

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

**Draft Transmission Loss Adjustment
Factors for 2009**

Consultation Paper

SEM-08-121

Response by NIE Energy (PPB)

10 October 2008.



Introduction

NIE Energy – Power Procurement Business (“PPB”) welcomes the opportunity to respond to the consultation paper seeking views on the Market Operator’s proposals for the draft Transmission Loss Adjustment Factors for application in 2009 (TLAFs).

Comments

PPB welcomes the attempt to add transparency by including the Generation and Demand scenarios however full transparency can only be achieved by providing more detailed information about the methodology used.

In the absence of seeking to replicate the TSO studies, PPB’s main concern is that the draft TLAFs for the Northern Ireland (NI) generating units are generally significantly lower than those for generators in RoI. Although the difference is not as pronounced over the summer months compared to 2008, it is clearly highlighted in table C4 of appendix C that the difference is more pronounced over January, February, March and April and December days.

As PPB has pointed out in response to previous TLAF consultations, the decision not to apply TLAFs for demand means there are no offsetting beneficial TLAFs for demand in NI. This has the potential to create an inter-jurisdictional distortion that would result in NI customers providing a cross-subsidy to RoI customers. However, as the customer demand of NIE Energy Supply is determined using a differencing methodology effectively using the Error Supplier Unit (ESU) mechanism overcomes this shortcoming by aligning NI demand with the TLAF adjusted output of NI generators (net of loss adjusted inter-jurisdictional energy flows) until November 2009. In November 2009 Clause 7.12 of the Trading and Settlement Code (T&SC) is due to be replaced by Clause 4.91 of the T&SC in which the algebra of the ESU will be changed such that jurisdictional imbalances will not be redistributed to the local PES.

This is an important issue for NI customers and PPB seeks confirmation of the RAs’ proposals for any modification to the treatment of the ESU. We would caution strongly against any change to the current formulae which potentially exposes NI customers to unwarranted costs that would largely arise as a consequence of the decision to treat generation and demand differently.

Other Comments

PPB disagrees with changing the load factor for wind generators from 35% to 32% for 2009. PPB has observed that the load factor for wind generators in Northern Ireland pre SEM varied depending on the wind conditions during the year. The load factor over summer months fell in the range from 12% to 45% whilst in winter months this ranged from 44% to 53%. A load factor of 32% in 2008 does not indicate that the same will apply in 2009.

Thought must also be given to the modelling of the Moyle Interconnector. One cannot assume that the profile of 2008 will be replicated in 2009.

The figures quoted for North to South flows for October, November and December nights look particularly light given the high volume stated for January, February and March.

The figures shown in the generation scenario for Kilroot station are not reflective of the dispatch levels that PPB has witnessed for the period from March to July. Our records show an average level up to 100MW less than those quoted.