

SEMOpX Revenue Requirement for 2022/23

Information Paper

SEM-22-048

17 August 2022

EXECUTIVE SUMMARY

The SEMOpx Revenue Requirement for 2022/23 and the 2020/21 K-Factor were submitted on 15 June 2022 by EirGrid and SONI in their capacities as designated NEMO in Ireland and Northern Ireland respectively.

The current price control for SEMOpx is in place until October 2022. In the immediate term, the RAs propose to roll over the final year of the current price control for a further year¹. This Information Paper provides an overview of the annual K-Factor and Revenue setting process in line with the allowances set out for the tariff year and next steps for the publication of the SEMOpx Charges for 2022/23.

The RAs have reviewed the SEMOpx submission and calculations and following engagement with SEMOpx have approved the revenues shown in Table 1 below for the period from 01 October 2022 to 30 September 2023.

The overall revenue requirement below is approved until 30 September 2023. This allowance had been approved subject to re-designation of SEMOpx as NEMO¹. The Statement of Charges will be published by SEMOpx based on Table 1 below with inclusion of a caveat that these charges will apply subject to the redesignation of SEMOpx as NEMO.

Category	€m (March 2022 prices)
2022/23 SEM-20-007 ² Revenue	€4.694
2020/21 K-Factor	-€0.224
Total 2022/23 Revenue	€4.470

Table 1

¹ SEM-22-037 Regulatory Framework for NEMO from October 2022 | SEM Committee

² SEM-20-007 SEMOpx Price Control Decision Paper published on 11th March 2019

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1. Introduction

1.1 Background

SEMOpX provides day-ahead and intraday electricity market trading within the Single Electricity Market (SEM). The SEMOpX revenue requirement outlined in this information paper covers the period from 1 October 2022 until 30 September 2023 and the K-Factor for 2020/21.

SEM-20-007³ set out the SEM Committee's Decision in relation to the SEMOpX Price Control and therefore SEMOpX's revenues from October 2019 to September 2022. In the immediate term, the RA's have proposed to roll over the final year of the current price control for a further year. The revenues outlined in SEM-20-007 are based on a mid-tariff (March 2019) price base and are adjusted for out-turn inflation up to March of each year based on the indices⁴ set out in the price control Decision.

The annual revenues for SEMOpX are adjusted to account for any K-Factor for over or under recovery.

2. SEMOpX 2022/23 Revenue Requirement

2.1 SEM-20-007 Revenue Requirement

The total revenue allowance for SEMOpX for the 2022/23 period is €4.694m in March 2022 prices, indexed from the March 2019 prices set out in SEM-20-007. This is comprised of Opex and Finance costs as set out in Table 2.

Opex costs include Payroll, Facilities and Overheads, IT and Telecommunications, Finance and Regulation, Contract Services and Market Coupling Costs as set out in SEM-20-007. Finance costs include the return on SEMOpX's Regulatory Asset Base, Depreciation and SEMOpX's margin.

FX settlement costs is a new line item to the revenue requirement submission for 2022/23. SEMO requested the FX settlement costs be included due to their recent quantum given the high prices experienced during 2021/22. In the past these costs

³ SEM-20-007 SEMOpX Price Control Decision Paper published on 11th March 2019

⁴ The applicable indexation rate is a blended rate of outturn CPI based on data published by the Central Statistics Office in Ireland and RPI as published by the Office for National Statistics in the UK.

formed part of the K-factor process as it was a lower amount. SEMOpx believes that the FX settlement cost is likely to form a significant component of the total SEMOpx revenue requirement, and hence SEMOpx has estimated for these FX Settlement Costs to be included in the Allowable Revenues for the 2022/23 period to ensure these costs are recovered as close to the time that they are incurred as possible. SEMOpx estimated a cost of €820k for 2022/23; the RAs have allowed an estimate of €400k (based on actual FX settlement costs for 2020/21) at this time and this line item will be kept under review.

SEM-20-007 Revenue Requirement	Tariff Year 2022/23 €m (March 2022 prices)
OPEX	4.121
Finance	0.573
Total	4.694

Table 2

2.2 Correction Factor for 2020/21

SEMOpx has over recovered €208,394 in total for tariff year 2020/21.

2020/21 K-factor summary	€m (March 2021 prices)
2020/21 Revenue allowance	3.396
Total recovered through tariffs	3.604
K factor	-0.208
	€m (March 2022 prices)
K factor	-0.224

Table 3

2.3 Total Revenue Requirement for 2022/23

Category	€m (March 2022 prices)
2022/23 SEM-20-007 Revenue	€4.694
2020/21 K-Factor	-€0.224
Total 2022/23 Revenue	€4.470

Table 4