

**Single Electricity Market
Capacity Payments Mechanism
FCPPy and ECPPy for Trading Year 2010**

Consultation Paper

24 July 2010

SEM-09-082

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2 BACKGROUND

In December 2006 the Commission for Energy Regulation and the Northern Ireland Authority for Utility Regulation (the 'Regulatory Authorities') issued a Decision Paper entitled 'Capacity Payment Factors' (AIP-SEM-231-06). This Paper set out a number of decisions relating to parameter settings for the SEM Capacity Payments Mechanism (CPM).

Included in these parameters were the Fixed Capacity Payments Proportion (FCPP) and Ex-Post Capacity Payments Proportion (ECP) for the 2007 and 2008 Trading Years.

The Trading and Settlement Code (T&SC) stipulates that the FCPP and ECP are to be set by the Regulatory Authorities on an annual basis. This Consultation Paper addresses this requirement and sets out the SEM Committee's proposal for the values of these parameters for the 2010 Trading Year.

The existing parameters, decided upon in the aforementioned Decision Paper are as follows:

$$\text{FCPP}_{2007/8} = 0.3$$

The FCPP for 2007/8 dictates that 30% of the Annual Capacity Payment Sum (ACPS) is to be allocated to the Fixed Capacity Payment Stream for the relevant Trading Years.

$$\text{ECP}_{2007/8} = 0.3$$

The ECP for 2007/8 dictates that 30% of the Annual Capacity Payment Sum (ACPS) is to be allocated to the Ex-Post Capacity Payment Stream for the relevant Trading Years.

A third parameter is implicitly defined by the above:

$$\text{VCP}_{2007/8} = (1 - \text{FCPP}_{2007/8} - \text{ECP}_{2007/8}) = 0.4$$

The VCP for 2007/8 dictates that 40% of the Annual Capacity Payment Sum (ACPS) is to be allocated to the Ex-Ante Variable Capacity Payment Stream for the relevant Trading Years.

The same parameter values were used for the 2009 Trading Year.

3 CONSIDERATION

The SEMC is of the view that changes to these parameters will require a degree of numerical analysis to ensure that such changes correctly facilitate a better meeting of the CPM's main objectives. This analysis has been included in the proposed scope of the CPM Medium Term Review where it is expected that a full analysis of the three parameters discussed in this paper will take place.

4 PROCESS AND PROPOSED SETTINGS

The SEMC therefore proposes to retain the existing settings for FCPP and ECPP for the Trading Year 2010:

FCPPy for 2010 = 0.3

ECPPy for 2010 = 0.3

Under the TSC algebra, the magnitude of the Variable Ex-Ante component (VCPy) is a simple function of the above two parameters and is thus implicitly proposed to be retained as:

VCPy for 2010 = 0.4

5 VIEWS INVITED

Responses to this Consultation should be addressed (preferably via email) to both Kevin O'Neill at kevin.oneill@niaur.gov.uk and Priti Dave-Stack at pdave-stack@cer.ie by **5pm on Friday 21 August 2009**.