



Single Electricity Market

Capacity Payments Mechanism

FCPPy and ECPPy for Trading Year 2009

Consultation

SEM-08-172

10/11/2008

Background

In December 2006 the Commission for Energy Regulation and the Northern Ireland Authority for Utility Regulation (the 'Regulatory Authorities') issued a Decision Paper entitled 'Capacity Payment Factors' (AIP-SEM-231-06). This Paper set out a number of decisions relating to parameter settings for the SEM Capacity Payments Mechanism (CPM). Included in these parameters were the Fixed Capacity Payments Proportion (FCPP) and Ex-Post Capacity Payments Proportion (ECPP) for the 2007 and 2008 Trading Years.

The Trading and Settlement Code (T&SC) stipulates that the FCPP and ECPP is to be set by the Regulatory Authorities on an annual basis. This Consultation Paper addresses this requirement and sets out the SEM Committee's proposal for the values of these parameters for the 2009 Trading Year.

The existing parameters, decided upon in the aforementioned Decision Paper are as follows:

FCPPy for 2007/8 : 0.3

The FCPP for 2007/8 dictates that 30% of the Annual Capacity Payment Sum (ACPS) is to be allocated to the Fixed Capacity Payment Stream for the relevant Trading Years.

ECPPy for 2007/8 : 0.3

The ECPP for 2007/8 dictates that 30% of the Annual Capacity Payment Sum (ACPS) is to be allocated to the Ex-Post Capacity Payment Stream for the relevant Trading Years.

A third parameter is implicitly defined by the above:

VCPPy for 2007/8 : $(1 - \text{FCPPy} - \text{ECPPy}) = 0.4$

The VCPP for 2007/8 dictates that 40% of the Annual Capacity Payment Sum (ACPS) is to be allocated to the Ex-Ante Variable Capacity Payment Stream for the relevant Trading Years.

Consideration

The SEMC is of the view that changes to these parameters will require a degree of numerical analysis to ensure that such changes correctly facilitate a better meeting of the CPM's main Objectives.

On balance the SEMC feels that the market is too young at October 2008 to warrant wholesale changes to these settings for the 2009 Trading Year. Further, retention of the existing values aligns with recent decisions taken on other key parameters such as PFLOOR, PCAP and Penalty Prices for constraint breaches; and by late 2009 would allow a 'like-for-like' analysis of the efficacy of the parameters across the entire market history which will by then span over more than 18 months.

Process and Proposed Settings

The SEMC proposes to retain the existing settings for FCPP and ECPP for the Trading Year 2009:

FCPPy for 2009 : 0.3

ECPPy for 2009 : 0.3

Under the TSC algebra, the magnitude of the Variable Ex-Ante component (VCPy) is a simple function of the above two parameters and is thus implicitly proposed to be retained as :

VCPy for 2009 : 0.4

Responses to this Consultation should be emailed to both Paul Bell at paul.bell@niaur.gov.uk and Philip Newsome at pnewsome@cer.ie by **5pm on Wednesday December 3rd 2008**.

A Decision will be issued in December 2008.