



ESB Customer Supply Response

to

Consultation on

**The Value of Lost Load, the Market Price CAP and the
Market Price Floor**

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Introduction

This paper outlines the proposals from the joint Regulatory Authorities (RAs) to the value of lost load, the level the market price will be set at and finally the level the market price floor will be fixed as. ESB Customer Supply (ESBCS) welcomes the opportunity to comment on the RAs proposals. ESBCS have a further number of comments which are outlined below.

ESBCS Comments:

- While the VOLL “is used in the Code only in the determination of Capacity Payments” its principal impact will be in energy payments in the event of demand exceeding available generation.
- The consultation acknowledges that VOLL might be reached but largely considers that it would arise due to a short-term spike occasioned by uplift. However, it is not difficult to conceive of a situation where SMP would go to VOLL over a number of hours in the day and for a number of such days in the year. All that is required is a combination of significant generation plant outages and medium-to-high demands for electricity. In fact, the probability of such an occurrence might be considered to be on the rise given the prospective plant mix and combination of plant entry and exit over the coming period.
- In the event of such an occurrence, a supplier with an average demand of 3,000MW over the relevant hours might be expected to pay energy costs of the order of €100 Million in a single day. While contract hedging will reduce the exposure, its extent will still be significant. Furthermore, such costs could apply over a number of consecutive days.

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- While the consultation states that “customers would benefit from negative prices at times of very low demand”, the corollary in the event of prices going to VOLL goes unmentioned.
- The VOLL/Price Cap proposed at €10,000/MWh is at the high end of the ranges in the international comparisons shown in the paper.
- Medium to large customers of both regulated PES and NIE subjected to pool price pass through tariffs will be exposed to the full extent of the VOLL/Price Cap should the event occur. The RAs should consider surveying these customers first if they are willing to pay this amount to avoid their supply from being interrupted.

Conclusion

It is vital that the RAs “keep these values under review” and act to ameliorate customer impacts in the new market.