

**NIE Energy Limited
Power Procurement Business (PPB)**

Demand Side Vision for 2020

Consultation Paper

SEM-10-052

Response by NIE Energy (PPB)

18 October 2010.



Introduction

NIE Energy – Power Procurement Business (“PPB”) welcomes the opportunity to respond to the Demand Side Vision for 2020 consultation paper.

Comments

PPB acknowledges the importance of developing demand side response as a method to help balance electricity supply and demand with the increased penetration of wind generation on the island. We agree that the continued existence of schemes such as the WPRDS is discriminating to other providers of capacity or demand reduction and is a barrier to the development of efficient utilisation of capacity in the market.

It is noted in section 4.2.6.2 that “the SEM prices for energy and capacity are intended as the primary market signals and that any other schemes are likely to present conflicting incentives to potential providers of demand side response”. As prices in SEM are set ex-post the recommendation put forward in section 4.2.6.3 is for the development of “a visible day-ahead price or a firm forward market for the SEM” within the next year. PPB is concerned that the development of an ex-ante price, which represents a fundamental change to the SEM, is being suggested without proper cognisance of changes being considered by other work streams. SEM is currently undergoing a radical review driven by the need to accommodate the East-West Interconnector and the need to comply with the EU Congestion Management guidelines. We are concerned that fundamental changes to the SEM are being considered in a piece meal fashion with the hope that it will all gel together. We believe that a holistic approach needs to be adopted to review all the factors that are driving change to the structure of the SEM so that we continue to have a fair and non discriminatory market that remains fit for purpose.

PPB has concerns on the recommendation in section 4.2.11.3 that Pool and capacity payments to Pumped Storage plant be reviewed and made more favourable. It is also suggested that the MSP software be amended to reflect the technical characteristics of Pumped Storage. We consider that in order to be non discriminatory it would be necessary to amend the MSP software to properly reflect the technical characteristics of all generating plant. This is one of the factors that should be considered in any wide-ranging review of the SEM.