



Response to SEM-16-026

***Capacity Requirement and Annual Capacity Payments
Sum for Trading Year 2017***

on behalf of

AES Ballylumford Ltd and AES Kilroot Power Ltd

17th June 2016

Introduction

AES Ballylumford Limited and AES Kilroot Power Limited (collectively “AES”) welcome the opportunity to respond to the Regulatory Authorities (RAs) “Capacity Requirement and Annual Capacity Payment Sum for Trading Year 2017” consultation paper.

AES has an installed capacity of over 1200MW of merchant plant within the SEM including 258MW of OCGT merchant plant, 520MW of dual rated coal/HFO merchant plant at Kilroot and 510MW of gas fired thermal merchant plant at Ballylumford. In addition, AES has 600MW of CCGT plant contracted via a Power Purchase Agreement to Viridian’s Power NI Power Procurement Business.

Prior to the publication of this proposal on ACPS, AES has committed over £33m of investment in 2015 into its Northern Ireland assets. This investment relates to environmental upgrades at Kilroot and Ballylumford to ensure availability of units and security of supply for NI post 2015, new highly flexible energy storage technology and energy efficiency measures. These investments were predicated on a stable regulatory transition to ISEM as previewed to all market participants in the SEMC decision on the Capacity Medium Term Review.

General Comments

AES understands the RAs’ intention to fix revenue for 2017, as this will possibly be the final year of the existing CRM, the importance of revenue adequacy across the three main revenue streams in SEM and the need to view all three in a holistic manner. AES has concerns around the proposal to reduce the ACPS by transferring a quantity (Est €20M) for DS3 revenues and the transparency of the process to determine this reduction. This aspect does not seem to be explicitly addressed in the paper.

DS3 Revenue

The process to determine DS3 System Services revenues, undertaken between the RAs and TSO, is also of concern. There is insufficient evidence and justification to support the value of the proposed increase in DS3 System Services revenue and consequential reduction in the overall revenue available for capacity in 2017. The assumption that the BNE peaking plant will earn revenue from all 14 DS3 System Services products does not reflect the reality that remuneration will only apply to 11 of these products in the interim period which is now expected to endure until at least 2018. The interim tariffs also include product and performance scalars which increases the uncertainty around revenues that might be earned in this period.