



TYNAGH ENERGY
L I M I T E D

Clive Bowers
Commission for Energy Regulation
The Exchange
Belgard Square North
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Dublin 24

Colin Broomfield
Utility Regulator
Queens House
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Ref: TEL/DV/11/117

RE: Bidding Code of Practice Cost Items Consultation (SEM-11-026)

Dear Clive and Colin,

Tynagh welcomes the opportunity to respond to the Bidding Code of Practice Cost Items Consultation. The Bidding Code of Practice requires generators to submit bids based on the opportunity costs of fuel as measured by reference to the prevailing market price.

The replacement cost risk of solid and liquid fuel stocks as identified in the consultation paper typically relates to plant which are not in merit as there is the potential for a long time delay between bidding into the SEM and when the fuel is replaced but this risk is not confined to plant that are out of merit. Allowing this risk to be included in the bids has the potential to increase the cost of must run constraints that exist in SEM.

This should not be considered a short-run risk and as such should not be an allowable cost item in generator COD. Including this risk as an allowable cost could introduce an element of contract or hedged fuel costs into the calculation of generator bids which is contrary to the bidding principles and could reduce market transparency.

Similarly Tynagh believe that gas-fired generators should always refer to the NBP in formulating COD. There is no published IBP index for indigenous gas. Allowing a price other than NBP prices to be used to calculate generator bids could introduce the use of contract fuel costs which contrary to the bidding principles and would allow participants to exercise market power.

Yours sincerely

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