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05 October 2016

Dear Thomas, Karen,

Re: Capacity Requirement and De-Rating Factor Methodology Consultation Paper

Introduction

Power NI welcomes the opportunity to respond to the Regulatory Authorities (RAs) Capacity Remuneration Mechanism (CRM) Detailed Design Consultation Paper on Capacity Requirement and De-Rating Factor methodology.

As the RAs are aware, Power NI is the largest electricity retailer in Northern Ireland. Power NI is part of the Viridian Group which has within its portfolio, a retail position in Northern Ireland and the Republic of Ireland, as well as a significant thermal and renewable generation presence.

Power NI is however a separate business. Power NI's legal, managerial and operational separation is mandated via licence condition and it is within the context of being a supplier without vertical integration; that Power NI has approached the CRM workshops, assessed the issues presented and now responds to the CRM de-rating factor Consultation Paper.

General Comments

Power NI has voiced concern in previous CRM consultation responses in relation to the fact the security standard was being debated within the capacity workstream, rather than being a set value determined and reviewed by the Regulatory Authorities in conjunction with the Departments in a clear and transparent public manner. This position still holds, however we respect the decision arrived at in respect of LOLE, but do have some concerns surrounding the standard.

As mentioned in the introduction, Power NI is responding to this paper as a stand alone supplier representing a constituency of end, primarily domestic, customers. This constituency values security of supply and have been accustomed to it in the SEM, which has been synonymous with high levels of reliability. Power NI feels the approach being taken to achieve the security standard in the I-SEM will make it difficult to maintain the current level of reliability i.e. there is likely to be an 8 hour LOLE.

Over and above targeting a specified level of MW's to achieve the standard, further evidence of this can be found in the approach taken to the de-rating of interconnectors. For example, the treatment of historic data for Moyle and EWIC which excludes the long term forced outage on the Moyle seems overly optimistic as it understates the risk of protracted forced outages on interconnectors going forward, as for example the EWIC is currently experiencing over the peak winter months until end of February 2017.

Another concern in relation to interconnectors is the potential impact they might have on the "hole in the hedge" given interconnector owners do not have to make difference payments on the same basis as the majority of reliability option holders i.e. availability rather than performance based. Again, bringing this back to the constituency on behalf of whom this note is being drafted, end customers valuing reliable and stable prices, Power NI would ask the RAs to be mindful of this when finalising de-rating factors for interconnectors and believe a prudent approach should be adopted, ensuring the contributions of interconnectors are not over stated.

Conclusion

Power NI is mindful of a balance having to be struck between security of supply and stability and the cost of this to the end customer. At a high level only the cost of procuring MW's to achieve a particular security standard should be paid for by end customers. That being said, Power NI does have some concerns, as alluded to above, that the current methodology is underestimating the capacity requirement in I-SEM. On that basis Power NI would ask the RAs to re-evaluate and revise accordingly their assumptions, particularly in respect of the methodology to interconnector de-rating.

Power NI does welcome the continued engagement with industry on this matter and would request the process continues to be progressed in an open and transparent manner.

Power NI