

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

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

Consultation Paper

SEM-12-082

Response by Power NI Energy (PPB)

22 October 2012.



Introduction

Power NI Energy – Power Procurement Business (“PPB”) welcomes the opportunity to respond to the consultation paper on the Trading & Settlement Code Annual Parameters for 2013.

Comments

1. Parameters for the determination of Required Credit Cover.

PPB agrees that the current Fixed Credit Requirement for Generator Units of €5,000 should be retained for 2013.

PPB agrees that the Fixed Credit Requirement for Netting Generator Units should be reduced to €1,000 for 2013.

PPB agrees that that it is more appropriate for the Fixed Credit Requirement for Supplier Units in 2013 to be based on the size of demand with a minimum level of €1,000 and an upper limit of €15,000

PPB agrees that the current Historical Assessment Period for Billing Period of 100 days should be retained for 2013.

PPB agrees that the current Historical Assessment Period for Capacity Period of 90 days should be retained for 2013.

PPB agrees that the current Analysis Percentile Parameter of 1.96 should be retained for 2013.

PPB agrees that the current Credit Cover Adjustment Trigger of 30% should be retained for 2013.

2. MSP Software Penalty Cost Parameters

PPB has no reason to dispute SEMO’s analysis and therefore agree that the existing values should be retained for 2013.

3. Annual Capacity Exchange Rate

Following the decision to fix the BNE price component of the Annual Capacity Payment Sum for three years, it is clear that any variation in the Annual Capacity Exchange Rate over the three year period would result in increased volatility in CPM revenues for generators located in Northern Ireland. The intent of the policy to fix the BNE price was to bring some stability and certainty to the CPM and clearly having a “floating” Annual Capacity Exchange Rate would be in conflict with the wider policy.

PPB considers that the Annual Capacity Exchange Rate should be treated exactly the same as the BNE price, and therefore it should be set for 2013 and then this rate should simply apply for 2014 and 2015 (i.e. rolled forward). PPB sees no merit in averaging the forward points over the next three years since this would deviate further from the approach used in the calculation of the BNE price and hence would only add further unwarranted variability.

4. Parameters used in the calculation of Uninstructed Imbalances

PPB agrees that the current parameters should remain for 2013.

5. Flattening Power Factor

PPB welcomes the recognition by the TSOs that market participants seek to be available and that generator units do not readily react to the ex-post capacity signal. PPB has, since the commencement of the SEM, consistently expressed the view that generator units generally have little scope to respond to ex-post signals and this is evident from the TSOs' analysis.

In addition, the path for change to the SEM to facilitate EU Market Integration and compliance with the EU Target Model remains uncertain but it is likely that increasing ex-post volatility would be in conflict with the requirement for Day-Ahead market coupling and Intra-Day trading.

PPB therefore agrees with the TSOs that the current FPF value of 0.35 should be retained for 2013.