



**Single Electricity Market
(SEM)**

**Generator Financial Performance Reporting
Update to Requirements**

Consultation Paper

**SEM-19-025
04 June 2019**

EXECUTIVE SUMMARY

The SEM Committee published a decision paper (SEM-12-027) on generator financial performance reporting in the SEM in 2012. That decision set out the requirements for financial reporting by key generation companies to the Regulatory Authorities (the RAs), and for the publication of an annual SEM Committee report, based on the information collected.

Since the publication in 2012 of the original decision (SEM-12-027) the evolution of the wholesale electricity market resulting from the I-SEM project, the introduction of the Capacity Remuneration Mechanism and DS3 services, as well as the emergence of certain clarifications to the template, have resulted in the need to make amendments to the original reporting template and the explanatory text in the paper.

The RAs are now issuing - for public consultation - proposed changes to the fields in the template for reporting, primarily to account for the above evolution. The RAs are also inviting stakeholders to propose any other financial performance related categories or breakdowns which might now be relevant to the electricity market.

The RAs do not envisage sweeping amendments to the financial performance reporting arrangements. The RAs' objective is primarily to update the report, and the associated template for the submission of information to the RAs, to reflect the revenues and costs in the current markets (i.e. SEM Energy Trading Arrangements, the CRM and DS3). However, this also presents an opportunity to take stock and to solicit feedback from stakeholders as to the general content of the report.

This consultation paper outlines the RAs' proposed updates and presents a number of questions for respondents to consider.

The deadline for responding to this consultation is Tuesday, 2nd July 2019. Following a review of comments received, the RAs plan to publish the decision in August and to also send the FY2018 template to generation companies.

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1. INTRODUCTION

1.1 Background

The SEM Committee published a decision paper (SEM-12-027)¹ on generator financial performance reporting in the SEM in 2012. The main objectives were to provide the Regulatory Authorities² (RAs), with a greater insight into the financial performance of generators so as to inform SEM Committee policy decisions, and also to increase the level of public market data available, thus assisting market transparency.

The 2012 decision set out the requirements for financial reporting by key generation companies to the RAs and for the publication of an annual SEM Committee report based on the information collected. The RAs have published four reports³ since then.

Since the publication in 2012 of the original decision (SEM-12-027), the evolution of the wholesale electricity market resulting from the I-SEM project, the introduction of the Capacity Remuneration Mechanism and DS3 services, as well as the emergence of certain clarifications to the template, have resulted in the need to make amendments to the original reporting template and the explanatory text in the paper.

1.2 Public Consultation

The RAs are now issuing - for public consultation - proposed changes to the fields in the template for reporting, in order to account primarily for changes in the market since 2012. These are outlined in Section 3 of this paper. The RAs are also inviting stakeholders to propose any other financial performance related categories or breakdowns which might now be relevant to the electricity market. This is outlined in Section 4 of this paper.

The deadline for responding to this consultation is Tuesday, 2nd July 2019. Following a review of comments received, the RAs plan to publish the decision in August and to also send the FY2018 template to generation companies.

Further details are provided in Section 5 in relation to responding to this consultation.

1.3 Reasons for updating the reporting requirements

An update to the 2012 decision paper SEM-12-027 is needed for several reasons, including:

- i. To accommodate new streams of revenue and cost due to the go-live of the revised-SEM in October 2018, as well as DS3 and CRM/RO revenues;
- ii. To publish clarifications provided informally in the years since the 2012 reporting framework was published;

¹ Decision paper ([SEM-12-027](#)), “Generator Financial Reporting in the SEM”.

² The Northern Ireland Authority for Utility Regulation (Utility Regulator) and the Commission for Regulation of Utilities (CRU), together referred to as the Regulatory Authorities (RAs).

³ SEM/19/016 Generator Financial Performance in the SEM (April 2019), available [here](#)
SEM/16/086 Generator Financial Performance in the SEM (November 2016), available [here](#)
SEM/14/111 Generator Financial Performance in the SEM (December 2014), available [here](#)
SEM/13/031 Generator Financial Performance in the SEM (May 2013), available [here](#)

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- iii. To introduce a unique identifier (i.e. EICs) for generation units when reporting financial performance; and
- iv. To provide further clarifications on reporting of generation with PPAs backed by State Aid (e.g. REFIT or RESS PPAs supported by the PSO levy)

1.4 Clarifications since SEM-12-027

Since the publication in 2012 of the original decision (SEM-12-027) on generator financial performance reporting, certain clarifications to - and refinements of - the reporting template have resulted in the need to make amendments to the original reporting template and the explanatory text in the paper.

1.5 Revenues evolving with the market

From the perspective of generator financial reporting, the year 2018 experienced a transition - on 1st October 2018 - from the gross mandatory pool SEM ("Old SEM") to the new trading arrangements to comply with the EU Target Model ("Revised SEM") and a corresponding transition from one stream of revenues to another:

- **Old SEM:** From November 2007 until the end of September 2018 the electricity market was based on a centralised all-island gross mandatory ex-post pool market.
- **Revised SEM:** During 2018 the I-SEM project resulted in new streams of generator revenue including:
 - The introduction - on 1 October 2018 - of new trading arrangements, enabling integration with EU markets, resulting in revenues relating to day-ahead, intra-day and balancing markets;
 - The first capacity auction of the Capacity Remuneration Mechanism (CRM) took place in December 2017 to cover the period from 1 October 2018 until 30 September 2019, resulting in changes to capacity-related revenues; and
 - System Services revenue, to include revenues under the DS3 programme.

In order to accommodate these evolving changes for the purpose of future financial reporting, commencing with FY2018, it is now proposed to update the generator reporting template to reflect the changing revenue streams. This proposed update to SEM-12-027 also provides the associated guidance and clarifications.

Please note that the FY2018 report will not distinguish between the revenues, costs and profits relating to the Old SEM (i.e. nominally 9 month period) and those relating to the Revised SEM (i.e. nominally 3 month period). The analysis and report will be based on the combined 12-month revenues, costs and profits corresponding to the audited financial year.

1.6 Update to SEM-12-027

The proposed amendments in this paper relate principally to Section 6 of SEM-12-027. Section 3 of this paper is substantially a revised version of Section 6 of SEM-12-017.

Henceforth, the arrangements for reporting generator financial performance will therefore consist of SEM-12-027 as amended by the proposed updates resulting from the outcome of this consultation.

1.7 “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 1st January and ending on 31st December of the same year.
- For some companies the financial statements apply for the 12 months period commencing annually on 1st April and ending on 31st March of the following year.
- For some companies the financial statements apply for the 12 months period commencing annually on 1st October and ending on 30th September of the following year.

In summary, in all cases the label “FY2018” is used to denote a 12 months 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 1.1 below.

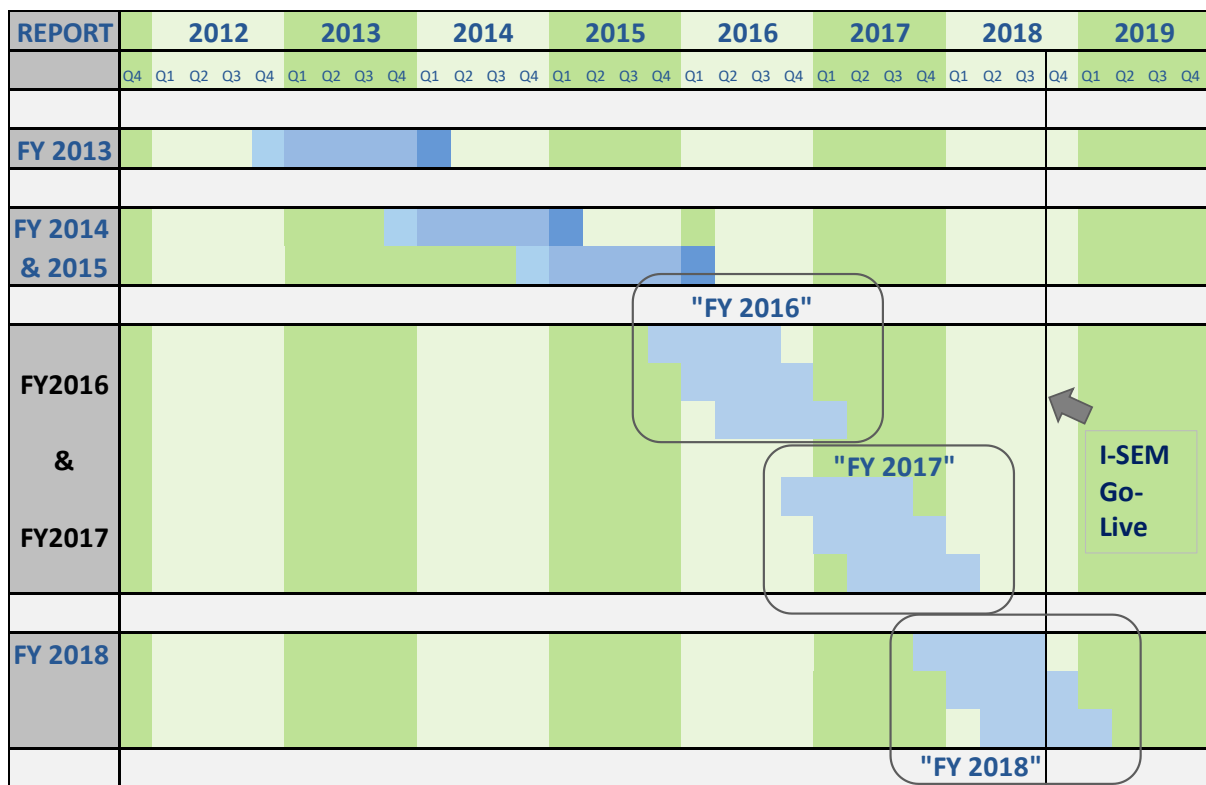


Figure 1.1 Financial Years

2. REPORTING TIMELINES

2.1 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 ends on 31st March (see Section 1.6 above). As a result, the generator financial performance templates from some generators may not be received until the end of September. The following table presents an indicative timeline to illustrate the key milestone dates relating to the annual generator financial performance workstreams for FY2018 and FY2019. The timelines for the annual reporting for years following FY2019 should align with the FY2019 column below.

Financial Year	Who	"FY2018"	"FY2019"
RAs send GFP templates to generation companies for completion	RAs	August ⁴ 2019	Circa May 2020
CASE A: 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
CASE 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 ⁵ 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 4.1: Indicative timeline for Generator Financial Performance reporting

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, this year we plan to issue the templates in August 2019 for FY2018 reporting.

⁴ This is later than would otherwise be the case, on account of this consultation.

⁵ 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.

2.2 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 and (circa $\frac{1}{4}$) Revised-SEM, 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 FY 2018 report will not separate out or compare Old-SEM (Q1 to Q3 2018) with Revised-SEM (Q4 2018).

2. **FY2019:** The financial year FY2019 will consist entirely of costs and revenues under the “Revised-SEM” market arrangements. The GFP reporting template may need to be refined if it is thought that further transparency [e.g. by requesting a breakdown of revenues under Day-Ahead (DA), Intra-Day (ID) and Balancing Markets (BM)] is warranted.

The RAs are conscious that generation companies may need to have known of this requirement in advance of the commencement of their FY2019 financial year so that they can put internal structures in place to track the various new revenue streams – and the associated energy in MWhs - accruing to each individual generation unit. The financial year “FY2019” of a small number of generators commenced in October 2018 and commences in January 2019 for a large share of all generators.

Questions for consideration of respondents:

Q 2.1 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.

The RAs will initiate the annual process for reporting on FY2018 by sending out a notification to known generation companies together with the spreadsheet template for FY2018 and any relevant instructions for returning the financial information to the RAs. Companies should inform the RAs where there is a change in personnel in relation to: the company’s point of contact; the person responsible; or the delegated party responsible for returning the requested GFP information to the RAs.

3. Reporting Requirements & Guidelines

3.1 Financial Reporting Template

This section includes details of any significant changes made to the original [SEM-12-027](#) paper. The following labels are used to distinguish the categories/breakdown fields in the template:

ORIGINAL:	Indicates a heading or breakdown element which is unchanged since the <u>original</u> SEM-12-027 decision paper.
INTERIM:	Indicates a heading or breakdown element which was introduced to provide clarity for the FY2014 & FY2015 report, as was described in a 2015 update to the SEM-12-027 decision paper, as distributed to relevant generators at that time. The RAs propose that these interim updates become enduring elements of the reporting following this consultation.
MODIFIED:	Indicates a heading or breakdown element which <u>modifies</u> or adapts the meaning of a heading or breakdown element from the original SEM-12-027 decision paper.
NEW	Indicates a <u>new</u> heading or breakdown element which is proposed for introduction in this consultation paper.

This section of the paper presents the proposed updates to the financial reporting template as well as providing explanatory guidance on what information generators must include in each field. Table 3.1 below presents a sample of the proposed updated template, which includes new or modified fields or sub-categories of breakdown to the SEM-12-027 template, as are identified in the *New or Modified* column below.

The explanatory text below for each field provides guidance on the information that is requested to be included for each line item.

In completing the financial reporting template, the information provided should align with the audited annual financial statements, as are to be provided separately to the RAs. Subject to exceeding the aggregate 25 MW capacity threshold, the template should be completed for each generation site in the generation company's portfolio. Explanations for each line item in the template are provided below.

The information should be submitted to the RAs in the form of a completed spreadsheet template. A sample of the template is shown in Table 3.1 below, noting that this may be revised by the RAs from year-to-year to incorporate clarifications and to reflect evolving revenue streams, etc.

Generation companies should use the most recent spreadsheet template corresponding to the financial year being reported on, as may be updated from year-to-year by the RAs.

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Information Requested	Complete in either Euro or Sterling as appropriate	Complete in either Euro or Sterling as appropriate	"Original" or "Interim" (Note 3)	"Modified" or "New" (Note 3)
Name of generation asset owner				New
Company making this submission				New
Name of Generation Site				New
Name of Generation Unit				New
EIC W Code of the generation Unit (Note 2)				New
Capacity (MW) of the Generation Unit				New
Financial Year	2018	2018		New
Date of Generator's financial Year-End				New
Currency	Euro	Sterling		
Volume of Electricity Sold - MWh				
Revenue	€,000	£,000		
Revenue from Electricity Markets, made up of:	€ -	£ -		Modified
<i>Net Energy Payments</i>				Modified
<i>Net Constraints Payments</i>				Modified
Revenue from Contract/Difference Payments			Interim	
Revenue from Capacity Payments				Modified
Other Revenue, made up of:	€ -	£ -	Original	
<i>Revenue from System Services (e.g. DS3)</i>				New
<i>Revenue from Ancillary Services</i>			Interim	
<i>Revenue from Support Mechanisms</i>			Interim	
<i>Other Revenue Sources</i>			Interim	
Total Revenue	€,000	£,000	Original	
Operating Costs	€,000	£,000	Original	
Fuel Related Operating Costs			Interim	
Non-fuel Operating Costs			Original	
Reliability Option Difference Charges				New
Total Operating Costs	€,000	£,000	Original	
EBITDI	€,000	£,000	Original	
Depreciation			Original	
Impairment (Note 1)			Original	
EBIT	€,000	£,000	Original	
Interest & Tax			Original	
Net Profit	€,000	£,000	Original	

[1] 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.

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

[3] "New" and "Modified" in the above table indicate a new/additional or modified field compared with the interim 2015 updated decision paper.

Table 3.1 – Sample of Financial Reporting Template

3.2 Generator Identification Details

With reference to Table 3.1 above, new additional⁶ fields in the reporting template are proposed by the RAs – as highlighted in yellow in Table 3.1 - in order to uniquely identify the generation unit and to identify the source of the submitted data as well as the accounting period which applies to the reporting generation company.

Name of generation asset owner: Enter the name of the generation asset owner.

Company making this submission: Where a service company or intermediary is providing the information, on behalf of, and with the authority of, the generator, the name of such company should be entered in this field. Companies should inform the RAs 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 information to the RAs.

Name of Generation Site: Enter the name of the generation site as commonly identifies the generator.

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

EIC W Code of the generation Unit: Enter the EIC W code⁷ to identify the object (i.e. the generation Unit).

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

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.

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.

⁶ Please note that these additional fields were used for reporting for FY2017.

⁷ <https://www.entsoe.eu/data/energy-identification-codes-eic/>
<http://www.eirgridgroup.com/customer-and-industry/general-customer-information/eic-codes/>

3.3 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 SEMO⁸, SEMOpx, NEMO, etc. as appropriate.

3.4 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 feel is 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.

Below are details of what should be included under each revenue heading.

Revenue from the Electricity Markets

Under “Revenue from Electricity Markets” the generator must provide:

- a) net energy payments; and
- b) net constraints payments,

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 (CfD) hedging as this is covered separately (see Contract/Differences line item). Similarly, it is acknowledged that in some cases a generator may have an agreement with an intermediary/third-party via a PPA⁹ 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 Contract/Differences line item.

Please note that the Appendix provides an example of how revenues from the market and from contract/difference payments in relation to a PPA should be treated.

Revenue from Contract/ Difference Payments:

Generators may enter into Contracts for Differences (CfD) 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 prices¹⁰, 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

⁸ www.sem-o.com

⁹ See also section 5.3 of SEM-12-027

¹⁰ In the Old SEM the market price is referred to as SMP.

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generator. 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.

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 1st October 2018 should be included under this heading.

Other Revenue:

All forms of revenue earned during the period, other than those set out above, should be included under the relevant sub-headings below.

Revenue from System Services: Revenue received by generators for the provision of system services¹¹, including all DS3 revenues, should be entered in this category. The RAs propose 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.)

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

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.

3.5 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.

¹¹ The system services relating to the Old SEM, which preceded the services included within DS3 were previously included under the sub-heading "Ancillary Services".

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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:

Fuel Related Operating Costs: Under this heading generators should include all fuel cost incurred during the 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.

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.

Reliability Option Difference Charges: Generators should include the total of all reliability option difference charges incurred, as may apply following the application of the Capacity Remuneration Mechanism from 1st October 2018.

3.6 Other Items

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.

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.

Impairment: Generators should include relevant impairment 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.

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

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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.

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.

3.7 Explanatory Notes

In addition to the above financial reporting template requiring information on revenues and costs, generators should also 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.

Questions for consideration of respondents:

- Q 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.
- Q 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.
- Q 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.
- Q 3.4 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?

4. OTHER UPDATES

4.1 Grouping by “Type” or other grouping

On account of the evolving energy market environment, the RAs would welcome feedback on the current main groupings used in the form of the report, i.e. by Fuel and by Type¹².

The SEM Committee’s 2012 decision paper (SEM-12-027 “*Generator Financial Reporting in the SEM*”) 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.

Consider “by Technology” reporting

One grouping for consideration as a new grouping is reporting “by Technology”. For the purpose of the Capacity Remuneration Mechanism, technology classes were formulated on the basis of high correlations between the outages of units and hence the different de-rating factors which could be applied to the various technology classes. The ensuing (CRM) Technology Classes¹³ for the first transitional auction are listed in Table 4.1 below. It is notable that the above “Technology” groupings are also used in EirGrid’s 2018-2027 [All-Island Generation Capacity Statement](#).

On the other hand, ENTSO-E continue to use the “Type” classification with the classes Baseload, Mid-Merit and Peakers in their [TYNDP 2018 report](#).

Technology Class	Units included	Comment
Gas turbine	All units with gas turbine as prime mover, i.e. OCGT, CCGT and GT-based CHP	Already included within the existing category “Gas” fuel source in the current GFP report.
Steam Turbine	All units with a steam turbine as prime mover, i.e. coal, oil and peat fired units	Already included within the existing fuel categories “Coal, Peat and Oil ” fuel source in the current GFP report.
Hydro	All hydro units	Already included within the existing fuel categories “Hydro” in the current GFP report.
Pumped Storage	All pumped storage units	Not purely a generator, but is already included in the reporting.
Other storage	All other storage units, e.g. CAES, battery	Not purely generators.
Wind	All wind units	Already included within the existing fuel categories under “Wind” in the current GFP report.
Solar	All solar units	Not currently included as a fuel source, though could possibly become a separate fuel source type once the capacity becomes significant.
DSU	All DSU	Not a generator

Table 4.1 – Technology Classes

¹² In the context of reporting on generator financial performance the label “Type” currently refers to the aggregation of costs and revenues under the groupings: “Baseload”, “Mid-Merit”, “Peak”, “Renewable” and “Price Taker”.

¹³ Refer to [SEM-16-082](#) “Capacity Requirement and De-Rating Factor”.

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The adoption of the Technology Classes in the above table would – in effect – only boil down to two new sub-groupings: 1) Gas Turbine; and 2) Steam Turbine. This is because all of the other technology classes (Hydro, Pumped Storage, Wind, and Solar) are already included in other classes under the existing “Fuel Source” groupings in the report.

Therefore, the RAs view is that there is little benefit – at this time – in introducing a “by Technology” grouping.

Questions for consideration of respondents:

Q 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.

Discontinue “by Type” reporting

In addition to reporting *by Fuel Source* the report also groups the data *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 4.2 below.

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

Table 4.2: Plant type and load factors

Reasons for the potential discontinuation of the analysis by Generator Type in future Generator Financial Performance reports include the possibility that the number of plants which qualify as Baseload is decreasing as the portfolio of generators in the entire market evolves towards more flexible generation to support greater renewable penetration. In the event that only a single unit meets the criteria for a class (e.g. the Baseload class) the RAs may decide to take steps to preserve the principle of anonymity by not publishing commercially sensitive information which can be determined to correspond to a particular generation unit. The RAs may consider the inclusion of the unit under other groupings, or take other measures, as appropriate.

Looking to the future, a situation may arise for forthcoming reports where no baseload plant is operating in the market and hence there would not be any generation included under Baseload type.

Nevertheless, the RAs propose that the existing “*by Generation Type*” grouping be retained until this latter situation actually transpires and to review the groupings at that stage.

Questions for consideration of respondents:

Q 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?

4.2 Inclusion of historical market price and commodity

The RAs have included certain commodity price and spread information in order to provide context for the revenues and gross profits which are reported. The market information which was provided in the recent report¹⁴ for FY2016 & FY2017 includes:

- A section providing historical information on clean spark spread and green dark spread;
- Electricity market price history; and
- Commodity price history for the period.

This information is not collected by the RAs as part of this Generator Financial Performance workstream. Rather, it is a re-framing of data which is already available to stakeholders from other sources.

Questions for consideration of respondents:

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

Q 4.4 In your opinion, should this information be omitted from future reports? Please explain your view.

¹⁴ [SEM-19-016](#) Generator Financial Performance in the SEM, 2016 & 2017

5. NEXT STEPS

Interested parties are invited to respond to this public four-week consultation and to provide answers to the questions set out in this paper.

Responses to this consultation paper should be sent to John Lynch (jlynch@cru.ie) and Billy Walker (Billy.Walker@uregni.gov.uk) by 23:59 on 2nd July 2019.

Following a review of comments received, the RAs plan to publish the decision in August and to also send the FY2018 template to generation companies.

Please note that the SEM Committee intends to publish all responses unless marked confidential.

While respondents may wish to identify some aspects of their responses as confidential, we request that non-confidential versions are also provided, or that the confidential information is provided in a separate annex. Please note that both RAs are subject to Freedom of Information legislation.

APPENDIX: 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, if possible, show (under “Financial Reporting in SEM”) what the revenue from those 100 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
Revenue	€ ,000	Revenue	€ ,000
PPA Revenue	€ 70,000	Revenue from Electricity Markets, made up of:	€ 60,000
		<i>Net Energy Payments</i>	€ 60,000
		<i>Net Constrains Payments</i>	€ 0
		Revenue from Contract/Difference Payments	€ 0
		Revenue from Capacity Payments	€ 0
		Other Revenue, made up of:	€ 10,000
		<i>Revenue from Ancillary Services & DS3</i>	€ 0
		<i>Revenue from Support Mechanisms</i>	€ 10,000
		<i>Other Revenue Sources</i>	€ 0
Total Revenue	€ 70,000	Total Revenue	€ 70,000

Note: The revenue from the Capacity or Other Revenues Sources, etc. are shown as zero in this simplified example for illustrative purposes only.