. Introduction

## 1.1 Background

In 2012 the SEM Committee published its decision ([SEM-12-027](#)) on the requirements and arrangements for annual reporting on the financial performance of generation companies.

The objectives of the report, as cited in SEM-12-027, are to provide greater insight into the financial performance of generators in the SEM and to improve the level of market data available to all existing and potential new industry stakeholders, assisting market transparency, and to inform policy decisions.

Since 2012 the revenues accruing to generation companies participating in the wholesale electricity market has evolved, primarily as a result of the new SEM trading arrangements which went live on 1<sup>st</sup> October 2018, the introduction of the new Capacity Remuneration Mechanism (CRM) and DS3 system services. This combination of these new arrangements and the emergence over several years of certain clarifications to the template for reporting financial information have resulted in the need to make amendments to the original financial reporting template - as introduced in 2012 - which generation companies are required to submit annually to the RAs.

To address these developments, the RAs<sup>1</sup> published a Consultation Paper on 4<sup>th</sup> June 2019 (SEM-19-025) with proposed changes to the fields in the template for reporting, primarily to account for the revenue streams associated with the above evolution of electricity markets and associated revenues. The RAs also invited stakeholders to consider any other financial performance related categories or breakdowns which might be relevant to the electricity market, both now and into the near future.

## 1.2 Reference Documents

1. [SEM-19-025](#) Generator Financial Performance Reporting - Consultation on update to requirements
2. [SEM-12-027](#) 2012 Decision Paper on Generator Profit Reporting
3. [SEM-19-016](#) Generator Financial Performance in the SEM: Up to and including 2016 & 2017
4. [SEM-16-086](#) Generator Financial Performance in the SEM: Up to and including 2014 & 2015
5. [SEM-14-111](#) Generator Financial Performance in the SEM: Up to and including 2013
6. [SEM-13-031](#) Generator Financial Performance in the SEM: Up to and including 2011

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<sup>1</sup> The Commission for the Regulation of Utilities (CRU) in Ireland and the Utility Regulator (UR) in Northern Ireland.

## 2. List of Respondents

There were six responses to the RAs' consultation paper on generator financial performance reporting in the SEM ([SEM-19-025](#)), from the following parties:

- Aughinish Alumina Limited
- Bord Gáis Energy
- Energia
- ESB
- SSE Renewables
- Tynagh Energy Limited

The six responses are published in conjunction with this decision paper, noting that none of the six were identified by the respondents as being confidential. Taking account of these comments, Section 3 of this paper provides the RAs' decisions on the financial reporting requirements.

## 3. Comments Received and RAs' Responses

This section provides a summary of the comments received to the consultation ([SEM-19-025](#)) from the six respondents listed in Section 2, along with the responses and decisions from the RAs.

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### 3.1 General Comments

The RAs invited general comments in relation to the overall requirements, intent and arrangements applying to generator financial performance reporting.

Most respondents agreed with the need to update the reporting requirements to accommodate the amended revenue streams associated with the new SEM trading arrangements, the CRM and DS3 system services.

Respondents were generally supportive of current interim breakdown elements being retained as permanent fields in the new template, noting that the interim elements were used for the last two published reports.

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### 3.2 Comments on the reporting objectives of the RAs

Some respondents questioned the RAs' intent in introducing additional revenue breakdowns and questioned the objectives of the generator financial reporting as well as how it sits with the CRU's recent consultation on the reporting requirements for the purpose of Security of Supply.

One respondent's view is that the report is ineffective and presents misleading information. The respondent also believes that financial reporting - on top of statutory reporting - is unnecessary regulatory involvement.

#### **Response from RAs**

The main objectives, as cited in the original relevant decision (SEM-12-027), are to provide greater insight into the financial performance of generators in SEM, so as to improve the level of market data available to all existing and potential new industry stakeholders, assisting market transparency, and to inform policy decisions. The generation financial performance reports also provide insight to potential existing and new market entrants / investors of recent historical financial performance of generation companies participating in the market. The RAs are of the view that the reporting fulfils the RAs' objectives and that the measures set out in this decision document are effective, justified and proportionate.

Separately, and serving a different purpose, the intent of the proposed financial reporting in the under-development arrangements, as initiated via the June 2019 consultation *Security of Supply: Generator Financial Reporting Obligation*<sup>2</sup>, is to provide forward-looking financial information to the TSO and the CRU in order to facilitate early planning and the orderly exit of generators from the market in a manner which is not detrimental to security of supply.

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<sup>2</sup> Refer to [CRU/19/041](#)

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### 3.3 Specific comments received and RAs' responses

In the consultation document, comments were invited to the questions which follow below. The numbering of the questions is preserved so as to allow ease of cross referencing with the consultation paper.

#### **Question 2: Additional breakdown into DA, ID, and BM revenues**

The RAs invited responses to the following question in the consultation paper:

*“Do stakeholders see benefit in the inclusion of the additional breakdown into DA, ID, and BM revenues, noting that this would need to be accompanied by the associated MWhs? When responding, stakeholders are requested to indicate as to whether this is feasible for “FY2019” considering that generation companies may not have already put systems in place to track this information?”*

#### **Comments received from respondents**

Three out of six respondents who commented on this topic foresee some benefit in including additional breakdown of energy market revenues into Day Ahead (DA), Intra Day (ID), Balancing Market (BM) and Reliability Option (RO) revenues. On the other hand, the remaining three respondents see little or no benefit in this additional level of breakdown. Some of these respondents felt that it would put an unreasonable additional administrative burden on parties. Some respondents felt that the introduction of new breakdown sub-categories (e.g. for DA, ID, BM and ROs) went beyond the stated objectives in SEM-12-027. Two respondents commented that the RAs could obtain the breakdown data from SEMO rather than by requesting the information from generation companies.

#### **Response from RAs**

The RAs are of the view that additional transparency into these new DA, ID, BM market segments and ROs will assist the RAs' monitoring activities at generator unit level and in aggregated form for publication, thereby protecting the consumer. The RAs are of the view that it should not be overly burdensome for generation companies to provide the information and that it is appropriate and proportionate.

As the data collection and reporting for this workstream is carried out on an annualised basis, and the FY2018 year nominally comprises of 9 months under the “Old SEM” rules and 3 months under the new trading arrangements (refer also to Section 5.1), the RAs will introduce the DA, ID, BM and RO breakdowns commencing with FY2019 reporting, as this is the first full 12-month reporting period for which the new SEM arrangements apply. To be clear, the FY2018 template will not require the submission of these breakdowns: this is shown further in the template in section 4.1.

The RAs are satisfied that generation companies shall provide this data commencing with FY2019 reporting, rather than the RAs obtaining the data from SEMO. Any data obtained by the RAs from SEMO in this regard will be for the purpose of checking data submitted by generation companies to the RAs.

The RAs will review the requirement at the end of the first cycle of reporting (i.e. for FY2019), including by taking into consideration any administrative burden on companies in complying with this additional level of data granularity.

**Question 3: Clarity of revenue breakdown elements in the template**

The RAs invited responses to the following question in the consultation paper:

*“Are any of the required revenue breakdown elements in this section unclear? Please identify any which you believe are unclear and the reason why. Please also provide your proposed clarification. Do you agree with the proposed categories and breakdowns of costs and revenues in the sample Table 3.1 in the consultation paper and as detailed? If not, please explain why. Is there any aspect or variation of the reported profitability ratios (e.g. gross margin, net margin, etc.) which may need to be amended or added to?”*

**Comments received from respondents**

Most respondents were satisfied with the proposed breakdowns, that the requested breakdown elements are clear and that no further clarification is required.

One respondent commented that the example of PPA revenue in the Appendix of the consultation paper could be improved by explaining the intent of the breakdown and by making the example more instructive and reflective of a real scenario by including a non-zero amount in the example.

Some respondents also remarked that no changes or additions were needed to the existing profitability ratios.

A respondent commented that generation companies would need to have advance notice of the need to separately account for revenue from DS3 System Services and revenue from Ancillary Services, in order to align with financial statements.

**Response from RAs**

Respondents were generally satisfied that the proposed breakdown elements for the purpose of the RAs' annual reporting were clear. No additional or modified profitability ratios were suggested by respondents. Therefore, the currently reported profitability ratios (i.e. gross margin, net margin) will continue to be reported-on without change.

As applies to renewable generation benefitting from State Aid support (e.g. PSO-supported or via ROCs), the breakdown of PPA revenue is included in the template in order to provide insight into the contribution of State Aid or support payments to the total revenue for renewable generation. The example of PPA revenue for renewables in Appendix B has been amended by the RAs to include non-zero constraint payment as well as DA, ID, BM and RO revenues (as explained in Appendix A items [13] and [14]).

The RAs' requirement of the provision by generators of separate DS3 System Services and Ancillary Services revenues (refer to Appendix A, items [23] & [24] for details) will commence for FY2019 reporting (refer to the sample template in Figure 4.1). Where generation companies are - as yet - unable to provide this breakdown for FY2019, this should be noted when submitting the completed template. For FY2018 reporting, the system services revenues are to be reported in aggregate under the heading "Revenue from DS3 System Services".

The RAs are satisfied that RO difference payments are an integral and important new element of market revenue which warrants a separate dedicated breakdown category for reporting. Therefore, the Reliability Option Difference Charge sub-category - consistent with the terminology in the Trading & Settlement Code - is included in the reporting template. The RAs have included the Reliability



Option Difference Charge in the Revenue section, noting that the charge will be a negative revenue payment amount<sup>3</sup>.

As a concluding step of the FY2019 reporting workstream, which will include for the first time the additional breakdowns for DA, ID, BM, System Services and ROs, the RAs will review the reporting requirements, including by taking into consideration the administrative burden on companies in complying with this additional level of granularity of transparency.

#### **Question 4.1: Emerging new classes of grouping of generators**

The RAs invited responses to the following question in the consultation paper:

*Are there emerging classes or categories of grouping of generators – with significant capacity - which you believe might be considered as being appropriate for reporting on in future Generator Financial Performance reports? Please explain your view.*

#### **Comments received from respondents**

Respondents generally welcomed the introduction into the future of a new grouping consistent with the notion of a “By Technology” classification and that such a grouping could become informative and appropriate once the individual sub-groupings within this potential new classification reach critical mass. One respondent commented that introducing a “by Technology” grouping will add little benefit due to overlaps with the existing “Fuel Source” grouping.

#### **Response from RAs**

The SEM Committee’s original relevant 2012 decision paper (SEM-12-027) provides latitude over what banding categories to report under (e.g. whether by fuel source, by generation type, by capacity, by technology, etc.). It does not explicitly commit the RAs to publishing by Generation Type.

The RAs’ view is that a new “By Technology” grouping could potentially provide useful insight, including into informing future CRM related policy. The RAs plan to monitor the evolving technologies, including via the outcomes of the CRM auctions and the annual All-Island Generation Capacity Statement, in order to assess if and when the potential “by Technology” grouping becomes appropriate to include in the generator financial report. This could – for instance – include consideration of the “critical mass” of individual technologies attaining aggregate capacities greater than 25 MW within individual sub-groupings such as (but not restricted to) the technology classes emerging from the CRM auctions to date, as indicated in Table 3.1 below.

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<sup>3</sup> Refer to the positive and negative convention for monetary reporting in Appendix A, Item [12].

Technology Class	Units included
Open Cycle Gas Turbine	All units with open cycle gas turbine (OCGT) as prime mover
Combined Cycle Gas Turbine	All units with combined cycle gas turbine (CCGT) as prime mover
Steam Turbine	All units with a steam turbine as prime mover, i.e. coal, oil and peat fired units
Hydro	All hydro units: e.g. run-of-river hydroelectric
Pumped Storage	All pumped storage units
Other storage	All other storage units: e.g. CAES, battery, flywheel
Onshore Wind	All onshore wind units
Offshore Wind	All offshore wind units
Solar	All solar units
DSU	All DSUs

**Table 3.1: Potential By-Technology sub-classes**

In order to facilitate this assessment, the RAs have included a new field “Technology Class” for completion in the template (though for now we won’t publish on this basis) as shown in section 4.1. The details of the sub-group classifications are provisionally listed in Table 3.1 above.

#### Question 4.2: Relevance of “Generation Type” grouping

*The current form of the report includes reporting on groups of generators according to “Generation Type” (i.e. baseload, mid-merit, peak, price taker). Do you think that reporting on this method of grouping (i.e. “by Type”) is relevant to the evolving electricity market and is therefore an appropriate and informative form of grouping to be reported on?*

For information, in addition to reporting by *Fuel Source*, the report also presents analysis based on data aggregated by *Generation Type* with the following classes: Renewables, Price Takers, Baseload, Mid-Merit and Peakers. “Renewables” include Wind, Hydro and Pumped Storage plants. “Price Takers” are defined as conventional plants that operate as a price taker in the market, e.g. peat plants and waste-to-energy. The remaining plants are sorted into “Baseload”, “Mid-Merit” and “Peaking” plants based on their load factor over the year, as shown in Table 3.2 below.

Plant type	Load factor
Baseload	75% or above
Mid-Merit	16% - 74%
Peak	15% or below

**Table 3.2: Plant type and load factors**

#### Comments received from respondents

Some respondents commented that the reporting on the “type” grouping in the SEM Committee report may risk revealing commercially sensitive information in due course and are supportive of removing this grouping from the report.

**Response from RAs**

The RAs acknowledge that the inclusion or exclusion of generators under the existing "by Type" grouping - with sub-categories: Baseload, Mid-Merit, Peak, etc. - can change from year to year. This is particularly evident for the generators which can be reclassified between Baseload and Mid-merit. Nevertheless, based on the FY2017 data for the last published report, baseload generation accounted for 10GWh of 33GWhs and almost 25% of SEM energy revenue and is therefore a very significant classification. In addition, modelling by the RAs using the latest available assumptions indicates that up to seven plants may continue to qualify as baseload up until 2023, based on their projected load factors.

Therefore, the RAs plan to continue to include the "by Type" grouping in the report. The RAs plan to monitor the contribution of baseload plants to total market share for future reports. Once the contribution from baseload becomes non-significant or the RAs' assessment - prior to publication - indicates that the inclusion of baseload appears likely to breach the confidentiality principle, the RAs will consider assessing the aggregated data and decide if it is necessary to refrain from reporting the baseload category.

**Question 4.3 & 4.4: Usefulness of market price, commodity and spread information**

*Does market price, commodity and spread information provide useful and informative content in the report? Should this information be omitted from future reports?*

**Comments received from respondents**

Three out of the four respondents who commented were of the view that the market price, commodity and spread information provides useful, relevant and informative content in the report and that the information should continue to be included in future reports as it would aid better market control. One respondent suggested that the RAs should expand the information by including spreads for other EU markets. On the other hand, the fourth respondent's view was that the commodity and spread information is available from providers of market indicators.

**Response from RAs**

The RAs are of the view that the spark-spread and dark-spread information provides useful and relevant insight in order to understand trends in generator profitability. Therefore, the RAs plan to continue to provide the commodity (e.g. coal, gas and carbon prices) and spread information in future reports. The RAs are satisfied that the spread information as applies to SEM provides sufficient context and that spread information in relation to other markets can be procured by market participants from other sources, including through providers of energy market research and analysis.

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### 3.4 Summary of RAs' decisions

The following summarises the RAs' decisions above:

- The updated financial reporting template now includes breakdown elements which were introduced by the RAs informally for the previous two published reports;
- The template has been updated to align with new revenue streams under the new SEM arrangements, the CRM and DS3 System Services;
- New breakdown elements are included in the template in order to align with new market arrangements. This includes breakdowns for DA, ID, BM, System Services and ROs. The submission of the data for these new breakdown elements commences for the FY2019 (not FY2018) reporting;
- Analysis of the "By Type" grouping will continue in the report until it becomes non-relevant or risks breaching the publication of commercially sensitive information; and
- The RAs will monitor the outlook for the sub-types making up a potential new "By Technology" grouping with a view to introducing the publication of the RAs' analysis when a sufficient number of the sub-types (e.g. PV, Offshore Wind, DSU, battery, etc.) attain a critical level of capacity to warrant consideration as being significant for the purpose of informative reporting.

## 4. Reporting Template

### 4.1 Reporting Template for FY2018 and following years

Having considered the responses to the consultation and set out the RAs' responses in Section 3 of this paper, the generator financial performance information which will henceforth be requested by the RAs is reflected in the sample template depicted in Table 4.1 below.

The template may be amended by the RAs from year to year in order to provide clarifications to details relating to particular elements in the template, as necessary. The spreadsheet version of the template, which is relevant to the reporting year, will be sent to generation companies by the RAs along with information on the timeline which applies.

The column in Table 4.1 with the heading "*Required for FY2018 reporting*" indicates the elements which will be requested by the RAs for inclusion in the FY2018 template, to be completed by the generation companies.

The column with the heading "*Required from FY2019 reporting*" indicates the elements which will be requested by the RAs for inclusion in the FY2019 template and thereafter, to be completed by the generation companies.

Guidance is provided in Appendix A in relation to each of the elements in the template.

Ref.	Information Requested	Complete in either Euro or Sterling as appropriate	Required for FY2018 reporting	Required from FY2019
1	Name of generation asset owner		YES	YES
2	Company making this submission		YES	YES
3	Name of Generation Site		YES	YES
4	Name of Generation Unit		YES	YES
5	Technology Class		YES	YES
6	EIC W Code of the generation Unit		YES	YES
7	Capacity (MW) of the Generation Unit		YES	YES
8	Financial Year		YES	YES
9	Date of Generator's financial Year-End		YES	YES
10	<b>Total Volume of Electricity Sold - MWh</b>		YES	YES
	<i>Day Ahead - MWh</i>		NO	YES
	<i>Intra Day - MWh</i>		NO	YES
	<i>Balancing Market - MWh</i>		NO	YES
11	<b>Currency</b>	<b>Euro</b>		
12	<b>Revenue</b>	<b>€,000</b>		
13	Revenue from Electricity Markets, made up of:	€ 0	YES	YES
14	<i>Net Energy Payments, made up of:</i>	€ 0	YES	YES
15	> Day Ahead		NO	YES
16	> Intra Day		NO	YES
17	> Balancing Market		NO	YES
18	<i>Net Constraints Payments</i>		YES	YES
19	Revenue from CfDs and Contracts		YES	YES
20	Revenue from Capacity Payments		YES	YES
21	Reliability Option Difference Charges		NO	YES
22	Total of Other Revenue, made up of:	€ 0	YES	YES
23	> Revenue from DS3 System Services		YES	YES
24	> Revenue from Ancillary Services		YES	YES
25	> Revenue from Support Mechanisms		YES	YES
26	> Other Revenue Sources		YES	YES
27	<b>Total Revenue</b>	€ 0	YES	YES
28	<b>Operating Costs</b>		YES	YES
29	Fuel Related Operating Costs		YES	YES
30	Non-fuel Operating Costs		YES	YES
31	<b>Total Operating Costs</b>	€ 0	YES	YES
32	<b>EBITDI</b>		YES	YES
33	Depreciation		YES	YES
34	Impairment		YES	YES
35	<b>EBIT</b>		YES	YES
36	Interest & Tax		YES	YES
37	<b>Net Profit</b>		YES	YES

Table 4.1: Sample Template

## 5. Reporting Timelines & Financial Year

### 5.1 Financial Year & Terminology

While the financial year of most generation companies operating in SEM is aligned to the calendar year, it is recognised by the RAs that, in the case of certain generators in both jurisdictions, their financial year may not be aligned with the calendar year. Therefore, for ease of reference and for clarity, the following terminology has been adopted:

The label “**FY2018**” in the context of Generator Financial Performance reporting refers to the financial year which nominally aligns with the calendar year 2018, as follows:

- For some companies this corresponds to the 12-month term of their annual financial statements and auditing. i.e. the financial statements apply for the 12 months period commencing annually on 1<sup>st</sup> January and ending on 31<sup>st</sup> December of the same year;
- For some companies the financial statements apply for the 12 months period commencing annually on 1<sup>st</sup> April and ending on 31<sup>st</sup> March of the following year; and
- For some companies the financial statements apply for the 12 months period commencing annually on 1<sup>st</sup> October and ending on 30<sup>th</sup> September of the following year.

In summary, in all cases the label “FY2018” is used to denote a 12-month accounting period which for the most part corresponds to the calendar year 2018. The same convention applies to the reporting for other years and is depicted in Figure 4.1 below.

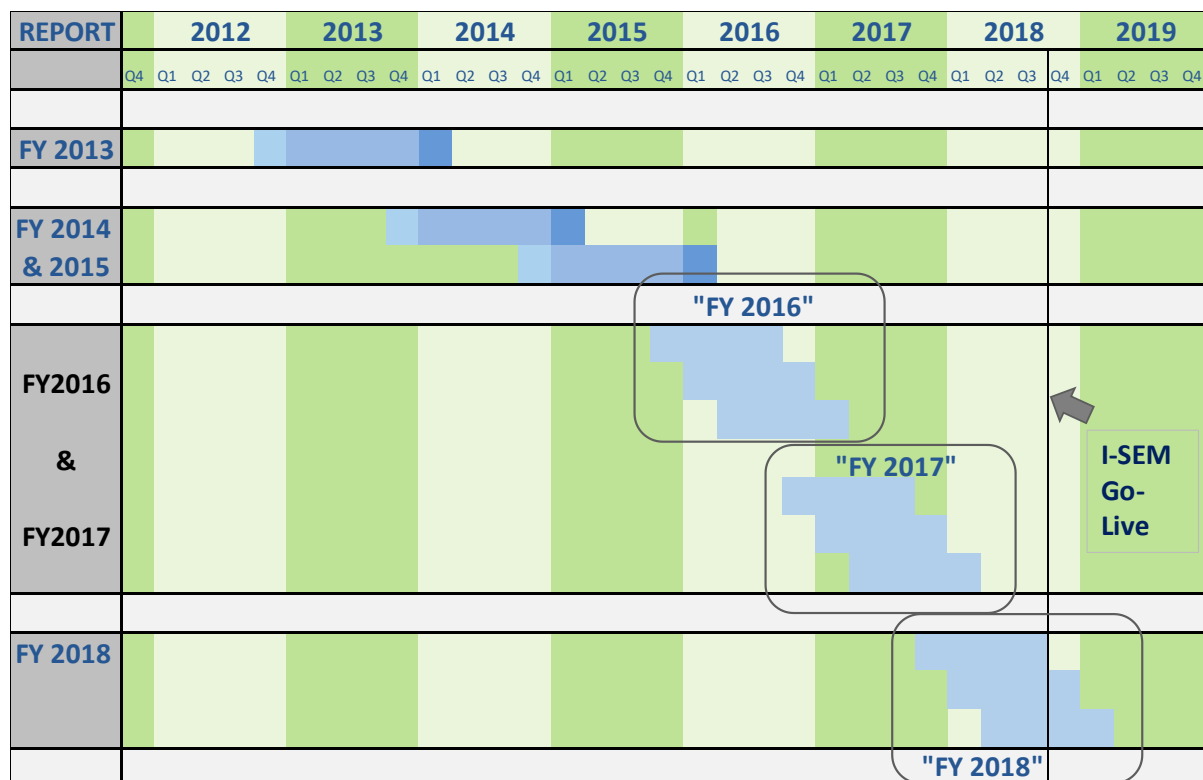


Figure 5.1 Financial Years

## 5.2 Annual Timelines

Under condition 2 of the generation licence, in both Ireland and Northern Ireland, generation companies are required to deliver audited annual financial statements to the RAs, along with the auditor's report not later than six months after the end of their financial year.

Generators must separately provide the RAs with a completed copy of a generator financial performance ("GFP") reporting template, an example of which is provided in this document. The financial information included in the template should be for the 12-month period corresponding to the generation company's own financial year and the figures stated in the template should be in line with the generation company's audited annual financial statements for the financial year.

While the financial year of most generation companies is aligned to the calendar year, it is recognised that, in the case of certain generators in both jurisdictions, their financial year may end on other dates, such as 31<sup>st</sup> March (see Section 5.1 above). As a result, the generator financial performance templates from some generators may not be received until the end of September. Table 5.2 below presents an indicative timeline to illustrate the key milestone dates relating to the annual generator financial performance workstreams for FY2018 and FY2019.

The RAs envisage that the spreadsheet template - as may be amended by the RAs from year-to-year - and the finalised dates for returning the completed templates will be communicated by the RAs to generation companies in Q2 annually. However, given this consultation/decision process, in 2019 it is planned to issue the templates in August 2019 - after publication of this paper - for FY2018 reporting, as indicated in Table 5.2 below.

Financial Year	Who	"FY2018" Submission - by generation companies in 2019 - of completed template with financial year 2018 data	"FY2019" Submission - by generation companies in 2020 - of completed template with financial year 2019 data
RAs send GFP templates to generation companies for completion	RAs	August <sup>4</sup> 2019	Circa May 2020
<b>CASE A:</b> Accounting year-end for certain generation companies		31 December 2018	31 December 2019
➤ Plus 6 months to complete audited financial statements	Generation Companies	30 June 2019	30 June 2020
<b>CASE B:</b> Accounting year-end for other generation companies		31 March 2019	31 March 2020
➤ Plus 6 months to complete audited financial statements	Generation Companies	30 September 2019	30 September 2020
Final deadline for submission <sup>5</sup> of GFP template to RAs		Mid October 2019	Mid October 2020
Target timeframe for publication of report by RAs	RAs	Q1 2020	Q1 2021

**Table 5.2:** Indicative timeline for Generator Financial Performance reporting

<sup>4</sup> This is later than would otherwise be the case, on account of the associated consultation SEM-19-025 during 2019.

<sup>5</sup> Note that the requirements and timelines for the submission of audited annual statements, in compliance with condition 2 of generation licences, are separate from this Generator Financial Performance reporting workstream.



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### 5.3 Reporting for FY2018 & FY 2019

Two time horizons need to be considered for future generator reporting requirements:

1. **FY2018:** Considering that the “FY2018” financial year consists nominally of (circa  $\frac{3}{4}$ ) “Old-SEM” up to 30<sup>th</sup> September 2018 and (circa  $\frac{1}{4}$ ) “Revised-SEM” from 1<sup>st</sup> October 2018, the reporting for FY2018 will consist of a blend of costs and revenues under both market arrangements. The reporting template, to be completed by generators, has been updated to accommodate both “Old-SEM” and “Revised-SEM” costs and revenues.

Due to the alignment of financial performance reporting with the published certified annual statements by generators, the FY2018 template and reporting will not separate out or compare Old-SEM (Q1 to Q3 2018) with Revised-SEM (Q4 2018). To be clear, the RAs will not require the DA, ID, BM and RO breakdowns until the FY2019 reporting.

Refer to the column headed “Required for FY2018 reporting” in Table 4.1 for details.

2. **From FY2019:** The financial year FY2019 will consist entirely of costs and revenues under the “Revised-SEM” market arrangements. The GFP reporting template has been amended to include the breakdown of revenues under DA, ID, BM and RO.

Refer to the column headed “Required from FY2019 reporting” in Table 4.1 for details.

## 6. Next Steps

Following the publication of this decision paper, the RAs will initiate the process for reporting on FY2018 by sending out a notification in August 2019 to generation companies, together with the spreadsheet template for FY2018 and any relevant instructions for returning the financial information to the RAs.

The RAs plan to process the received templates in Q4 2019 and publish the FY2018 report in Q1 2020.

Commencing with reporting for financial year 2019, the timeline will correspond to Table 5.2. The column in the indicative template in Table 4.1 with the heading "*Required from FY2019 reporting*" indicates the elements which will be requested by the RAs for inclusion in the FY2019 template and thereafter, to be completed by the generation companies.

As a concluding step of the FY2019 reporting workstream, which will include for the first time the additional breakdowns for DA, ID, BM, System Services and ROs, the RAs will review the reporting requirements, including by taking into consideration the administrative burden on companies in complying with this additional level of granularity of transparency.

## APPENDIX A: Explanation of fields in the template

This appendix provides guidance on the fields to be completed in the template. The reference numbers provide a cross reference to the fields in the template presented in Table 4.1.

Where applicable, generation companies should provide written explanations of any extraordinary or exceptional items included in the figures. This may, for instance, be in the form of relevant disclosure notes from the financial statements.

**[1] Name of generation asset owner:** Enter the name of the generation company or generation asset owner.

**[2] Company making this submission:** Where a service company or intermediary is providing the information on behalf of, and with the authority of, the generation company, the name of such company should be entered in this field. Companies should inform the RAs in a timely manner where there is a change in personnel in relation to: the company's point of contact; or the person responsible; or the delegated party responsible for returning the requested GFP template information to the RAs.

**[3] Name of Generation Site:** Enter the name of the generation site as commonly identifies the generator.

**[4] Name of Generation Unit:** Where there are a number of units on a site, or associated with a generation plant, the name of the generation unit should also be stated, as illustrated by the examples in the following table:

	Generation Site	Generation Unit
Example 1	Moneypoint	MP3
Example 2	Turlough Hill	TH2
Example 3	Ballylumford	B station

**[5] Technology Class:** Enter the technology classification of the generation unit selected from one of the technology classes provisionally tabulated in Table 4.1. Note that this is an indicative listing of the technology classes and may be amended as the energy, capacity and DS3 System Services markets mature.

**[6] EIC W Code of the generation Unit:** Enter the EIC W code<sup>6</sup> to identify the object (i.e. the identifier of the generation Unit).

**[7] Capacity (MW) of the Generation Unit:** Enter the name-plate, rated capacity – in MW - of the generation unit.

**[8] Financial Year:** Enter the calendar year which – for the most part – corresponds with the generation company's financial accounting year. e.g. enter "2018" where the financial year ends in March 2019.

<sup>6</sup> <https://www.entsoe.eu/data/energy-identification-codes-eic/>  
<http://www.eirgridgroup.com/customer-and-industry/general-customer-information/eic-codes/>

**[9] Date of Generator's financial Year-End:** The generation company's financial year may differ from the calendar year. The month on which the calendar year ends should be entered in this field. This is typically December or March.

**[10] The volume of electricity sold – MWh:** The volume of electricity sold in the market - in MWh - must be entered in the template. This value should correspond to the total volume of electricity sold by the generator through all of the relevant electricity "energy" markets during the financial year, as recorded by SEMO<sup>7</sup>, SEMOpX/NEMO, etc. as appropriate.

Note that the reporting of energy revenue traded through the markets under the new trading arrangements introduced from 1<sup>st</sup> October 2018, as a result of the ISEM project, will include a breakdown of the separate Day Ahead, Intra Day and Balancing Market revenues as well as the associated volume of electricity sold - in MWh - in the respective market timeframes. This reporting will commence with the FY2019 report as shown in the column labelled *Required from FY2019 reporting* in Figure 4.1.

**[11] Currency:** Select Euros or Sterling, consistent with the jurisdiction of licensing of the generation company, as the appropriate currency for entry of financial data.

**[12] Revenue:** Generators must state the total revenue earned during the full financial year. This financial data should align with the revenues and costs included in the audited annual financial statements for the same period. While there may be differences within the *Revenue* sub heading, due to the treatment of difference payments, the *Total Revenue* figure should align with the audited annual financial statements. Where there is any deviation from this the generator must provide a written explanation.

Where a generator has multiple generation sites and earns revenues that are not clearly attributable to a particular site then the generator should allocate those revenues in line with whatever internal allocation methodology is used for their own internal financial analysis. In instances where a company with a portfolio of generation sites does not have financial data for some elements of revenue or costs on a per site basis, they may allocate revenues in the manner they consider to be most appropriate. The generator must provide explanatory notes to inform the RAs as to how such revenues were allocated across their generation sites. These notes must be provided annually and the RAs reserve the right to direct generators as to how revenues must be allocated across their portfolio for the purpose of this report.

The convention to be used for the purpose of this reporting is:

- revenues reported as a positive monetary value indicate income; and
- costs reported as a positive monetary value indicate a loss.

Items [13] to [27] below provide details of what should be included under each revenue heading.

### **[13] Revenue from Electricity Markets**

Under "Revenue from Electricity Markets" the generator must provide:

- a) net energy payments (refer to item [14]); and
- b) net constraints payments (refer to item [15]),

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<sup>7</sup> [www.sem-o.com](http://www.sem-o.com)

as received from the sale of electricity through the electricity markets during the financial year. For clarity, this excludes any difference payments from Contracts for Differences (CfDs) hedging as this is covered separately (see Contract/Differences line item).

**[14] Net energy payments:** The reporting of energy revenue from the markets under the new trading arrangements introduced from 1<sup>st</sup> October 2018, as a result of the ISEM project, will include a breakdown of the individual Day Ahead, Intra Day, Balancing Market and Reliability Option revenues as well as the associated volume of electricity sold - in MWh - in the respective market timeframes. This reporting will commence with the FY2019 report as shown in the column labelled *Required from FY2019 reporting* in Figure 4.1.

In some cases, a generator may have an agreement with an intermediary/third-party via a PPA<sup>8</sup> whereby the intermediary receives market payments on behalf of the generator and pays the generator an agreed amount. Under these circumstances the electricity market (and constraint) payments received by the *intermediary* (i.e. not necessarily what is paid to the generator) should be entered into the "Other Revenue Sources" line item under "Other Revenue". Any differences paid to the generator are reconciled separately – see *Contracts for Differences* line item.

Please note that Appendix B provides an example of how revenues from the market and from Contracts for Differences payments in relation to a PPA should be treated.

**[19] Revenue from CfDs and Contracts:** Generators may enter into Contracts for Differences (CfDs) hedging or bilateral contract arrangements with a supplier or another third party. The result is that difference-payments or some other form of payments, typically with reference to market prices<sup>9</sup>, are made after the period for which the contract was set has elapsed. The payments during the year could be either positive or negative for the generator<sup>10</sup>. Generators should include the net payments figure received during the financial year, in line with what has been included in the audited annual financial statements.

**[20] Revenue from Capacity Payments:** The sum total of all capacity related payments should be entered:

- All payments received under the Capacity Payment Mechanism (CPM) up to the end of September 2018 should be included under this heading.
- All payments received under the Capacity Remuneration Mechanism (CRM) from 1<sup>st</sup> October 2018 should be included under this heading.

**[21] Reliability Option Difference Charges<sup>11</sup>:** Generators should include the total of all reliability option difference charges incurred, as may apply following the application of the Capacity Remuneration Mechanism from 1<sup>st</sup> October 2018.

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<sup>8</sup> See also section 5.3 of SEM-12-027

<sup>9</sup> In the Old SEM the market price is referred to as SMP.

<sup>10</sup> Refer to [12] above for the positive and negative monetary reporting convention.

<sup>11</sup> Ibid

**[22] Total of Other Revenue:** This is the total of all forms of revenue earned during the period, other than those set out above. The breakdowns should be included under the relevant sub-headings itemised in [23] to [26] below.

**[23 & 24: Revenue from System Services:** Revenue received by generators for the provision of system services<sup>12</sup>, including all DS3 revenues, should be entered in this category. The RAs require that the revenue from System Services be split out as follows:

1. DS3 System Services (e.g. reserves, inertia, voltage support, ramping etc.)
2. Ancillary Services (e.g. black start, secondary fuel testing etc.)

**[25] Revenue from Support Mechanisms:** Some generators may receive revenue from support mechanisms. This includes generators participating in the REFIT scheme in Ireland, who may enter into a PPA with a licensed electricity supplier or receive revenue on foot of a renewable electricity support scheme. In these cases, the net difference between revenue earned in the electricity market(s) (including constraints) by the intermediary and the payment to the electricity generator under the PPA (for example in a REFIT scheme) should be included in this line item.

Similarly, generators participating in the Renewables Obligation Certificates (ROC) scheme in Northern Ireland may have entered into PPAs with a third party or agreements for the sale of ROCs. In these cases, the net difference between revenue earned in the electricity market(s) (including constraints) by the intermediary and the payment to the electricity generator should be included in this line item.

Please see Appendix B to this paper which provides an example of how the PPA revenues from the market and from support mechanisms should be treated.

**[26] Other Revenue Sources:** This could include one-off type revenues such as revenues associated with the sale of certain assets related to the generator. Also refer to notes under the heading *Revenue from the Electricity Markets* above.

**[27] Total Revenue:** Enter the sum total of the constituent revenues.

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<sup>12</sup> The system services relating to the Old SEM, which preceded the services included within DS3 were previously included under the sub-heading "Ancillary Services".

**[28] Operating Costs:** In addition to the revenues earned, generators must also provide the total operating costs incurred during the full financial year. This financial data should align with the costs included in the audited annual financial statements for the same period. Where there is any deviation from this the generator must provide a written explanation.

Where a generator has multiple generation sites and incurs costs under any of the cost categories that are not clearly attributable to a particular site then the generator should allocate those costs in line with whatever internal cost allocation methodology is used for their own internal financial analysis. In instances where a generator does not undertake financial analysis on a site basis, therefore not having an allocation methodology in place, they may allocate cost in the manner they feel is most appropriate. The generator must provide explanatory notes to inform the RAs as to how such costs were allocated across their generation sites.

Operating costs incurred should be broken down into the following three categories:

**[29] Fuel Related Operating Costs:** Under this heading generators should include all fuel cost incurred during their financial year for the purpose of electricity generation as well as associated variable fuel transportation costs. For clarification the fuel costs should correspond to those set out in fuel contracts entered into by the generator and not necessarily the market price for fuel on the day of consumption. In other words, if there are fuel hedges in place these should be accounted for in the net figures provided. Generators' carbon costs should be included under this heading.

**[30] Non-fuel Operating Costs:** With regards to Non-fuel Operating Costs, generators should include all additional plant operating costs, including fixed fuel transport charges, TUoS charges, plant maintenance, salaries, insurance, etc.

**[31] Total Operating Costs:** Enter the sum total of the constituent operating costs.

**[32] EBITDI:** Earnings Before Interest Tax Depreciation and Impairments (EBITDI) are calculated by subtracting the total operating costs for the period from the total revenue. This shows the generator's operating profits over the period. In order to calculate the percentage gross margin, the EBITDI figure is divided by the total revenue for the period. The level of gross margin is impacted by movements in wholesale prices and a generator's running level and/or changes in how generators control operating costs, such as maintenance, payroll and administrative overheads.

**[33] Depreciation:** Generators should include all depreciation listed in the audited annual financial statements for the period. Where there is any significant item or change in accounting policy the generator must include an explanatory note.

**[34] Impairment:** Generators should include relevant impairment<sup>13</sup> losses or gains listed in the audited annual financial statements for the accounting period. Where there is any significant loss or gain - or change in accounting policy - in relation to impairment, the generator must include an explanatory note (e.g. relevant disclosure notes from the financial statements), including reference to the relevant part of the accounting standards which apply to the audited statement of accounts.

*Note:* It is recognized that generators operating in Northern Ireland may use the term amortization instead of impairment. In Ireland, under International Financial Reporting Standards (IFRSs) goodwill is no longer amortised. It is revalued every year and the amount of any impairment relating to goodwill will be written off as a cost. It is still amortised where UK standards are used.

**[35] EBIT:** Earnings Before Interest and Tax (EBIT) shows the operating profits minus all depreciation and impairment charges incurred during the period.

**[36] Interest & Tax:** Generators should include all relevant interest and tax items incurred during the period and which are listed in the audited annual financial statements.

**[37] Net Profit:** This figure shows that generators net profit or loss for the financial period after all relevant deductions are made. In order to calculate the net profit margin as a percentage, the net profit figure is divided by the total revenue for the period.

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<sup>13</sup> Under IFRSs goodwill is no longer amortised. It is revalued every year and the amount of any impairment will be written off as a cost. It is still amortised where UK standards are used.



## APPENDIX B: Treatment of PPAs in Reporting Template

The illustrative example below clarifies how generators availing of support (e.g. REFIT, RESS or ROCs, etc.) should treat revenues from PPAs in the financial reporting template.

In the following hypothetical illustrative example, under the generator's licence obligation to submit annual audited financial statements, a generator availing of a support scheme (e.g. REFIT) would generally report the PPA-related revenue on the following basis:

- With 1,000 MWhs sold at the PPA strike price of €70/MWh, the revenue could simply show a total of €70,000.

This is depicted under "Audited Financial Statements" in the table below.

However, under the financial reporting template, the generator should state (under "Financial Reporting in SEM") what the revenue from those 1000 MWhs would have been had the generator sold the energy at the market price, as well as the additional PSO-backed top-up revenue (under "Revenue from Support Mechanisms") resulting from the REFIT-supported or RESS-supported PPA.

While this means that the breakdown of revenue in the financial reporting template deviates from that of the audited financial statements, the total revenue remains the same under either approach and therefore the template will continue to align with the audited financial statements in that respect.

Illustrative Example			
Market Price (average)		€60/MWh	
PPA Price		€70/MWh	
Audited Financial Statements		Financial Reporting in SEM	
Volume of Electricity Sold - MWh	1,000	Volume of Electricity Sold - MWh	1,000
<b>Revenue</b>		<b>Revenue</b>	
PPA Revenue	<b>€ 70,000</b>	Revenue from Electricity Markets, made up of:	<b>€ 60,000</b>
		<i>Net Energy Payments, made up of:</i>	€ 55,000
		> Day Ahead	€ 40,000
		> Intra Day	€ 10,000
		> Balancing Market	€ 5,000
		<i>Net Constrains Payments</i>	€ 5,000
		Revenue from CfDs and Contracts	<b>€ 0</b>
		Revenue from Capacity Payments	<b>€ 2,500</b>
		Reliability Option Difference Charges	<b>-€ 500</b>
		Other Revenue, made up of:	<b>€ 8,000</b>
		> Revenue from Ancillary Services & DS3 System Services	€ 500
		> Revenue from Support Mechanisms	€ 7,500
		<i>Other Revenue Sources</i>	€ 0
<b>Total Revenue</b>	<b>€ 70,000</b>	<b>Total Revenue</b>	<b>€ 70,000</b>

**Table A.1: Example where generator is supported via State Aid**

**Note:** Some revenue entries are shown as zero in this simplified example for illustrative purposes only.