

European Commission
DG Energy - ENER.B.2
Internal Market II: Wholesale markets; electricity & gas
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7th February 2013

Subject: Public Consultation on Generation Adequacy, Capacity Mechanisms and the Internal Market in Electricity

Dear Sir, Madam,

Bord Gáis Energy (**BG Energy**) welcomes the opportunity to comment on the public consultation on Generation Adequacy, Capacity Mechanisms and the Internal Market in Electricity.

BG Energy has been actively involved in the drafting of the response by the Electricity Association of Ireland (**EAI**) and wishes to indicate its support for the EAI position. This is subject to the clarification in relation to the answer to question 12 whereby BG Energy wishes to emphasise its view that a Capacity Remuneration Mechanism (**CRM**) can be designed in a way that does not distort trade across borders. To the extent that the CRM in the Irish all-island market is fully transparent, we are firmly of the view that it does not distort trade as evidenced by the increasing levels of interconnector flows from Great Britain to the island of Ireland.

Furthermore, we would like to emphasise that the CRM in the Irish Single Electricity Market (**SEM**) is an integral part of the market design as opposed to a regulatory instrument to rectify energy market failures. The SEM has been deemed to be performing well and the CRM is an important part of this assessment. Markets such as the Irish SEM with its low levels of reliable interconnection, its geographical position on the edge of Europe and with the highest wind energy targets to 2020 in Europe, require a CRM not least for market efficiency but also for security of supply purposes. It is submitted that it is not appropriate to define an EU-wide CRM to apply across Member States – rather high level principles which Member States should be cognisant of, and which ensure that cross-border electricity flows occur in the most efficient manner, would be more appropriate. Such high level guidelines/

principles should not undermine the investments that have already been made in markets under perceived regulatory constructs.

Should you have any queries, please do not hesitate to contact me.

Yours faithfully,

Julie-Anne Hannon
Regulatory Affairs – Commercial
Bord Gáis Energy

{By email}