Power NI Energy Limited
Power Procurement Business (PPB)

Capacity Requirement and Annual Capacity Payment Sum for Calendar year 2015

Consultation Paper

SEM-14-033

Response by Power NI Energy (PPB)

28 May 2014.

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Power Procurement Business

Introduction

Power NI Energy – Power Procurement Business ("PPB") welcomes the opportunity to respond to the consultation paper on the Capacity Requirement and Annual Capacity Payment Sum for the Calendar Year 2015.

Specific Comments

Rolling forward the BNE peaking plant cost for 2015

The consultation paper proposes inflationary increases on the same broad basis as was used for 2014. However, it proposes to apply 2% inflation to the Harmonised Ancillary Service (HAS) revenues and Other System Charges (OSC). This does not reflect the actual increase proposed for these revenues and charges which was proposed as 1.5% in the 2 April 2014 consultations on these rates.

The inflation increase applied to the HAS revenues should reflect the increase finally applied to the HAS and OSC rates which would be in line with the final decision for 2014.

The Capacity Requirement for 2015

It is surprising that the peak demand used in the assessment had decreased from 2014. The peak demand in the 2013-2022 All-Island generation capacity statement was 6,676MW (and not 6,666MW as indicated in the consultation paper) and hence the reduction is 29MW to 6,647MW for 2015.

While this peak demand forecast is based on the TSOs' most recent capacity statement for 2014-2023, there has been no consultation on the assumptions contained in the TSOs' forecasts. These result in a reduction in peak demand at the same time as the Total Energy Requirement is increasing, thereby resulting in an increased Annual Load Factor (ALF). Furthermore, there is little rationale for the reduction and indeed the reduction contradicts the commentary that is included within the document.

The TSOs state in section 2.2(e) of the 2014-2023 statement that the peak demand model is based on the historic relationship between annual electricity consumption and winter peak demand (i.e. the ALF). The statement then notes that because of the ending of the Winter Peak Demand Reduction Scheme (WPDRS) that the TSOs have decided to add in half of the former peak reduction attributed to the WPDRS scheme. This would have the effect of reducing the ALF whereas comparing the forecast All-Island Peak for 2015 of 6,647MW with the Total Energy Requirement (TER) of 36,115GWh gives an ALF of 62%. This compares to an outturn ALF for 2012 of c61.3% (based on a peak demand of 6,560MW and a TER of 35,300GWh as lifted from figures 2-7 and 2-8 in the 2014-2023 Capacity Statement).

This is counter-intuitive when the ending of the WPDRS is increasing peak demand which should reduce the ALF. There is nothing to explain this in the Capacity Statement and therefore reliance on it, without a full understanding of the underpinning, unduly distorts the calculation of the Capacity Requirement for 2015.

Also, as in previous years, we note that the Capacity Requirement that is determined is 7,046 MW provides a very tight margin of only 399 MW representing a mere margin of 6% over the forecast Peak Demand of 6,647 MW. This is very tight and clearly creates significant doubt that the Capacity Requirement would provide sufficient capacity to meet the forecast Peak Demand to the required generation security standard.