

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

**Trading and Settlement Code  
Determination of Uplift Parameters**

**Consultation Paper**

**SEM-14-022**

**Response by Power NI Energy (PPB)**



6 May 2014

## **Introduction**

Power NI Energy – Power Procurement Business (“PPB”) welcomes the opportunity to respond to the consultation paper which seeks views on the Determination of Uplift Parameters.

## **Comments**

PPB is disappointed that the proposed change in the uplift parameters is based on analysis of only four months of data. Good regulatory practice would require that the uplift parameters should only be modified following robust analysis and consideration of any proposed change. We consider that for the change process to be robust, the analysis would need to be conducted using a minimum data set of at least one year’s data (and preferably two years) as this will highlight any seasonal or other variations (e.g. changes in commodity prices, increased intermittent generation, change in I/C utilisation etc). Further, it would be sensible to also test forward looking scenarios to analyse the impact with ever increasing renewable generation.

It is also important to highlight that if the results of the initial analysis were to be borne out over more extensive and thorough analysis, this would have a considerable commercial impact on the CfD market. This linkage requires that sufficient lead time for such material changes must be provided such that any price impacts which change the volatility and relativity of prices across the different CfD products (baseload, mid-merit, peak) can be properly priced into CfDs from the date any such change becomes effective.

As participants are already determining their risk management strategy and conducting hedging for 2015 it is imperative that the decision on uplift parameters for 2015 is made immediately regardless that the Trading and Settlement Code allows for this decision to be taken as late as 31 August 2014. As there is no robust analysis to suggest a change to the current uplift parameters, the current values of  $\alpha = 0$ ,  $\beta = 1$  and  $\delta = 5$  should be confirmed for 2015.

If the values of the uplift parameters are to be changed in 2016 robust analysis should commence immediately and should take into consideration current bidding practices, and include forward looking scenarios as well as historic outcomes. PPB would request that the uplift parameters for 2016 be decided, after proper consultation with the industry, no later than the end of March 2015 to allow market participants to take it into account when determining their hedging strategy for 2016.

PPB as a member of the EAI endorse the response submitted by the EAI.