



Clive Bower  
Commission for Energy Regulation  
Plaza House  
Belgard Road  
Tallaght  
Dublin 24

Jody O'Boyle  
Northern Ireland Authority for Utility Regulation  
Queen's House, 14 Queen Street  
Belfast  
BT1 6ER

30 June 2010

**RE: AIP/SEM/10/034, 28 May 2010**

Dear Colleagues,

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.

Our group has concerns around price volatility in the CPM and is committed to working with the Authorities to ensure the mechanism is applied in a sufficiently robust, transparent and equitable manner to accurately discover the true cost elements involved in the development of a BNE peaking plant on a Greenfield site in the current market conditions.

Peak demand this year has reached a record high despite an underlying recession-led reduction. The calculation of peak demand in the consultation appears to solely reference the state of the economy and excludes other significant factors such as weather, which must be clearly addressed in any decision.

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 meet you in the near future and discuss the proposals outlined in AIP/SEM/10/034. We invite you to contact [Erik.ODonovan@ibec.ie](mailto:Erik.ODonovan@ibec.ie) tel. 01-605 1672 to organise a meeting and look forward to your response.

Kind regards

David Manning  
Chairman IBEC EPWG