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Your ref: IRL010-2010

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Clive Bowers
Commission for Energy Regulation
The Exchange
Belgard Square North
Tallaght
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Ireland

30 June 2010

Dear Jody/Clive,

**Fixed Cost of BNE Peaking Plant and Capacity Requirement for Calendar Year
2011 - Consultation Paper**

AES Kilroot (AES) welcomes this opportunity to comment on the above consultation paper.

We welcome the update on the CPM Medium Term Review and the statement that the SEM Committee (SEMC) considers that the CPM is a key feature of the SEM design.

We note that the SEMC has continued to adopt the same methodology for calculating the BNE fixed costs and capacity requirement that was used in previous years and AES would make comments as follows.

Exchange Rates

We note that exchange rates used in the paper were set as of 14 April 2010. Exchange rates have changed considerably since then and we would suggest the analysis should be re-run with up to date Euro/Sterling and Euro/Dollar exchange rates. Our review would indicate that the Euro/Dollar exchange rate has moved such that plant costs may need to be amended within the analysis to reflect such movements.

Site Procurement Costs

It is our understanding that the Belfast West site is not vacant as the Belfast Harbour Commissioners (BHC) has a Licence with NIE to use the site. We would suggest that site procurement costs should include a figure for the breakage costs that may be incurred in terminating the Licence between NIE and BHC. We would estimate that breakage costs could be of the order £250k.

Gas and Make Up Water Connection Costs

The Belfast West site is in the harbor estate and whilst a water main is in close proximity, the condition of such infrastructure is uncertain. Typical service infrastructure in the harbor estate can be of significant age and may not be fit for purpose. We do not therefore accept that it is reasonable to assume zero connection costs at Belfast West. A more prudent approach would be to use the same figure as used for the ROI site.

Owner's Contingency

The figure of 5.2% is quite light given that the Belfast West site is a brown field site which had previously been used as a coal fired power station with uncertainties in relation to ground conditions and contamination. Such sites can carry significantly higher risks compared with a green field site and we would suggest that a figure between 6.5% and 7.5% may be more appropriate.

Initial Fuel Working Capital

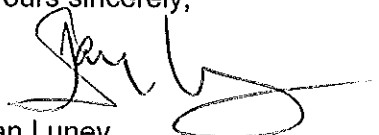
We note that CEPA/PB has estimated the fuel storage fill charge based on a requirement to run for 72hours at full load. This is not consistent with last year's analysis which used a figure of 84hours. We would suggest that this latter figure is used.

Ancillary Services

The paper correctly asserts that, based on Plexos modeling iterations, the BNE peaking plant will not be scheduled within the market. Whilst we accept that there may be some constrained dispatch we have some concerns that the 5% run time is too high. Rather than adopt some arbitrary figure, the analysis should be based on the Plexos forecast scheduling and focus on the income secured from replacement reserve, which we would estimate to be around €800k/year.

I hope the above comments are helpful – if you have any queries please do not hesitate to contact me.

Yours sincerely,



Ian Luney
Commercial Manager