

the voice of irish business and employers



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Pritti Dave-Stack
CER
Plaza House
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Re: SEM Consultation - Fixed Cost of a Best New Entrant Peaking Plant Calculation Methodology (SEM-09-023)

Dear Kevin and Pritti,

The IBEC Energy Providers Working Group (EPWG) welcomes the opportunity to respond to this consultation. The capacity payment mechanism is a fundamental feature of the SEM design and plays a key role in both providing revenues to cover capital and fixed costs not covered by payments for energy and in signalling the timely entry of new generation capacity onto the system as it is required. The EPWG has been consistently supportive of the need for a CPM since 2004.

Section 4 of the SEM-09-023 paper states that the objective of the consultation is to reduce the volatility of the capacity payment mechanism (CPM). However, the EPWG feel that the substance of the document only addresses one aspect of the volatility in the CPM namely the BNE price.

The EPWG believe that volatility also arises from the following areas:

- 1) The variation in the capacity requirement used to calculate the size of the capacity pot.
- 2) The volatility and complexity in the distribution of the capacity pot

In considering the options presented in the consultation paper, we consider a variant of option 6 may be best placed to encourage new capacity but are disappointed that this may not be considered in phase I of the CPM review.

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As always, the IBEC EPWG is committed to working alongside the Regulatory Authorities to deliver a stable and competitive electricity market in Ireland. We would welcome the opportunity to further explore the contents of this letter and invite you to contact Erik.ODonovan@ibec.ie tel. 01-605 1672 to organise a meeting.

Kind regards

Garrett Blaney
Chairman
Energy Providers Working Group, IBEC