

**Submission by Bord na Móna PowerGen
On**

**Capacity Requirement and Annual Capacity Payment Sum
for Calender Year 2015**

Consultation Paper

SEM-14-033

Introduction

Bord na Móna (BnM) welcomes the opportunity to comment on the consultation paper on ‘Capacity Requirement and Annual Capacity Payment Sum for Calender Year 2015’.

Annualised BNE Cost

As highlighted, in previous responses on this topic BnM do not believe that using a single jurisdiction inflation factor (i.e. CPI as measured in the UK) is appropriate for infrastructure notionally deployed in the island of Ireland market. Using a CPI index measured in the UK does not reflect the risk / reality of investing and operating in the single all-island market. BnM believes the use of a blended NI-ROI indexation is more appropriate.

Forced Outage Probability (FOP)

BnM acknowledges that the FOP was fixed in 2013 at 5.91% for a three year period. This value was set to incentivise an improvement in plant performance above historical levels. BnM continue, however, to strongly contend that the basis for this value and its application in calculating the ACPS is flawed. In effect, the employed FOP is based on an aspirational target rather than reflecting the reality of the power system. The actual FORs for plant in the Republic of Ireland for the years 2011-2014 are shown in table 1 below (NI data was not readily to hand)

	2011	2012	2013	2014*
Forced Outage Rate	8.9%	6.6%	7.9%	9.7%

Table 1: FOR Republic of Ireland Plant (Eirgrid)

*to date

The data in table 1 above is based on information published in the EirGrid Monthly Availability Reports. The data illustrates that the average availability for plant in the Republic of Ireland is significantly above the figure of 5.91% used in the BNE calculation. It is our opinion that this figure should instead be based on the actual forced outage rates (moving average) seen in the market rather than an ‘aspirational’ target that has not been achieved in any of the previous 3 years. It is our opinion that a mechanism should be introduced that would allow the FOP to be reflective of reality, a reality where it is noted that market participants are ‘profit maximising entities’, whose interests are best served by having plant ‘on the bars’ – earning capacity and energy payments from the market.

IMR Deduction

Bord na Móna acknowledges that the methodology used in calculating the ACPS is not open for deliberation in this consultation. However, it would be remiss of this organisation not to highlight the fundamental disconnect between the IMR deduction

in the ACPS and the reality of market revenues earned by an actual ‘new entry’ ‘peaking’ unit in the SEM.

Ancillary Services

As per the 2014 decision paper, we recognise that the indexation for ancillary services is being calculated on the same basis as applicable in the latest Harmonised Ancillary Services and Other System Charges decision paper at a rate of 2%.

FCPPy and ECPPy

BnM welcomes the opportunity to comment on the SEM Trading and Settlement Code parameters in relation to the Fixed, Ex-post and Variable proportions of the capacity pot. The paper details the current value of these parameters, as follows:

Fixed Capacity Payments Proportion, FCPPy	= 0.3
Ex-Post Capacity Payments Proportion, ECPPy	= 0.3
Variable Capacity Payment Proportion, VCPPy	= 0.4

The Regulatory Authorities (RAs) propose the values of Capacity Payment Parameters for year 2015 to remain unchanged from the 2014 values.

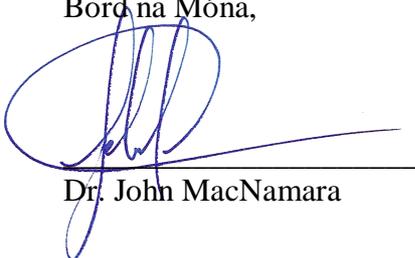
The capacity payment weighting factors have been consulted on every year since the SEM has come into operation and Bord na Móna believes that it is appropriate to continue to monitor the efficacy of these weighting factors on a regular basis to ensure that they are continuing to meet their intended objectives.

In this regard, Bord na Móna sees no objective evidence at this moment in time to change the weighting of these factors. The current component weighting ensures an appropriate balance between the short term signal to provide the required capacity during periods of tight capacity margin, and the longer term stability of capacity revenues necessary for generators to recover fixed costs.

Should you require any clarification please do not hesitate to contact me.

Yours sincerely, for and on behalf of Bord na Móna PowerGen,

For and on Behalf of
Bord na Móna,


Dr. John MacNamara