

July 16th 2010

SEMO Secretariat,
The Oval
106 Shelbourne Road
Ballsbridge
Dublin 4

RE: Consultation for Modification proposal Mod_34_09: Global Aggregation

Bord Gáis Energy (BG Energy) supports the underlying objectives of the proposed Modification which will further work to ensure that all Supplier Units in the Single Electricity Market (SEM) will be treated equally.

As with other methodologies before it, the global aggregation solution must have the core principles of being: predictable; accurate; transparent; equitable; cost effective and essentially for the market, applicable on an all-island basis. That is to say that the agreed solution must be equitable and transparent but it should be put in the context of a full cost benefit analysis.

In assessing the costs associated with each of the proposed options, the consultation paper fails to consider the changes that would be needed on both sides of the system. Specifically, the impact assessment fails to account for the costs of market participants in adapting to the proposed changes. This has been a consistent flaw in market impact assessments to date and BG Energy would urge system and market operators to engage with participants at the impact assessment stage in future to obtain more accurate cost estimates.

It would appear from the consultation paper that Option E is the only viable option still under consideration as Option A+ is not workable from a Transmission Use of System (TUoS) perspective. Notwithstanding this and given the importance of an all-island global aggregation solution for the development of competition BG Energy is of the view that Option E is the best option for the market and its participants. It will deliver a more transparent solution and ensure that all participants will be accountable for their associated costs. It has been suggested that the materiality of the Error Supply Unit for the island is in the region of €12m, which is a relatively

insignificant amount in the context of the size of the overall market. However given the negligible retail margins earned by retailers it is imperative that market participants are confident in both the transparency and accuracy of the calculation.

Please do not hesitate in contacting me if you have any queries on the comments raised in this response.

Yours sincerely,

Dermot Lynch
Commercial Regulation
Bord Gáis Energy