

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

**Trading & Settlement Code
Annual Parameters for 2011**

Consultation Paper

SEM-10-065

Response by NIE Energy (PPB)

19 October 2010.



Introduction

NIE Energy – Power Procurement Business (“PPB”) welcomes the opportunity to respond to the consultation paper on the Trading & Settlement Code Annual Parameters for 2011.

Comments

1. Parameters for the determination of Required Credit Cover.

PPB agrees that the current Fixed Credit Requirement for Generator Units of €5,000 should be retained for 2011

PPB agrees that the Fixed Credit Requirement for Supplier Units should be reduced to €10,000 for 2011.

PPB agrees that the current Historical Assessment Period for Billing Period of 100 days should be retained for 2011.

PPB agrees that the current Historical Assessment Period for Capacity Period of 90 days should be retained for 2011.

PPB agrees that the current Analysis Percentile Parameter of 1.96 should be retained for 2011.

PPB agrees that the current Credit Cover Adjustment Trigger of 30% should be retained for 2011.

2. MSP Software Penalty Cost Parameters

PPB has no reason to dispute SEMO’s analysis and therefore agree that the existing values should be retained for 2011.

3. Annual Capacity Exchange Rate

PPB agrees with the basis underlying methodology proposed by SEMO to determine the appropriate Annual Capacity Exchange Rate (ie using forward rates). However, PPB does not agree with the calculated Exchange Rate value of 0.8210. This is determined based on a spot value of 0.8200 (which appears to coincide with the rate published by SEMO for the 30 June 2010 trading day). This is lower than the rate used in the calculation of the BNE cost (Decision paper quoted a rate of £1 = €1.184, sourced on 20 July 2010 from www.oanda.com) and hence the Capacity Pot. It is considerably lower than the current exchange rate (e.g. 0.8747 published by SEMO for 20 October 2010). If the BNE rate were used as the spot rate in the methodology an average value of 0.8456 would be calculated while the 20 October 2010 rate would generate a value of 0.8757 for 2011.

Adopting SEMO’s proposed rate effectively reduces capacity payments to Northern Ireland generators by c3% representing the difference between the rate used in the determination of the capacity pot (that was based on a Northern Ireland sited BNE) and SEMO’s proposed rate.

The difference between SEMO’s proposed rate of 0.821 and 0.8757 calculated from today’s actual exchange rate means capacity revenue to NI

generators will reduce further with a variance of c6.7%. This is a material change in revenues for any generator.

PPB considers that at minimum, the exchange rate should be consistent with that used in determination of the CPM pot, or if it is different, the rate, determined in accordance with SEMO's methodology on the last banking day prior to the commencement of the new capacity year.

4. Parameters used in the calculation of Uninstructed Imbalances

PPB agrees that the current parameters should remain for 2011.

5. Flattening Power Factors

PPB agrees with the TSOs that it would be inappropriate to change the FPF at this time.