

**Power NI Energy Limited
Power Procurement Business (PPB)**

Treatment of Losses in the SEM

Proposed Decision Paper

SEM-12-024

Response by Power NI Energy (PPB)

4 May 2012.



Introduction

Power NI Energy – Power Procurement Business (“PPB”) welcomes the opportunity to respond to the proposed decision paper on treatment of losses in the SEM.

PPB’s comments on the proposed TLAF decision

PPB’s views on the merits of the different TLAF options remains unchanged from our 27 January 2012 response to the November consultation paper (SEM-11-098), where we expressed our views that a return to Locational TLAFs is the best solution in the interests of market efficiency and for consumers.

We welcome and support the SEMC’s proposed decision not to proceed with its previous proposal to introduce splitting between the TLAFs in the market and in despatch.

We agree that there is no analytical evidence to support the adoption of Uniform TLAFs and it is conceptually cogent that the use of uniform TLAFs would result in inefficient scheduling of generation.

We are disappointed with the proposal to continue to use compressed TLAFs as we do not see any evidence to support that approach in preference to Locational TLAFs and it merely serves to enforce a cross-subsidy from generators in good network locations to generators in poor locations.

If the final decision of the SEMC is to continue with compressed TLAFs then these must be determined from updated Locational TLAFs which reflect, and take account of, the current load factors that are being experienced by generators in the market.