

Response from Viridian Power and Energy

To

**Mole Interconnector Trading: A Consultation
Paper**

25th May 2007



Introduction

Viridian Power and Energy (VPE) welcome the opportunity to respond to the referenced consultation document. VPE also believe that the access arrangements for Moyle are likely to need ongoing discussion with market participants following the introduction of the SEM.

Our comments are detailed below with reference numbers linking each comment to the appropriate paragraph in the consultation document. VPE would welcome further discussion on any of the issues.

Available Transfer Capacity (3.3)

It is important that Moyle products are easily tradable in the GB power market. Whilst Moyle may not wish to align their products exactly with the EFA trading calendar, VPE believe that a definition of summer as April – September would benefit both bidders and Moyle as it is in closer alignment with the traded products in the connected market.

Alignment with all island tariff year / Auction Timing (4.2 & 6.1)

The timing and products of the directed contract process have been designed to assist domestic market suppliers and are therefore not in line with the requirements of the likely participants in Moyle auctions. VPE believe that auctions toward the end of the calendar year will attract more bids.

A significant number of customers in the competitive market are on annual contracts with November start dates. Customers typically sign contracts with suppliers a matter of weeks prior to the start of the contract. It is therefore important that the timing of the Moyle auction reflects this. An auction timing of early October for a 12-month product would allow suppliers to bid for long-term products by matching them to their customer base.

Products (5.3)

The proposed auction rules for the 2 and 3 year products do not give a satisfactory level of transparency. VPE propose that 2 and 3 years products should be auctioned explicitly using the same methodology as in previous years.

Moyle should also make provision to allow the auctioning of forward years on an independent basis – i.e. to allow a bidder to purchase capacity for 08/09 but not for 07/08.

As contemplated in (6.3), VPE agree that Moyle should also make provision for the sale of capacity not sold via auctions; for example, unsold annual capacity could be sold as an 11month product.

Reserve Price (7.1)

When GB power prices tend towards SEM prices, the inclusion of a reserve price will result in the sub-optimal use of the interconnector and lower revenues being achieved by Moyle. For example, it is possible that only EFA peak purchases across Moyle will be attractive to SEM participants, if this is the case, a reserve price at the current level represents a cost of £7.73/MWh and therefore a significant barrier to bidding for capacity.

VPE believe that the market should be allowed to determine the value of capacity across Moyle and that a reserve price is therefore not appropriate.

Auction Process (9.1 & 9.8)

VPE support the proposed amendments to simplify the bidding process.

Due to price volatility in the GB market, the auction process should be conducted over a short period of time. The proposed auction closing time of 10am should be adopted with notification of results to bidders by 11am. The shorter the closing time, the lower the risk premia that bidders will need to price into the bids.

Further Discussion

If you would like to discuss any of these points further, please contact John Newman, Energy Purchasing Manager Energia on (028)90 685 940.