

Single Electricity Market Committee

Fixed Cost of BNE Peaking Plant, Capacity Requirement and ACPS for 2017 SEM-16-026

Response from



June 2016

Introduction

Bord na Móna welcomes the opportunity to respond to the SEM Committee's consultation "*Fixed Cost of BNE Peaking Plant, Capacity Requirement and ACPS for 2017*". Bord na Móna's fleet consists of both conventional and renewable assets, and this organisation is a vocal supporter of the DS3 programme and the RA's decision to remunerate 'flexibility' in the market. However, as a market participant, Bord na Móna continues to rely on the revenue from the SEM's Capacity Market to underpin its generation investments in general, and its Cushaling Peaking unit in particular. It is against this background that the concerns detailed in this brief response are outlined.

Summary & High Level Points

In the interests of brevity and in the spirit of this consultation (i.e. not re-opening issues relating to WACC etc), Bord na Móna's primary concerns with the SEM Committee paper can be distilled into the two following points

- Transparency – no evidence is provided to stakeholders to underpin the notional BNE's ability to earn the DS3 payments detail in the paper
- Unsubstantiated Assumptions – the RA's continued use of a GSS of 8 hours, noting the consequential IMR deduction that follows is simply not tenable

DS3 Transparency

Table A.3 in the consultation paper is puzzling. Leaving aside the fact that a new entrant would by definition not have an existing HAS contract to migrate into DS3, as well as assuming that the BNE's connection type makes it eligible for DS3 participation, in addition to having procured the relevant insurances detailed in the DS3 Framework agreement, along with the unit being certified as being technically capable of providing all 14 services, the TSO is only contracting for 11 of the 14 services during the period applicable to this consultation?

Furthermore, the rationale and backup for the volumes of the services offered is not evident or consistent in the paper.

Finally, the paper appears to assume that the BNE will have performance scalars equal to unity for all products for the whole of the 'year', effectively a perfect machine with no risk of not delivering when called on for DS3 services. Again no rationale or backup is provided for this assumption. Given the low running hours associated with a peaking unit, it is more likely that for a number of services the BNE will be 'data poor', within the DS3 meaning of the phrase, and will at best have the 'industry average' scalar applied.

Taking the various inconsistencies mentioned above and the resulting dissonance in the SEM Committee rationale in pursuing an uncorroborated DS3 deduction; the prudent, equitable and expeditious solution would be to employ AS revenue (indexed from the 2016 Decision) in the calculation of the Cost of the BNE.

Unsubstantiated Assumptions

In previous years, Bord na Móna as both the developer and operator of the newest peaking unit in the all-island fleet, has consistently queried the objective rationale for persisting with a GSS of 8 hours when determining the Cost of the BNE. We feel duty bound to raise the issue again in this consultation response. Noting that the SEM Committee appears to rely on a 'custom and practice' type argument, see section 4.3.1 of the consultation, as a justification for an assumption that is demonstrably invalid, this fundamentally undermines the RA's standing.

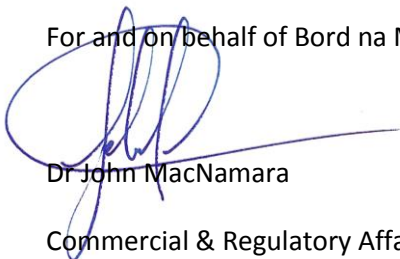
Again we believe that the solution is relatively straightforward - an independent review of what actual security standard is applicable for the all island system, and incorporation of this figure in the calculation for the Cost of the BNE.

Conclusions

Bord na Móna believes that there is insufficient evidence proffered by the SEM Committee to justify the quantum proposed for the DS3 deduction, and that in the absence of same, an indexed deduction based on the 2016 AS revenue should be applied. In addition, Bord na Móna stresses that there is an obligation on the SEM Committee to independently assess and utilise, in the Cost of the BNE methodology, an appropriate GSS which is robust and objectively determined.

As always Bord na Móna does appreciate the opportunity to make these observations and is more than willing (either at a bilateral or in written response) to expand on any of the points made in this response.

For and on behalf of Bord na Móna



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