ESB Customer Supply Response
to
Consultation on Principles of Dispatch and the Design of the Market Schedule in the trading and Settlement Code
SEM-09-073

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Introduction

ESB Customer Supply (ESBCS) welcomes the opportunity to comment on this paper. We support the introduction of Wind Generators onto the system both for environmental and economic reasons. An increased volume of wind generation has the potential in the long-term to reduce costs to customers and limit the national dependence on imported fossil fuels. We recognise the necessity for a stable power system to enable provision of a high quality supply to all customers and the need to have an appropriate balance between renewable generation and traditional conventional generation for security, operational efficiency and flexibility reasons. The current rapid increase in the development of new wind farms means that the Transmission System needs to be reinforced to allow these generators to transmit their energy to customers in a safe and secure fashion.

We believe that timely Transmission System investment is essential to enable the "Gate Processing Approach" allow an increased amount of wind generation to connect to the system. Network reinforcement is preferable to restricting Wind Generators from participating in the market, as it eliminates the additional costs to the end user of dispatch constraints. The decision to proceed with the Gate Processing Approach has already been made following consultations. It would create unnecessary regulatory uncertainty if that decision was effectively changed by adding new rules to deny certain generators access to the market. Our view is that the status quo should prevail until a more detailed analysis is completed.

ESBCS responses to the proposals/options summarised in Section 5 Page 60 of the consultation document are outlined below:

(i) The RAs should seek to ensure that the construction of the market schedule is such that infra-marginal rents are allocated to generating units that are of value to the real-time operation of the system and, where deemed appropriate, the RAs will make the necessary changes;

The construction of the market schedule should conform to the High Level Design Principles. Network availability is outside the control of generators and should not be used to unduly deny access to the market. The process for granting Network access in the first place is handled in the Gate Processing Approach and changing the market rules to undo this will create undue regulatory uncertainty.

ESBCS is concerned that having non-specific payments at the discretion of the RAs will increase regulatory uncertainty. It also creates a lack of transparency. If there are specific proposals on what "appropriate changes" will ensure that payments are allocated to certain units then these should be separately consulted upon.

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(ii) The TSOs and asset owners should continue to make available information relating to:

(a) their understanding of what changes to the scheduling and dispatch of generation are being contemplated in light of the increasing level of renewable generation on the system, including where there may be technical limitations on the quantity of certain types of plant that can be accommodated on the system; and
(b) their view of how technical issues (for example system inertia, fault levels etc.) will be resolved;

ESBCS believes that as much information as possible should be made available in a timely manner. However the views on how to manage these issues should not be prescribed by the TSO. These issues should be raised for discussion by market participants at the Grid Code meetings or Trading and Settlement Code meetings or other such appropriate forum.
For all technical issues, market participants should have the opportunity to understand these in advance and to discuss these with the TSOs. Where necessary the TSOs should provide information on constraints likely to be imposed on generators due to system security issues.

(iii) In relation to the Grid Code;
(a) the current initiative from the TSOs to place additional emphasis on enforcing existing Grid Code obligations on incumbent and new generating units should continue; and
(b) the TSOs should also keep the Grid Code under review in order to ensure that future generation portfolios continue to support the satisfactory operation of the system;

ESB CS fully agrees that the TSOs should ensure that participants comply with the Grid Code obligations. Of particular concern is the issue of reserve and voltage control as well as flexibility of generator output in load change situations.

Given that wind generation delivers its largest contribution to total system generation at high and sustained wind velocity periods, the ability of the wind generators to provide ancillary services should be incentivised at the design stage. This would have the twofold advantage of allowing additional wind to run at peak wind times as well as enhancing system security. It is also cheaper to fit additional hardware at the design phase than seeking outages to retrofit later. In that regard we can see merit in having a different approach for new generators and existing generators. Similarly if new provisions are added to

the Grid Code for either Wind or conventional generators they should recognise the differing economic impact on existing and new generation.

(iv) The RAs would welcome views on how access to the market schedule for plant situated behind export constraints should be limited, on the options described in Section 4.5. Alternative options are also welcomed;

ESBCS believes that EirGrid and SONI are in the best position to eliminate these constraints through timely infrastructure delivery. EirGrid should be incentivised to eliminate constraints in line with plant construction. This would eliminate this issue in the market. Unless the issue of significant non-firm access is planned to continue for a sustained number of years we do not believe that the existing rules need to be changed.

(v) The RAs propose that "Deemed Firm Access", whereby FAQ or MEC is allocated in advance of the completion of necessary transmission system infrastructure reinforcements, should not be introduced to the SEM;

Generation plant hidden behind export constraints should not be penalised, but instead the constraints should be eliminated by timely infrastructure reinforcement. Deemed firm access should be availed of where there is significant delay in the provision of such reinforcement. This will remove a risk from developers which they cannot control.

(vi) Given that it would represent the most efficient short-term use of available resources, and is consistent with existing dispatch processes, the RAs propose that the TSOs should continue to dispatch the system to minimise production cost of generation, taking into account system security requirements and, as now, disregarding any concept of firmness in the dispatch process;

ESBCS agrees that the TSO should dispatch the system to minimise cost of production. In the event of a tie-breaker situation between otherwise equal plants then we suggest the plant with firm access should get priority.

(vii) The Regulatory Authorities welcome comments from interested parties on the options for priority dispatch, as presented in Section 4.8;

Priority dispatch should continue to apply as it currently does. The legal requirement for priority dispatch is qualified by technical considerations. Using economic considerations to limit priority dispatch is a significant change to the existing rules and creates undue regulatory uncertainty.

(ix) If any of the options in Section 4.5, for allocating infra-marginal rents behind export constraints, is adopted then that option should apply also to Variable Price Takers. If none of these options is adopted and the existing arrangements for allocating infra-marginal rents being export constraints retained, then Variable Price Takers should be limited in the market schedule to the maximum of actual output and FAQ (or MEC when infrastructure works are complete and the VPT becomes fully firm);

Given that the existing situation minimises total cost to consumers as the generators with lowest cost are dispatched in the market, ESBCS is satisfied with the existing arrangements.

(x) The RAs propose that if Option 2(a) or 2(c) in Section 4.8 is adopted, SMP should be set using the effective bid prices of the marginal Variable Price-Taking generation, rather than at PFLOOR, in the event that the quantity of price-taking generation exceeds demand and reflecting any external subsidies received by the plant (i.e. it should reflect the price used in the dispatch of the plant by the TSOs). PFLOOR would still be used as a lower limit to SMP;

In the event of there being no price setting plant, the PFLOOR value should be used as this minimises cost to the consumer. Using any other plant could imply a dilution of the priority dispatch in favour of economic dispatch for plant that registered as a priority dispatch price taker.

(xi) The RAs propose that the quantity of generation charged PFLOOR (or paid at the revised SMP set out in proposal 4.11) in the event of an Excessive Generation Event arising from an excess of Price Taking Generation should not exceed System Demand. The MSQs of Price Taking Generation should, in such circumstances be pro-rated down so that the total quantity is equal to System Demand;

If SMP is positive there is a possibility of generators being paid a MSQ greater than system demand. If it is negative the same should apply.

(xii) The RAs propose that where tie-break rules are required, de-loading should be instructed on a pro-rata basis in a manner determined by the TSOs;

ESBCS agrees with this proposal, but an alternative worth considering might be on a rota basis to facilitate operations such as transmission outages.