

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

**Trading and Settlement Code
PCAP and PFLOOR 2015**

Consultation Paper

SEM-14-039

Response by Power NI Energy (PPB)



5 June 2014

Introduction

Power NI Energy – Power Procurement Business (“PPB”) welcomes the opportunity to respond to the consultation paper which seeks views on PCAP and PFLOOR for 2014.

Comments

PFLOOR

PPB has no reason to dispute the Regulatory Authority’s analysis and therefore agrees that the existing value should be retained for PFLOOR.

PCAP

One of the reasons stated for setting PCAP at the conservative level of €1000/MWh was to ensure that the MSP software did not frequently drive prices to PCAP at times when load is actually being served. It is clear from the Regulatory Authority’s analysis that this is not occurring as SMP was set to PCAP on one occasion between April 2012 and March 2014 and SMP did not exceed €700/MWh (max €682.85/MWh in 2013-14 and €675.58/MWh in 2012-13) in any other trading period. The occasion, on the trading day 25 February 2013 at 05.30, occurred as a result of an unusual set of circumstances where a unit was committed for one minute on the last trading period of the trading day. This is a very low probability event and there is no reason to expect a similar set of circumstances would occur in the future.

A lower PCAP would be equally effective in achieving the objectives of the price cap in the SEM. Based on the evidence to date, a PCAP of €750/MWh would still provide a reasonable margin above the highest SMP recorded (excluding the exceptional occurrence on 25 February 2013).

However, any such change to the PCAP would also have to be reflected in Best New Entrant (BNE) cost which deducts a value for Infra Marginal Rent which depends on the value of PCAP. As the proposals for the BNE and Annual Capacity Payment Sum for 2015 do not contemplate any change to PCAP in the IMR calculation, then any change to the PCAP that is not mirrored in the IMR calculation would create a discontinuity. These two matters should therefore be addressed together at the end of the current period of indexation of the BNE price.