



**Response by Energia to the Regulatory
Authorities Consultation Paper SEM-14-033**

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

28 May 2014

1. Introduction

Energia welcomes this opportunity to respond to the Regulatory Authorities Consultation Paper SEM-14-033 on the Capacity Requirement and Annual Capacity Payment Sum for Calendar Year 2015.

2. Specific comments

We have considered the proposals in the consultation paper and have two principal concerns.

The first relates to the inflationary indexation of the BNE price. It is proposed to increase the deduction reflecting ancillary services revenue earned by the BNE by 2% in line with last year's decision on harmonised ancillary services (HAS) and other system charges (OSC). However the TSOs proposed an inflationary adjustment of 1.5% in their HAS and OSC consultations dated 2 April 2014. The inflation rate determined from these consultations is the relevant rate that should be used in the BNE indexation for calendar year 2015.

Our second concern relates to the calculated capacity requirement for 2015 and specifically the projected reduction in peak demand from 2014. The consultation paper states that "Forecasted peak demand has decreased by 19MW from the forecast used for the 2014 Capacity Requirement (6,666MW) to the forecast used for the 2015 Capacity Requirement (6,647MW)". However, according to the 2013-2022 All-Island Generation Capacity Statement peak demand was projected to be 6,676MW which would imply a 29MW reduction in peak demand from 2014. It is unclear what is causing this reduction in peak demand when the opposite would have been expected and this requires closer scrutiny. Unfortunately the consultation paper provides insufficient information to support such analysis and therefore we would urge the regulatory authorities to review this. The capacity requirement for 2015 should be updated based on such review and more up-to-date information.