Single Electricity Market

Capacity Payments Mechanism

FCPPy and ECPPy for Trading Year 2012

Decision Paper

8th September 2011

SEM-11-076

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2   INTRODUCTION

On 8 Aug 2011 the SEM Committee (SEMC) issued a Consultation Paper entitled 'FCPPy and ECPPy for Trading Year 2012' (SEM/11/068[1]). Four responses were received from the following parties:

- Endesa Ireland Limited
- NIE Energy Limited - Power Procurement Business (PPB)
- Synergen
- The Consumer Council

This Decision Paper sets out the SEMC's decisions in relation to that Consultation Paper.

3   BACKGROUND

In December 2006 the Commission for Energy Regulation and the Northern Ireland Authority for Utility Regulation (the 'Regulatory Authorities') issued a Decision Paper entitled 'Capacity Payment Factors' (AIP-SEM-231-06). This Paper set out a number of decisions relating to parameter settings for the SEM Capacity Payments Mechanism (CPM). Included in these parameters were the Fixed Capacity Payments Proportion (FCPP) and Ex-Post Capacity Payments Proportion (ECPP) for the 2007 to 2011 Trading Years.

The Trading and Settlement Code (T&SC) stipulates that the FCPP and ECPP are to be set by the Regulatory Authorities on an annual basis. This paper addresses this requirement and sets out the SEM Committee's proposal for the values of these parameters for the 2012 Trading Year.

The existing parameters, decided upon in the aforementioned Decision Paper are as follows:

$$FCPPy \text{ for } 2007/8 = 0.3$$

The FCPP for 2007/8 dictates that 30% of the Annual Capacity Payment Sum (ACPS) is to be allocated to the Fixed Capacity Payment Stream for the relevant Trading Years.

$$ECPPy \text{ for } 2007/8 = 0.3$$

The ECPP for 2007/8 dictates that 30% of the Annual Capacity Payment Sum (ACPS) is to be allocated to the Ex-Post Capacity Payment Stream for the relevant Trading Years.

A third parameter is implicitly defined by the above:

$$VCPPy \text{ for } 2007/8 : (1 - FCPPy - ECPPy) = 0.4$$

The VCPP for 2007/8 dictates that 40% of the Annual Capacity Payment Sum (ACPS) is to be allocated to the Ex-Ante Variable Capacity Payment Stream for the relevant Trading Years.

The same parameter values were used for the 2011 Trading Year.

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[1] http://www.allislandproject.org/en/cp_current-consultations.aspx?article=1b972bc5-6852-4168-a323-b85937a52e13

4   CONSIDERATION OF RESPONSES

Of the four responses received, each welcomed the opportunity to respond to the consultation paper.

- Endesa Ireland welcomes the consultation on Capacity Payment Weighting Factors for 2012. Endesa Ireland agrees with the Regulatory Authorities' proposal to maintain the current values for these parameters for 2012.
- PPB supports the retention of the existing settings for the parameters FCPPy, VCPPy, and ECPPy for use in the 2012 Trading Year.
- Synergen does not accept that a generator's behaviour is influenced by the ex-post CPM, CPM payment stream as generators strive to be available to earn SMP revenues and to comply with their Grid Code and Trading & Settlement Code obligations. Synergen believes that as there are material issues under consideration by the RAs concerning the CPM (including the split under the FCPPy and ECPPy) then the values of these parameters should be maintained at their existing levels for the trading year 2012.
- The Consumer Council would like the Regulator Authorities and the Transmission System Operators to keep in mind that its primary objective of any decision is to protect the consumer. The value of the capacity payments mechanism FCPPy and ECPPy for trading year 2012 should represent the most beneficial option for consumers both in terms of price and level of service.

5   DECISION ON PROPOSED SETTINGS

The SEMC therefore proposes to retain the existing settings for FCPP and ECPP for the Trading Year 2012:

FCPPy for 2012 = 0.3

ECPPy for 2012 = 0.3

Under the TSC algebra, the magnitude of the Variable Ex-Ante component (VCPP) is a simple function of the above two parameters and is thus implicitly proposed to be retained as:

VCPPy for 2012 = 0.4