

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

**Imperfections Charges
for
October 2013 – September 2014**

Consultation Paper

SEM-13-038

Response by Power NI Energy (PPB)

8 July 2013.



Introduction

Power NI Energy – Power Procurement Business (“PPB”) welcomes the opportunity to respond to the consultation paper on Imperfections Charges for October 2013 – September 2014.

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 on 29 March 2013, three 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 performed with the latest verified PLEXOS model and generator data set.

We note that the modelling bases Interconnector flows on historic flows rather than seeking to explicitly model flows based on relative prices in the GB and SEM markets. Given current price differentials, this simplified approach may be sufficient for the 2013/14 tariff year but this approach may not be appropriate in future years when GB prices are forecast to increase (due to tighter capacity margins and the cost impact of the Carbon Price Floor).

It is not possible to comment on the detail of the incentive arrangement as there is no comment or indication on how it has functioned in 2012/13 and therefore it is impossible to comment on whether it is an effective incentivisation arrangement or whether it is merely arbitrary.

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.