

TYNAGH ENERGY
L I M I T E D

Priti Dave Stack
Commission for Energy Regulation
The Exchange
Belgard Square North
Tallaght
Dublin 24

Ref: TEL/EOD/09/061

07 April 2009

**RE: Single Electricity Market Fixed Costs of a Best New Entrant Peaking Plant
SEM-09-023**

Dear Priti & Kevin,

TEL welcomes the chance to respond to this Best New Entrant Fixed Cost Calculation Methodology consultation.

The capacity payment mechanism (CPM) has two overall objectives. Firstly it must support suitable investment in generation plant by ensuring fixed costs not recovered through the energy market are adequately recompensed and secondly it should incentivise plant to be available to the system when they are most needed.

This phase of the review of the CPM, which focuses on the volatility of the capacity pot, is primarily focused on achieving the first objective of the CPM, namely encouraging investment. Market volatility discourages investment and therefore any steps taken to reduce this instability must be welcomed.

In considering the options presented within this paper, TEL supports option 6 which proposes a fixed price for new entrants. While we recognise that this is a significant alteration to the current CPM process, it would be the most effective method of addressing volatility for those market participants that are most affected.

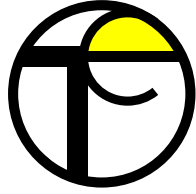
TEL looks forward to the second phase of this consultation process where a wider scope of issues, affecting both new and existing generators, will be addressed.

Yours sincerely

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