



Energy for
generations

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ESB Generation and Trading Response:

Intermediary Arrangements in the SEM (SEM-20-033)

7th July 2020



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1. INTRODUCTION

At ESB Generation and Trading (GT), we believe that electricity is an enabler of societal and economic well-being and that every citizen should have access to secure, sustainable and affordable electricity supplies. Since our establishment in 1927, we have worked to bring light and energy to the people of Ireland, allowing individuals and communities to fulfil their potential in whatever walk of life they are in. Today, we continue to drive progress and change, constantly innovating and evolving to stay relevant and reliable for the many people who depend on us in a dynamic and competitive market.

For us, it's not all about short-term gains. We are driven by a desire to put in place solutions today that will leave a positive legacy for generations to come. We are harnessing all our resources for a brighter future, investing in our people and working collaboratively with partners to enhance the lives of our customers, drive economic progress and bring about a more sustainable future. We strive to be a safety leader in our industry, a world-class operator, a good corporate citizen and an employer of a smart, committed and healthy workforce. Through our diverse businesses across Ireland, Northern Ireland and Great Britain, we aim to meet the customer energy needs by bringing the best of our capabilities together to deliver innovative and value-driven solutions for a low-carbon world.

Over the past two years we have seen the market evolve faster than it ever has through the National Climate Action Plan, the new market rules, the increased technological shift and speed of adoption. The need for market designs to reflect this technology, scale and entry contestability is key to ensuring that the consumer benefits from the services of existing assets as well as incentivising new entry and investors. When looking to the future, as this consultation is, ESB GT is proud of its role in bringing the market to this point and hopes to continue to contribute to regulatory decisions that will underpin this new world of renewables and resilience.

ESB GT welcomes the opportunity to respond to the Intermediary Arrangements in the SEM Consultation Paper (SEM-20-033). The purpose of this Consultation Paper is to consult on the intermediary arrangements in the SEM and the widening of the eligibility criteria.

2. RESPONSE TO CONSULTATION QUESTIONS

In this section ESB GT has listed its response to the questions in the Consultation Paper.

Consultation Question 1: The RAs propose to revise Part C of the eligibility criteria to allow for a broader range of market participant categories to apply and also to provide for renewable units which may be dispatchable and/or controllable to take part in such arrangements. The revised criterion would be; where a Wind Power Unit, a Pumped Storage Unit, a Battery Storage Unit, a Demand Side Unit or a Solar Power Unit with a Maximum Export Capacity of less than 100MW is contracted to a Supplier that is Party to the TSC.

ESB GT support the widening of the range of market participant categories that can take part in such arrangements. The increased eligibility should assist the market in accommodating new technologies coming onto the system, and potentially new business models in the retail and wholesale markets as well as being supportive of the requirements to facilitate aggregation in the market under the Clean Energy Package and the potential role of Intermediaries in this area. However, considering one of the RA's objectives is non discriminatory access, it is unclear why the revision to criteria C is restricted to just these specific units and not other units such as thermal / biomass.

The introduction of the 100MW limit on the Maximum Export Capacity would appear to be targeting market power concerns. If this is the case, ESB GT does not believe setting an arbitrary value of 100MW on the MEC is an appropriate and targeted mechanism for three reasons. Firstly, a company acting as an

intermediary for two 60MW wind units has the same market power as a single company acting as an intermediary for one 120MW wind unit. Secondly, there are already a number of market power mitigation measures in the energy market to address market power concerns (unit based bidding, Bidding Code of Practise, and mandatory bidding in the Balancing Market) so the addition of a threshold on the Intermediary Arrangements would appear unnecessary. Finally, ESB GT is concerned that an introduction of a 100MW limit could have unnecessary and negative implications on participants in the future that are no longer under a PSO, these unintended consequences must also be given weighting in today's market and today's rules.

Consultation Question 2: The RAs propose to allow Suppliers to take part in Intermediary arrangements. Do you agree with this proposal and do you have a view on whether this should be available to all suppliers or only to those below a certain threshold of market share?

ESB GT believes that the intermediary arrangements should not only be technology neutral but also participant neutral. Therefore, ESB GT support the availability of the intermediary arrangement to all suppliers.

Consultation Question 3: The RAs propose that an additional criterion is added to the Trading and Settlement Code to allow for specific registrations to be approved once they meet the SEM Committee's specific objectives in this area. A Modification to the TSC would be raised following this Consultation to provide for this change. Do you agree with this proposal?

In order to provide long term certainty to investors and incumbents future proofing should be a key component to a regulatory decision. ESB GT believes a more efficient approach would be to seek to remove barriers to the participation of new technologies in the electricity market in this decision rather than creating exemption processes in the T&SC.

Consultation Question 4: The RAs propose to publish a quarterly report on the SEM Committee website setting out the details of the current Intermediary arrangements in place in the SEM. Participants involved in these arrangements would be required to notify the RAs and SEMO of any changes to these. Do you agree with this proposal?

ESB GT believes transparency can improve market efficiency, however, there is no justification or objective for the collection and publication of the data. Therefore, before imposing an administrative burden on both the RAs and market participants the value of the information and how it can be used needs to be identified.

Consultation Question 5: What is your view on the potential added value of the application of Intermediary Arrangements in the Ex-Ante Markets?

ESB GT acknowledges the recent consultation on Aggregators (SEM-20-042) and that there may be cross over on this question and the requirements of the CEP. However, ESB GT is unsure of the requirement to change the current setup in the ex-ante markets as there doesn't appear to be any issue at this moment with trading in the ex-ante market as the "intermediary".

Consultation Question 6: Are there limitations to the current arrangements which could be revised to better facilitate corporate PPAs?

ESB GT considers the current arrangements facilitate corporate PPAs.

Consultation Question 7: Are there further changes to the FoA that the Regulatory Authorities should consider?

The current arrangements are appropriate for the FoA.