

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

**Trading and Settlement Code
Policy Parameters 2016**

Consultation Paper

SEM-15-042

Response by Power NI Energy (PPB)



8 July 2015

Introduction

Power NI Energy – Power Procurement Business (“PPB”) welcomes the opportunity to respond to the consultation paper which seeks views on the Policy Parameters for 2016.

Comments

PFLOOR and PCAP

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

Uplift Parameters

PPB was disappointed that the Uplift parameters were changed for 2015 based on analysis of only four months of data. Good regulatory practice would have required that the uplift parameters should only have been modified after robust analysis and consideration of any proposed change.

As the new uplift parameters came into effect in January 2015 only four months of data was available for 2015 for analysis for this consultation paper. We are concerned that the analysis has shown that the correlation between SMP and System Demand has reduced by 16%, although it is not clear from the consultation paper if the 16% reduction is for the four months or for January and February as stated in the table in paragraph 4.3.3. There is further confusion that paragraph 4.4.1 states that only three months of data has been analysed.

As PPB does not consider four months of data adequate for robust analysis and as the RAs have undertaken to closely monitor the correlation between SMP and System Demand throughout the year we agree that the uplift parameters should not change at this time. However should the monitoring show that the correlation continues to decrease we consider that the RAs should change the uplift parameters to revert to the previous values of $\alpha = 0$, $\beta = 1$ and $\delta = 5$ for 2016.

We are also concerned that while the RAs recognise that a reducing correlation between price and demand could have negative consequences for the market there is no definition of what is deemed “excessive” and therefore there is no objective criteria specified to inform the assessment of when it becomes a problem that requires correction.