VIPP4 Re-launch Principles Decision Paper (Non-Green)

1. In the VIPP4 re-auction of non-green capacity, ESB will offer 120 options, plus any relinquished options from VIPP4, each option entitles the successful bidder to purchase 1MWh per hour.

2. Bids will be deemed to be eligible and awarded using the following criteria:
   i) Limits as detailed in Point 3 will apply
   ii) All Bids must be at or above the reserve price.
   iii) Suppliers can bid for either firm or non-firm Options. Bids for firm Options will be evaluated before bids for non-firm Options.
   iv) Suppliers may also bid for longer-term options.
   v) Higher price bids will be awarded first in each category.

3. Limits that apply during VIPP4
   i) ESB Independent Energy Limited (ESBIE) are limited in that they are prohibited from exercising VIPP Options such that their cumulative volume of Synergen purchases and active VIPP Options will not exceed the lower of 400MW or the volume available to the next largest Independent Supplier from any combination of its own (or affiliated) generation sources[1], Active VIPP Options or Synergen purchases.

   ii) The amount of VIPP4 options that any Supplier can hold will be limited such that the equivalent capacity that it could hold (either directly or through an affiliate in a group structure) from any combination of generation plant owned by itself, Synergen purchases and VIPP4 options would be no greater than 400MW. The Supplier must relinquish VIPP4 options to the extent that its Total Equivalent Capacity would exceed 400MW. A Supplier's Total Equivalent Capacity will be calculated as the sum of VIPP4 options, Synergen purchases and generation plant owned by itself (either directly or through an affiliate in a group structure) but excluding inter-connector capacity, green energy and small (<15MW) CHP.

   No bidder may have more than 200 options of VIPP4.

4. As in VIPP4, the energy price will continue to be a flat rather than profiled as a time-of-day price. As in VIPP4, ESB shall publish the energy price 2 days before the start of the month to which it applies.

5. Fuel Indexation will apply in the VIPP4 re-launch. It will be indexed to hedgeable indices. The same fuel indexation formula, as VIPP4 will be used. January 2004 will be the base month.

[1] The Commission for Energy Regulation will determine what is the appropriate volume of own generation capacity and how this is to be calculated.

6. The modelling that was done for the original VIPP4 assumed that there was no advantage or disadvantage between WDRI and WPDRS, and that WPDRS was equally available to PES and Independent Suppliers. The re-launch prices are based on CER deciding that WPDRS is open to all customers, except for LV and GP customers. Any PES customers who are eligible for WPDRS cannot get WDRI if they opt for WPDRS. CER will review the future of the WDRI scheme in discussions with PES.

7. The ramp-up and ramp-down arrangements will be similar to VIPP4. There will be no booking fee for non-firm options during June, July and August. Thereafter the booking fee will be 15% for September and then 25% until November. There cannot be exercisable options in December 2004, they must be either activated or relinquished.

8. All successful bids for options will be charged at the price of the lowest successful bid, the "Auction Clearing Price". If the Auction is under-subscribed the Auction Clearing Price will be the reserve price. The "lowest successful bid" will be defined in the Invitation to Bid.

9. The energy and reserve prices are calculated as trading point prices. The initial energy price will be €35.60 /MWh, plus the monthly fuel indexation based on January 2004.

10. The reserve price for options is to be set at €7,320/option/ calendar month payable at the same time as the energy. 2004 is a leap year so €7,320/ option/ calendar month equates to €10.00 /MW/h.

11. The VIPP SST will no longer be used. VIPP is now an "ordinary" bilateral contract and over-nominations will not be allowed. Suppliers will settle their imbalances in the market and will be entitled to Top-Up and Secondary Top-Up as specified in the Trading and Settlement Code.

12. ESB believes that the above pricing structure offers an average discount of 10% on the generation and supply components of the LVMD customer tariffs (assuming that under the VIPP scheme, suppliers efficiently optimise their portfolio of contracts, receive Spill and inter-supplier market trading occurs.) This was modelled using 350 load profiles, all of which were low voltage customers (LVMD).

13. VIPP suppliers will be responsible for the payment of appropriate TUoS, DUoS, PSO and Capacity Margin charges.

14. Spill will be allowed in VIPP4. This is a change from previous VIPP auctions. Spill was modelled as the actual 2003 spill price scaled up by the Consumer Price Index (3%).

15. Eligible customers that leave and return to PES will be entitled to revert to published PES tariffs.

16. The VIPP contracts last until 31st December 2004, longer-term options will also be offered. These will expire on 31st December 2004 but will entitle the Supplier to an equal number of options in the 2005 VIPP5. The options received in VIPP5 will be at the clearing prices, terms and conditions of the VIPP5 auction.

17. Existing VIPP4 Suppliers will be offered the same energy price as is offered in the VIPP4 re-launch, also with fuel indexation from January 2004.

VIPP Re-launch Timetable

23rd April	Principles paper and timetable
30th April	Closing date for comments to principles paper
7th May	Publish final principles paper
14th May	Publish Invitation to Bid and Contracts
21st May	Last day to submit bids
24th May	CER evaluates bids
25th May	ESB PGen sign contracts and suppliers notified
1st June	Contract starts