



ELECTRICITY SUPPLY BOARD
BORD SOLÁTHAIR AN LEICTREACHAIS

Lower Fitzwilliam Street, Dublin 2, Ireland
Telephone: 01-7026078 / 6765831. Fax 01-6765504.
Sráid MacLiam Íochtair, Baile Átha Cliath 2, Éire.

Colin Broomfield,
Utility Regulator,
Queens House,
14 Queen Street,
Belfast,
BT1 6ED

Andrew Ebrill
CER
The Exchange
Belgard Square North
Tallaght
Dublin 24

25^h May 2011

Re: 2011/'12 Contracting Process, including PSO-related CfDs

Dear Sirs,

ESB welcomes the opportunity to respond to SEM Committee "Information & Consultation Paper" on 2011/2012 Contracting Process, including PSO-related CfDs.

ESB has been and continues to be supportive of the provision of contract market liquidity in the SEM. ESB has demonstrated this by the volume of its sales of CfDs, the development of different CfD products, by increasing the frequency of auctions and by offering sales of shorter term products, all in response to requests by the RAs and market participants.

In addition, we recognise that the PSO-related CfDs are an important part of the liquidity solution for the market and we are supportive of these being offered into the future. However, while ESB has entered into these contracts in the past, we have done so to facilitate liquidity for the market as a whole and at the request of the RAs. However, these contracts could be offered by any party in the market, by a Trading Entity, or indeed by the RAs themselves.

Against that background we are concerned that the wording in the consultation paper that "it is intended that ESB will offer" may result in incorrect conclusions being drawn about the nature of the PSO related CfDs and ESB's role in offering them. We believe that there is confusion about our role which has led to parties, incorrectly, concluding that ESB controls the provision of these CfD products or that, in some way, ESB can derive some market power from the sale of these products.

We would like the RAs to make it absolutely clear to the market that;

- ESB derives no market power from the provision of the PSO related CfDs;
- ESB is not obligated to provide PSO related CfDs and has done this voluntarily;
- There is no contract market power benefit conferred on ESB either as owner of “PSO plants” or as the counterparty to PSO Contracts (or more generally) that needs to be mitigated by the provision of PSO-related CfDs.
- The RAs agree the volumes and shape of the CfDs sold, the sales process and timing, and the reserve price and risk profile associated with these contracts;
- ESB has conducted the PSO related sales process free of charge;
- ESB passes through any gains or losses from the sales of PSO related CfDs; and
- ESB is willing for another Generator to be the party facilitating the offering of PSO-related CfD.

We suggest that the RAs enquire as to whether any other market generator would be interested in acting for the RAs in conducting the PSO related CfD sales process in 2011/12.

However, if no other third party is interested in the provision of PSO-related CfDs, ESB remains amenable to discuss with the RAs the basis upon which these contracts can be provided for 2011/12.

Yours sincerely,

Paddy Hayes

Manager, Generation Assets and Trading
ESB Energy International