

Submission by Bord na Móna PowerGen

on the

**Trading & Settlement Code
Annual Parameters for 2013**

Consultation Paper

SEM-12-082

Introduction

Bord na Móna (BnM) welcomes the opportunity to respond to the SEM Committee's consultation paper on the 'Trading and Settlement Code Annual Parameters for 2013' - SEM-12-082. This consultation paper examines the values which should be employed for the determination of Credit Cover, MSP Software Penalty Costs, Annual Capacity Exchange Rate, parameters inherent in the calculation of Uninstructed Balances and the Flattening Power Factor. This response comments on each of the groups of parameters and outlines, where appropriate, Bord na Móna's justification for the proffered position.

Parameters for the determination of Required Credit Cover

Bord na Móna notes the values of these parameters, suggested by SEMO, and supports their adaption for 2013.

MSP Software Penalty Cost Parameters

Bord na Móna notes the values of these parameters, suggested by SEMO, and supports their adaption for 2013.

As regards the 'new' parameters relating to 'Maximum Export/Import Available Transfer Capacity MSC Constraint Cost', it is our understanding that these 'slack variables' are currently being employed and no adverse outcomes have been reported. In light of this, BnM would agree that the 'proposed' values appear prudent and appropriate. BnM would, however, suggest that both these two 'new' parameters would continue to be included in future TSC Annual Parameter Consultations.

Annual Capacity Exchange Rate

Bord na Móna PowerGen currently only operates in one jurisdiction and is not exposed to the impact of the Annual Capacity Exchange Rate – in this regard, BnM has not carried out any analysis to determine which exchange rate setting mechanism would result in the optimum solution.

Parameters used in the calculation of Uninstructed Imbalances

Bord na Móna notes the values of these parameters, suggested by the TSOs, and supports their adaption for 2013.

Flattening Power Factor

Bord na Móna has previously stated¹ that the current parameters (implicitly including the FPF) used in relation to the timing and distribution of CPM payments should remain as is, unless there is a compelling reason for change.

The RAs signalled in the CPM Medium Term Review Final Decision Paper² that they are minded to increase the FPF to 0.5 in 2013 so as to “*reward reliable plants more in line with their contribution to system scarcity*”.

However, BnM is of the view that there is no principled reason to make this change.

Firstly, in the intervening period since the publication of the CPM Review, there has been no sea-change in the accuracy of forecasting periods of tight system margins which would allow generators change their maintenance schedules. The TSOs note³ that “[P]lanned outages are coordinated by the SOs to minimise fluctuations in the margin. Increasing the volatility of Variable payments [by increasing the FPF] may undermine this outage planning and coordination process which currently works well for all parties”.

¹ SEM-11-088c at pp 5

² SEM-11-088 at pp 40

³ SEM-12-082b


Secondly, the TSO's analysis of the actual historical data⁴ and their day to day experience of operating the all-island power system leads them to the conclusion⁵ that $FPF = 0.35$ "is appropriate, as it retains some volatility in the Ex-post payment to signal the need for availability in times of actual low margin and yet avoids excessive volatility in the Variable payment".

Thirdly, comments made by respondents to the CPM Medium Term Review supporting the retention (or lowering) of the FPF remain valid, including, but not limited to, the fact that increasing the FPF exasperates the 'lottery' effect of the Ex-Post payment with the resulting net benefit accruing to the more dominant portfolio players in the market.

In conclusion, Bord na Móna, at this moment in time, can see no objective justification to modify the FPF from the current value of 0.35.

I trust that the above comments will be helpful in the consultation process. If you have any queries or comments, please do not hesitate to contact me.

For and on behalf of
Bord na Mona PowerGen,



Dr John MacNamara,
Bord na Móna PowerGen.

October 2012.

⁴ Ibid at pp 12

⁵ Ibid at pp 19