

**To:**  
**Mr Jody O'Boyle**  
**Utility Regulator**  
**14 Queen Street**  
**Belfast BT1 6ER**  
**13 Jan 2012**  
**Email: jody.o'boyle@uregni.gov.uk**



**Submission on Draft Decision Paper on CPM Medium Term Review (SEM-11-088)**

Dear Jody,

Enercomm welcomes the publication of the Draft Decision Paper on the CPM Medium Term Review and is pleased to make a submission on it.

Our comments refer to the four main proposals in the Draft Decision and also we raise an important point regarding how ancillary services payments will be treated in the BNE calculation. The four comments are:

- **Increase in FOP:** The increase in the FOP to 5.91% is very welcome in that it takes account of the fact that the FOP previously used in calculating the BNE was lower than the average FOP on an All-Island basis. This gives a more realistic Capacity Requirement and is therefore welcome.
- **IMR Formula:** The introduction of the IMR formula for determining the IMR revenue in the BNE calculation is very welcome as it will remove much of the volatility from the BNE calculation. The current arrangement whereby the IMR is low in a year when there is high capacity margin and hence results in a higher capacity payment – and vice versa when there is a low capacity margin – is entirely contrary to economic principles; a low capacity margin should result in a higher capacity payment and vice versa.
- **BNE Constant for 3 Years:** With the impending European Market Integration and the SEM's requirement to facilitate Day Ahead and Intra Day Trading by 2016 a 3-year timeframe resulting in a constant BNE for that period seems prudent. This approach will ensure a reasonable degree of certainty for the period 2013-2015. However, it must be stressed that this timeframe does not provide the level of certainty required to facilitate new investment in flexible plants that are likely to be required to provide the necessary system services to facilitate delivery of Government 2020 targets.
- **Timing and Distribution of Capacity Payments:** We support the increase in the FPF and also retaining the 30%, 40%, 30% capacity weighting components as no significant evidence has emerged that warrants change in these weightings. As these are consulted upon annually there is ongoing opportunity to change them if warranted.

### **Ancillary Services Payments and BNE Peaker Calculations**

This is an area of major concern for generators - both existing and new - in the future. Currently a review of System Services is underway with the recent publication of the document "DS3: System Services Review Preliminary Consultation". We feel the issue of Ancillary/System Services payments and their relationship with the BNE calculation should be addressed in a somewhat similar manner to the IMR proposal. As this could have a potentially significant impact on the BNE calculation we urge that the Final Decision should include a specific proposal or reference to this matter.

- **Reasonable degree of stability:** There has been a reasonable degree of stability in the level of ancillary services payments in the BNE calculation in recent years, e.g. €4.84 in 2010, €4.41 in 2011 and €4.32 in 2012. These payments refer to the current level of ancillary services provided (reserve, reactive power and black start). In the future it is likely that many new or enhanced system services will be required with presumably correspondingly appropriate payments. It is crucial that these do not undermine the methodology and stability of the BNE calculation for 2013-2015.
- **BNE peaker standard plant:** To date the BNE peaker selected is a fairly standard plant, and this is reflected in its capital cost and ancillary services capabilities. It is likely that in the future the new type of flexible plants will be considerably more complex and more sophisticated to deliver the type and level of new system services required, and to incorporate the necessary high degree of performance monitoring.
- **Propose that new system services payments be ring-fenced from BNE:** While we recognise that the relationship between ancillary service payments and the BNE calculation has not been specifically consulted upon in this Draft Decision we urge that this matter be addressed in the final decision. We therefore propose that the present methodology of allowing for the current level of revenue for providing the current level of ancillary services (reserve, reactive power and black start) continue unchanged for the 2013-2015 BNE calculation. We further propose that new system services and new levels of system services – identified as part of the System Services Review - be rewarded outside the current regime. We believe this approach is necessary so that the proposed 2013/2015 BNE methodology is not undermined by the outcome of the System Services Review.

Sincerely Yours

Peter Duffy

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**Enercomm**

**Date: 13<sup>th</sup> Jan 2012**