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To: [Dane, Kenny](#)
Subject: Capacity Payment Mechanism Parameters (FCPP and ECPP) for Calendar Year 2014
Date: 24 October 2013 18:08:43

Kenny

Apologies that I have missed the deadline for comments on this consultation paper.

I am in agreement that the proportions should remain the same for 2014.

As far as factors to be considered in setting the 2015 proportions I note that both the RAs and TSOs acknowledge the limitations of the TSO analysis and would hope that the RAs thinking on capacity payment proportions is not influenced by any conclusions reached in the TSO paper as the analysis is limited. I would like to make some observations on the paper that are hopefully helpful for any future similar studies:

- It is noted that there is a correlation between high forecast demand and interconnector nominations with the suggestion that this is linked to higher capacity payments available in periods of high demand. While there may be a link here I would note that SMP is significantly more sensitive to demand than the Beta price (per APX) so it is natural that in periods of higher demand there will be greater arbitrage and demand for import flows to SEM
- The paper notes that the ex-ante capacity payment has been as high as €7MWh at times of wind curtailment – it would be more interesting to see how often this type of scenario occurs. In general capacity payments are low at times of low demand so it is not clear that tweaking the proportion of the ex-post payment could have a significant effect on trading decisions in these periods.
- An example is given of May 16th where interconnector trades did not respond to a particularly high capacity payment – in Moyle's case the flows were scheduled to near maximum capacity for that full trading day so no significant response would have been possible
- The paper looked at EA2 nominations – the reason for this is not clear and I would expect that if traders were to respond to market/system events these would not be seen until the WD1 gate window
- I think it is difficult to draw any conclusions about the impact of the ex-post/ante capacity payment proportions on nominations given the inability to reflect near-time events in SEM bids and the very limited participation in the intraday market. I would say the overall market design/timings is a much greater factor in causing imports at times of wind curtailment than the availability of ex-ante capacity payments.

Happy to discuss if you have any queries.

Kind regards
Paul

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