

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

**Imperfections Charges
for
October 2014 – September 2015**

Consultation Paper

SEM-14-051

Response by Power NI Energy (PPB)

25 July 2014.



Introduction

Power NI Energy – Power Procurement Business (“PPB”) welcomes the opportunity to respond to the consultation paper on Imperfections Charges for October 2014 – September 2015.

Comments

PPB cannot comment on the derivation of estimated amounts and therefore can only comment on the principles. We agree that the estimated Dispatch Balancing costs, Make Whole Payment and Others System Charges be recovered in full through the Imperfections charge in the coming tariff period. However, we note that the input data freeze for the PLEXOS modelling occurred on 27 March 2014, three months before this consultation period. PPB believes that this data freeze should occur as close to the tariff year as possible. This would also allow the modelling to be performed with the latest verified PLEXOS model and generator data set.

We are surprised at the estimated amount of £3.6m for Make Whole Payments for the coming Tariff year given that the amount included in the three previous years was £0.1m. In their paper the TSOs state that the £3.6m is based on experience over a twelve month period. We would welcome clarity on the drivers of this increase as we are seeing no evidence within our own revenue.

The TSOs in their submission assumed that generators would be compliant with Grid Code and therefore no charges would be recovered through Other System Charges. The TSOs state that any deviation from this assumption results in increased despatch balancing costs which nets off increased revenue from Other System Charges, although it is not clear if they net to zero. The differential between increased DBC and OSC revenue would need to be understood to fully appreciate whether the Regulatory Authorities proposed estimate of £4.9m should be included in the Imperfections Charge. There is no rationale for applying 75% to the three year average.

PPB agrees that the current K Factor mechanism be continued in the new tariff period and we believe that the final approved tariff should include a latest “K” estimate.