

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

**Charging for interconnector capacity
allocated intra-day in the SEM**

Consultation Paper

Response by Power NI Energy (PPB)



14 March 2012.

Introduction

Power NI Energy – Power Procurement Business (“PPB”) welcomes the opportunity to respond to the consultation paper on the Charging for interconnector capacity allocated intra-day in SEM.

Comments

Q1 What are your views on each option and issues arising to implement UIOSI/UIOLI on the SEM interconnectors?

As we decide on how we move towards the Target Model it may be prudent to make decisions that align SEM with other markets. Therefore we are in favour of UIOLI for allocated capacity through SEM Intraday. This will remove the need for rules on which participants unused capacity is being reallocated. However it creates an issue where interconnector users who hold capacity at EA1 yet not dispatched and subsequently are allocated capacity in EA2 or WD1 will be charged a second time for that capacity. Interconnector users should not have to pay twice for capacity.

Q2 What is your preferred option for determining congestion intraday on the SEM interconnectors as described above?

We agree that no other market factors other than demand for capacity and supply of capacity should be used in determining whether congestion on the interconnector has occurred. However the SEM is not a self dispatching market and regardless of the volume of bids in EA2 and WD1 it is ludicrous to suggest that the interconnector is congested if it is not fully utilised. Therefore we are in favour of the level of flow on the interconnector being the determinant in deciding congestion.

Q3 What is your preferred option for calculating congestion charges for implicitly allocated capacity on the SEM interconnectors? Suggestions other than those outlined above are welcome.

It is not clear from the consultation document why the ex-ante SMP is used rather than the ex-post SMP which is the price that determines the revenue flows in the SEM.

It is also not clear from the document if any analysis has been carried out to determine what impact the uncertainty of the capacity charge would have on trading. Would this lead to inefficient flows or utilisation of the interconnector? Would it mean that the interconnector will rarely be congested?