

Single Electricity Market Committee

Uplift Parameters 2014

Decision Paper

SEM-13-089

12 December 2013

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1. Background

Paragraphs 4.70 and 4.71 of the Code provides that the RAs are required to determine the three parameters used in the calculation of Uplift on an annual basis¹. These are:

- The Uplift Alpha value α , which governs the importance of the Uplift Cost Objective, such that $0 \leq \alpha \leq 1$;
- The Uplift Beta value β , which governs the importance of the Uplift Profile Objective, such that $0 \leq \beta \leq 1$ and such that $\alpha + \beta = 1$; and,
- The Uplift Delta value δ , to constrain the overall impact on revenue in each Trading Day t arising from the Uplift calculation, such that $\delta \geq 0$.

The Uplift values calculated over the optimisation time horizon are optimised to meet two objective functions:

1. Minimising Uplift revenues (the cost objective); and,
2. Minimising Shadow Price distortion (the profile objective).

These functions are weighted within the optimisation by two Uplift parameters, α and β . In addition, a third Uplift parameter, δ , constrains the overall impact on revenue of the Uplift calculations.

The Code defines that α and β are complementary, such that $0 \leq \alpha \leq 1$, $0 \leq \beta \leq 1$ and $\alpha + \beta = 1$.

Following consultation, the SEM Committee last year decided (SEM-12-077) for the period from 1 January 2013 to 31 December 2013, to retain the Uplift Parameters which have been in place since SEM go live namely:

- α should be set to a value of zero;
- β should be set to a value of 1; and,
- δ should be set to a value of 5.

2. Uplift Parameters 2014

In considering the Uplift Parameter values for 2014, the SEM Regulatory Authorities undertook further statistical analysis to examine the performance of Uplift which was included in the Consultation Paper (SEM-13-053) published on 6 August 2013. In particular the Consultation Paper included analysis using $\alpha = 1$, $\beta = 0$, $\delta = 5$ and $\alpha = 0.5$, $\beta = 0.5$, $\delta = 5$.

¹ For more on the background to the methodology and objectives of Uplift in the SEM see the following: Objectives of the Function to Include Start-Up and No-load Costs in SMP(AIP/SEM/92/06), SMP Uplift Objectives – Decision Paper (AIP/SEM/142/06), SMP Uplift Parameters Consultation (AIP/SEM/230/06), and SMP Uplift Methodology and Parameters – Decision Paper (AIP/SEM/51/07)

The SEM Committee received six responses to the Consultation Paper from the following parties: Bord Gáis Energy (BG Energy); Bord na Mona; Electricity Association of Ireland (EAI); Energia; Irish Wind Energy Association (IWEA); Power NI Energy Limited Power Procurement Business (PPB); The responses received were summarised in detail in, and published alongside the November Decision Paper SEM-13-080.

In the Consultation Paper, the SEM Committee proposed that further statistical analysis should be carried out for three months, namely: January, April and July to examine the impacts of using the values $\alpha = 0.1$; $\beta = 0.9$; and, $\delta = 5$ to calculate Uplift. The SEM Committee also recommended that the final values of the Uplift Parameters for the year 2014 should be published in December 2013 and that the raw data should be published as soon as it was available

The SEM Committee published a Decision Paper on the majority of Policy Parameters on 08 November 2013. In this paper the SEM Committee indicated that it would change the Uplift Parameters to $\alpha = 0.1$; $\beta = 0.9$; and, $\delta = 5$ for 2014 provided that the data submission from SEMO showed no undue distortion of the profile objective.

In SEM-13-080, the SEM Committee stated that it would confirm its decision to set Uplift Parameters $\alpha = 0.1$; $\beta = 0.9$; and, $\delta = 5$ on 12 December 2013 following a review of the information from SEMO, due at the end of November.

Since SEM-13-080 was published, SEMO submitted the Uplift Parameter data set to the RAs. In the interest of transparency, this data was published on the All-Island Project website on 25 November 2013.

3. Decision

It has come to SEM Committee's attention that an issue has been identified with respect to the Uplift Parameter data published on 25 November which means that SEM Committee is not in a position to base a decision on this data. In light of this the SEM Committee decision is that no change be made to the current Uplift Parameters for 1 January 2014.

The SEM Committee now hereby decides on the values of the Uplift Parameters for effect from 1 January 2014 as follows:

- α should be set to a value of 0
- β should be set to a value of 1
- δ should be set to a value of 5

The Regulatory Authorities will engage further with SEMO with the intention of receiving a revised set of data in early 2014, which will be published when it becomes available. Following analysis of the corrected data, the position of the SEM Committee will be reviewed. If a decision to change the parameters is made, the Regulatory Authorities would seek to do this at the earliest opportunity so as to benefit, or protect consumers. A four months' notice period will be provided prior to implementation.