



The Consumer Council

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Ref: PD20010547

Jody O'Boyle
Utility Regulator
Queens House
14 Queen Street
BELFAST
BT1 6ER

Dear Jody,

Re: Fixed Cost of a Best New Entrant Peaking Plant & Capacity Requirement for the Calendar Year 2011

The Consumer Council is a Non-Departmental Public Body set up in legislation to safeguard the interests of all consumers, and particularly the vulnerable and disadvantaged. The Consumer Council is an independent organisation which operates to promote and protect the consumer interest.

We welcome the opportunity to respond to this consultation on the fixed cost of a best new entrant peaking plant and capacity requirement for the calendar year 2011.

It is the position of the Consumer Council that any change to the regulatory structure of the Northern Ireland Energy Market should only be undertaken if it is in the interest of the Northern Ireland consumer. With fuel poverty levels in Northern Ireland reaching crisis levels, with one in two households struggling to adequately heat their home, it is important that the regulatory structures look to minimise the cost of energy to consumers.

Going forward, any decision on the future of fixed costs and capacity requirements must be based on the latest and most accurate information available to ensure that the consumer benefits from any decision.

The price determined as the annualized fixed costs of a BNE peaking plant should accurately affect all island generation and therefore annual fixed costs

of renewable generators could distort the capacity payment mechanism (CPM).

In determining the fixed costs of a BNE peaking plant for 2011 Cambridge Economic Policy Associates (CEPA) and Parsons Brinckerhoff (PB) must take account of all the available information and use the most accurate and up-to-date estimates.

Expected infra marginal rent is assessed based on assumptions about the future SMP value. It would be useful to know if the value of SMP has taken into account the potential changes to transmission loss adjustment factors (TLAFs) as this decision could impact on the SMP value and have a different impact for consumers both in Northern Ireland and in the Republic of Ireland.

The proposed BNE peaking plant for 2011 is the Alstom GT13E2, firing on distillate fuel in Northern Ireland. The Consumer Council understands this BNE peaker represents the lowest annualized cost per kW and can see why it has been proposed but The Consumer Council is keen to ensure such a plant is consistent with the targets set out within DETI's Strategic Energy Framework and the target in the Northern Ireland Executive's Programme for Government to reduce greenhouse gas emissions by 25% by 2025 from 1990 levels.

We expect that the Utility Regulator undertake a robust analysis that will lead to the decision which is most beneficial to all consumers in Northern Ireland.

The Consumer Council would like to raise the following points for the Utility Regulator to consider:

- To keep in mind that its primary objective of any decision is to protect the Northern Ireland consumer;
- To consider how the targets for renewable energy within DETI's Strategic Energy Framework are likely to impact on the long term future of fossil fuel generating plants in Northern Ireland;
- To consider how emission limitations within the Large Combustion Plant Directive will affect costs;
- To consider how the planned north/south and east/west interconnectors, and any plans for further interconnection may impact on any analysis;

I hope that these comments are helpful and are given due consideration. Please contact me if you require any clarification.

Yours Sincerely,

Andrew Murray
Senior Consumer Affairs Officer