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2nd July 2019

RE: Generator Financial Performance Reporting Update to Requirements, consultation SEM-19-025

Dear John and Billy,

Bord Gáis Energy (**BGE**) welcomes the opportunity to respond to the consultation on the Generator Financial Performance Reporting Update to Requirements, consultation SEM-19-025 (“**the Consultation**”).

Introduction and context

In general, BGE acknowledges the evolution of the wholesale electricity market over the last seven years (since the first iteration of the template was issued) and that the proposed amendments to the template are a combination of updating previously agreed and clarified positions issued since the original publication of the template; setting out in more detail the new revenue and cost streams under I-SEM and the new revenue streams associated with DS3 and CRM/RO, and the inclusion of a new section on unique identifiers for each unit.

BGE broadly agrees with these changes and the additional identification requirements as being part of prudent operating and financial practices which should not prove onerously burdensome on generators per se, although more detail is provided below in relation to BGE’s views on some of the additional information that the CRU is considering also requesting in addition (response to question 2.1).

Turning to the questions included within the Consultation, BGE has also considered each of the questions posed and has responded accordingly in more detail below.

Question 2.1: Do stakeholders see benefit in the inclusion of the additional breakdown into the 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.

BGE does question what exactly the further breakdown into DA, ID and BM plus the associated MWhs gives the RA’s in addition to the financial information already required and provided by generators and why it is being considered as potentially necessary.

In relation to SEM-12-027 where these requirements were first set out it was noted that the main objectives of the proposal to bring in generator financial reporting was in relation to providing the RAs with a greater insight into the financial performance of the generators and to increase the level of public market data available, thus assisting with market transparency.

At the time of SEM-12-027 it was noted that the two main objections received from most respondents was in relation to (1) the data being requested considered to be commercially sensitive (and it was acknowledged

and accepted by the RAs that the respondents strongly opposed publication of such data) and (2) the imposition of an excessive administrative burden on smaller generators.

Given the stated objectives of this Consultation, the level of detail of detail associated with the further breakdown of revenue streams for DA, ID and BM is not warranted and would put a financial burden on parties beyond what is reasonable, particularly given the added information the CRU is seeking as part of the Generator Financials Security of Supply initiative.

An additional issue that should also be considered by the RA in this context is the fact that ISEM is not sufficiently stable yet to provide this level of detail or have confidence in the numbers produced and may not be for some time bearing in mind all of the modifications currently being made and questions still being raised in relation to re-pricing and settlement.

Therefore, BGE respectively suggests that further thought and consideration should go into what the RAs would hope to achieve by requiring additional breakdowns of revenue over and above that already included in the template and provided in financial accounts and to balance it against the objectives of SEM-12-027 and this Consultation and the additional financial burdens which would be incurred by generation companies in order to comply.

Question 3.1: Are any of the required breakdown elements in this section unclear? Please identify any which you believe are unclear and the reason why. Please also provide your proposed clarification.

BGE believes all the required breakdown elements included in this section are clear and that no further clarification is required.

Question 3.2: Do you agree with the proposed categories and breakdowns of costs and revenues in Table 3.1 and as detailed above? If not, please explain why.

BGE agrees with the proposed categories and the breakdown of costs and revenues as per Table 3.1

Question 3.3: Would you welcome the further breakdown of the market revenue into Day Ahead, Intra Day and Balancing Market revenues as well as the associated MWh data? If so, please explain why.

This question appears to be a repeat of question 2.1 within which BGE answered that it does not require any further breakdown of market revenues and associated MWh data.

Question 3.4: Is there any aspect of variation of the reported profitability ratios (e.g. gross margin, net margin etc) which may need to be amended or added to?

BGE's view is that the proposed template is very similar to the current template, and that the only additions are reflective of different revenue streams as to be expected within the new ISEM. BGE does not require any further amendments or additions to be made to the reported profitability ratios.

Question 4.1: 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.

BGE notes that the RAs view is that there is little benefit at this time in introducing a "by Technology" grouping and believes that other technology classes are already incorporated under the existing "Fuel Source" groupings in the report.

BGE notes however that some new technology classes may not currently be included, and as this grouping is growing generally, and as these technology classes are bringing in their own revenue streams under auctions offered in ISEM, BGE's view is that it may become prudent to split out into "by Technology" once those individual groupings reach critical mass.

Question 4.2: 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?

BGE’s view is that longer term it may be more useful to have generators grouped by “Technology” (once it has reached critical mass in those categories and is then split out into technology type) as opposed to “Generation Type” as “Technology” at that point in may prove more informative. For now, BGE’s view is that the grouping is fine as it is.

Whilst the information provided by each generation company to the CRU is confidential and therefore generic, it would help provide an overview to market participants as to how ISEM is progressing, what type of technologies it is driving, and where future investment cases may lie. Bearing in mind there are still future events to happen such as the output from the capacity auction and the DS3 auction the type of technology is going to play a much more important role.

Question 4.3: In your opinion, does the above market price, commodity and spread information provide useful and informative content in the report?

BGE considers the market price, commodity and spread information to provide useful and informative content in the report, and whilst it may be a re-framing of data it is a resource of such data that market participants will find relevant and interesting when considering its future options.

Question 4.4: In your opinion, should the information be omitted from future reports? Please explain your view.

BGE’s opinion is that the information should remain in future reports for the reasons set out at question 4.3 above. Furthermore, the inclusion of such information aids better market control, the ability for the RAs to check and benchmark those headings and allows for better transparency for market participants. Such information could potentially also aid the RAs and market participants in spotting underlying problems or unforeseen/unintended consequence of the new ISEM.

Conclusion

Overall BGE is supportive of the proposed changes made to the template as they reflect the objectives set out in SEM-12-027 and subsequently this Consultation. However, BGE believes that further changes, in relation to generation companies being required to provide further revenue breakdowns is not warranted and not reasonable in terms of the additional financial burden generation companies would likely incur in undertaking further changes to their systems.

It is also noted that for this year, the proposed template and return date will not be issued until August 2019 because of this Consultation, but for future years will be issued in Q2. BGE also notes that the completion deadline for 2019 has not been amended by this Consultation and that the final submission date is still mid-October 2019. If there are no more changes made to the template, then BGE believes this remains achievable.

I hope that you find the above responses and suggestions helpful, but should you wish to discuss further please do not hesitate to contact me.

Yours sincerely,

Nichola Westlake
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Bord Gáis Energy

{By email}