

Jody O'Boyle
NIAUR
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14 Queen Street
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Clive Bowers
CER
The Exchange
Belgard Square North
Tallaght
Dublin 24

Date: 11 November 2010

Re: SEM Consultation: CPM Medium Term Review Work Package 7 – BNE Calculation Methodology (SEM-10-068)

Dear Jody and Clive,

I am writing to you on behalf of the IBEC Energy Providers Working Group (EPWG) in response to aforementioned consultation.

The capacity payment mechanism (CPM) 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.

Transparency and predictability on the evolution of the CPM is essential over the timeframes required for investments in this sector. Our Group has concerns around price volatility in the CPM. The Group 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 thus ensuring both new and existing generators are sufficiently compensated for their substantial investments.

As always, the IBEC EPWG is committed to working alongside the Regulatory Authorities to deliver a stable and competitive electricity market in Ireland. While we welcome this consultation we believe that the scope of this consultation cannot be considered in isolation from other aspects of the CPM review. Before a final decision can be reached, we believe that all proposals need to be developed further and be underpinned by an analysis of the necessity for changes and the potential impacts of those changes. Clarification of the RA's current views on the role of the CPM alongside the energy and ancillary service markets in the future of the SEM would also be constructive. We suggest that an industry workshop be held once this analysis is available as it would allow the

the voice of irish business and employers



Regulators to pull together the strands of the CPM under consultation and provide stakeholders with a holistic view of future evolution of the CPM.

I hope these comments prove constructive to the process and we would be happy to meet you to discuss the items raised. If you have any queries, please do not hesitate to contact the secretariat of the group, erik.odonovan@ibec.ie.

Regards

A handwritten signature in black ink that reads "David Manning". The signature is fluid and cursive, with a long horizontal flourish underneath the name.

David Manning
Chairman
IBEC Energy Provider Working Group

