



**Response to Consultation Paper on  
Fixed Cost of a Best New Entrant Peaking Plant  
&  
Capacity Requirement for the Calendar Year 2011  
(SEM-10-034)**

30 June 2010

Over the three iterations of the determination of the annual capacity pot, various issues have been raised in relation to stability of the methodology and transparency of the process; subjectivity of underlying assumptions; suitability of input parameters; adjustments made relating to other revenue streams; and volatility of the output (of course reflecting the assumptions and input parameters). Given the central role of the CPM in the SEM, determining the significant portion of generator revenues and also intended to contribute to system security and stability of prices, thus benefiting electricity consumers, it is of course crucial that the CPM is evaluated to ensure that the objectives identified with its establishment are being met.

It is our understanding that such is the aim of the CPM medium term review currently being conducted by the RAs. As the consultation paper on BNE costs for 2011 notes, “sufficient historical data” now exists in SEM to conduct such an analysis to determine whether the signals and incentives inherent in the design are being *delivered in the actual operation of the CPM*.

In light of this medium term review of the CPM, it is only rational that the determination of the BNE costs for 2011 be conducted following the methodology in place and used in the determination of the BNE costs for 2009 and 2010. While the evidence suggests that aspects of the CPM may need adjusting, Airtricity is of the view that these changes are best determined and made on the basis of considered evaluation of not just the CPM, but also of its interactions within the wider SEM space. In addition, on the assumption that changes will definitely result from the review, it may be redundant to effect changes to a methodology that may be in its last incarnation in its current form.

On the detailed aspects of the 2011 BNE costs, Airtricity offers no comments.