

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

**Imperfections Charges
For
October 2011 – September 2012**

Consultation Paper

Response by NIE Energy (PPB)

25th July 2011.



Introduction

NIE Energy – Power Procurement Business (“PPB”) welcomes the opportunity to respond to the consultation paper on Imperfections Charges for October 2011 – September 2012.

Comments

PPB cannot comment on the derivation of estimated amounts and therefore can only comment on the principles. We agree that the estimated Dispatch Balancing costs, Make Whole Payment and Others System Charges be recovered in full through the Imperfections charge in the coming tariff period. However, we note that the input data freeze for the PLEXOS modelling occurred in February 2011, four months before this consultation period. PPB believes that this data freeze should occur as close to the tariff year as possible. This would also allow the modelling to be preformed with the latest verified PLEXOS model and generator data set.

It is noted that the Other System Charges was calculated using a mixture of actuals and estimates from February 2010 until September 2011. It is unclear why an estimate of Other System Charges for the 2011/12 tariff year has not included in the calculation as this would reduce the Imperfections Charges further.

PPB agrees that the current K Factor mechanism be continued in the new tariff period and we believe that the final approved tariff should include a latest “K” estimate.

The System Operators recently completed a consultation in relation to new ancillary services which could be provided by Service Providers in order to help the System Operators minimise their constraint payments. Unfortunately the proposed commercial arrangements did not incentivise Service Providers to consider offering new ancillary services as they were based only on cost recovery if the services were actually used. PPB would encourage the Regulatory Authorities to work with the System Operators to design the commercial arrangements which would encourage Service Providers to offer new ancillary services thereby reducing constraint payments.