

NIE Energy Supply (NIEES) has reviewed the Best New Entrant Peaking Plant consultation paper and whilst it is generally supportive of the approach taken to calculating the fixed cost of a best new entrant peaking plant for 2009, we have detailed comments on a number of specific areas below:

NIEES feel that the consultation would benefit from further clarity surrounding the area of the market adjustment to the investment cost. While initially there is reasonable information on the individual constituent elements, there is very little information surrounding the 18% upward adjustment applied to all costs. Further information as to the number and spread of cost estimates obtained by the SEMC would help to clarify the appropriateness of the quantum of any adjustment. In addition, it is not clear whether the "base case" represents the lowest cost estimate received or simply one estimate in particular, or whether any adjustment should apply to all investment costs (e.g. site procurement etc) or simply to the costs of the gas turbine itself.

Whilst recognising that there may always be some subjectivity in its assumptions, NIEES would be in support of further analysis to consider the appropriateness of the 2.5% - 4.5% equity risk premium as set by the Competition Commission in application to the WACC calculation for the Best New Entrant costs.