



Response to

Single Electricity Market Committee Consultation

**Fixed Cost of a Best New Entrant Peaking Plant
for the Calendar Year 2010
AIP/SEM/09/072**

prepared by

Philip Flynn

for and on behalf of

Premier Power Limited

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Premier Power Limited
Ballylumford Power Station
Islandmagee
Larne
Co. Antrim BT40 3RS
Tel: 028 93381215
E-mail: Philip.flynn@premier-power.co.uk

Premier Power Limited appreciates the opportunity to offer its comments on the above consultation.

PPL has used the questions posed at the end of the paper to format its reply.

1. Proposed Technology: Alstom GT13E2

In deriving the BNE technology data PPL would make the following comments.

- (i) Average lifetime output: GTW 2009 specifies OEM design ratings 179.9MW base load gross output normally the gas firing output. Whilst water injection for liquid firing would augment the GT power output it is not clear whether Alstom would guarantee the output figure of 195MW figure used to derive the average lifetime net output of 190.1MW specified.
- (ii) Water injection systems for liquid fuel firing are common but on gas firing it is not normal practice hence the CETA /PB reference to "Alstom's claims" of power augmentation. Therefore PPL would question the 193.6MW as applicable and that water injection during gas firing would not meet the technology "Pass / Fail Criterion" in Table 3.2.
- (iii) It is not clear how the output power and efficiency degradation values were calculated.

2. Cost Assumptions.

Generally PPL would concur with the CEPA/PB statement that decrease of gas turbine prices is unlikely and that because of the long lead contract prices for special steels to which the manufacturers are committed.

In relation to the EPC cost estimation, PPL would consider GT PRO and PEACE to be reasonable preliminary feasibility tools but would not consider these accurate enough for this application. Typical similar feasibility studies from power project consultants provide costs with a wide tolerance band of 25% which is supported by the statement made in section 3.5.3 of PB's experience of CCGT EPC prices being circa 40% higher than that derived by PEACE. Without substantiation from PB, PPL would therefore question the GT Pro adjustment factor of 3.8% and would consider this to be an arbitrary adjustment factor.

PPL would therefore consider the proposed 8% reduction in the BNE Peaker Cost to be in excess of the market position for 2010.

3. Demand Forecast

PPL has notes that:

- (a) the proposed Capacity Requirement for 2010 has been determined by the RA's without a clear statement of the base assumptions used in determining the Capacity Requirement particularly the Demand Forecast; and

(b) the data and discussion included in section 13.3.2 of the RA's consultation paper and the uncertainty in forecasting the actual impact of the current economic downturn on the electricity demand. PPL further notes that the proposed Capacity Requirement for 2010 has been determined by the RA's

Given the large degree of uncertainty and the unprecedented nature of the economic downturn, PPL would suggest that this element of the calculation is re-calculated ex-post and with reconciliation of the Capacity Payments made to the market participants. In concept this would reduce the regulatory risk element introduced by the current views taken on how much the electricity demand may decrease. Further analysis of this would be necessary to confirm how such a reconciliation mechanism could be implemented.

4. Indicative Annual Capacity Payment Sum for 2010

The proposed ACPS for 2010 represents approximately a 15% reduction in the Capacity Payments. PPL is seriously concerned that the resultant significant 15% reduction will discourage prospective developers from entering or building new plant in the SEM thus strengthening the position of the incumbent vertically integrated companies.

5. Concluding Comments

Overall whilst there is some transparency on the process in deriving the BNE Peaker Cost and the Capacity Requirement, key assumptions are made in the calculations which are neither presented nor substantiated. PPL would therefore ask for transparency in the derivation of for example of the EPC Costs adjustment factor, plant output data, and the method of deriving the demand forecast.

PPL would also strongly recommend that the base assumptions and factors used in calculating the ACPS be revisited and that consideration be given to the proposal in section 3 above.