

Single Electricity Market
Capacity Payments Mechanism
FCPP_y and ECPP_y for Trading Year 2013

Decision Paper

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2 INTRODUCTION

On 5 September 2012 the SEM Committee (SEMC) issued a Consultation Paper entitled 'FCPP_y and ECPP_y for Trading Year 2013' (SEM/12/08¹). Two responses were received from the following parties:

- Power NI Limited - Power Procurement Business (PPB);
- Energia

This Decision Paper sets out the SEM Committee'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").

The Trading and Settlement Code stipulates that the FCPP and ECPP are to be set by the Regulatory Authorities on an annual basis.

The consultation paper addressed this requirement and set out the SEM Committee's proposal for the values of these parameters for the 2013 Trading Year.

The existing parameters are as follows:

$$\text{FCPP}_y = 0.3$$

The FCPP dictates that 30% of the Annual Capacity Payment Sum is to be allocated to the Fixed Capacity Payment Stream for the relevant Trading Year.

$$\text{ECPP}_y = 0.3$$

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

The ECPP dictates that 30% of the Annual Capacity Payment Sum is to be allocated to the Ex-Post Capacity Payment Stream for the relevant Trading Year.

A third parameter is implicitly defined by the above:

$$\mathbf{VCPy = (1 - FCPPy - ECPPy) = 0.4}$$

The VCPP dictates that 40% of the Annual Capacity Payment Sum is to be allocated to the Ex-Ante Variable Capacity Payment Stream for the relevant Trading Year.

The consultation paper proposed to retain these parameters for the 2013 trading year.

4 CONSIDERATION OF RESPONSES

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

- Energia does not accept that a generator's behavior is influenced by the ex-post CPM payment stream. In response to the CPM Medium Term Review it was strongly suggested by Energia that the ex-post component should be reduced should any changes be made. The existing weighting between ex-ante and ex-post payments is overly ex post weighted. Energia therefore suggest that current weightings be rebalanced towards more ex-ante payment streams and would especially caution against any move to increase the ex post weighting of capacity payments.
- PPB supports the retention of the existing settings for the parameters $FCPP_y$, $ECPP_y$, and VCP_y for use in the 2013 Trading Year.

5 DECISION ON PROPOSED SETTINGS

After considering these responses, the SEMC is therefore retaining the existing settings for FCPP and ECPP for the Trading Year 2013:

$$\mathbf{FCPP_y \text{ for 2013} = 0.3}$$

$$\mathbf{ECPP_y \text{ for 2013} = 0.3}$$

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

$$\mathbf{VCP_y \text{ for 2013} = 0.4}$$