



Proposed Annual Capacity Charge Exchange Rate applicable from Cutover to 30 September 2019

This document sets out the proposed Annual Capacity Charge Exchange Rate for approval from Cutover Time to 30 September 2019 under the new I-SEM arrangements

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1. Introduction

As required under Clause F.19.1.2 of I-SEM's TSC¹, the Market Operator is required following the results of the Capacity Auction becoming available to propose the following parameters to be used the calculation of Capacity Charges for that Capacity Year:

- (a) The Supplier Capacity Charge Price (PCCSUP_y) in €/MWh for Capacity Year, y;
- (b) The Difference Payment Socialisation Multiplier (FSOCDIFFP_y) for Capacity Year, y; and
- (c) The Annual Capacity Charge Exchange Rate (XRCCA_y) for Capacity Year, y.

Parameters (a) and (b) have been approved by the RAs as set out in decision papers SEM-18-008 and SEM-18-011 respectively.

This brief paper addresses parameter (c) the Annual Capacity Charge Exchange Rate (XRCCA_y) for the first Capacity Year which is defined as the period from Cutover Time² to 30 September 2019.

2. Background to the exchange rate used for the T-1 Capacity Auction

The Annual Capacity Charge Exchange Rate in I-SEM is akin to the Annual Capacity Exchange Rate in SEM. There is an existing process for setting exchange rates and the process has been agreed and approved by the RAs.

This process was adhered to when setting the Annual Capacity Payment Exchange Rate³ that was published within the Final Capacity Auction Information Pack in Dec-17. This rate was reviewed and approved by the RAs and SEM Committee and it was fixed at €1:stg£0.9116. The rate is effective for the first Capacity Year where it will be applied to the translation of Capacity Payments from Euro to stg£ for billing purposes.

3. Proposed Annual Capacity Exchange Rate for the 1st Capacity Year ending 30 September 2019

It is proposed that the Annual Capacity Charge Exchange Rate is set equal to the Annual Capacity Payment Exchange Rate of €1:stg£0.9116 for the 1st Capacity Year. This means that both Capacity Payments and Capacity Charges related to the T-1 Capacity Auction will be billed using the same exchange rate during the first Capacity Year.

The application of the same rate will ensure that any currency gains/costs that may arise are not inadvertently recovered through Capacity Charges rather than through the Currency Adjustment Charge.

¹ Version SEM-17-024c – published 07 April 2017 – Trading and Settlement Code – Part B

² Cutover Time as defined in Clause 3.1.1 of Part C of the Trading and Settlement Code which addresses Transitional Arrangements

³ The Annual Capacity Payment Exchange Rate is defined and under the RA approved I-SEM Capacity Market Code