



Response to SEM Consultation Paper SEM-10-060

***Principles of Dispatch and the Design of the Market Schedule
in the Trading and Settlement Code
SEM Committee Proposed Position Paper and Request for
Further Comment***

on behalf of

AES Kilroot Power Ltd and AES Ballylumford Ltd

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Introduction

AES Kilroot Power Limited and AES Ballylumford Limited (formerly Premier Power Limited) (AES) welcome the opportunity to comment on the Principles of Dispatch and the Design of the Market Schedule in the Trading and Settlement Code SEM Committee Proposed Position Paper.

AES also thanks the Regulatory Authorities (RAs) for hosting a workshop to discuss some of the key issues in the paper.

Summary

AES is a member of the National Electricity Association of Ireland (NEAI) and fully endorses the detailed NEAI response to the Principles of Dispatch and the Design of the Market Schedule Proposed Position Paper.

AES also supports the recent NEAI request for greater industry involvement in the strategic development of the SEM particularly given the potentially fundamental design changes that will be required to accommodate the significant levels of renewable generation that will be connecting to the grid in the near term combined with the changes that will be required to facilitate regional integration. The early engagement and collaboration with industry stakeholders can only serve to increase the efficiency, effectiveness and robustness of the required development and help ensure that it is implemented in a holistic and coherent manner.

AES's primary and fundamental concern is the SEM Committee's current thinking to ignore the concept of firm access for generators located behind export constraints, subject to a material harm test which is to be introduced. AES strongly disagrees with this view and reiterates that the view that firm access should be retained.

Comments

Issue 1 - Alignment of Market Schedule and Dispatch

AES supports the SEM Committee proposal that infra-marginal rents are allocated to generating units that are of real time value as the current market structure does not adequately support the long term operation of the plants who are running regularly in constrained mode.

AES welcomes the decision that any significant revision of the market design should not be undertaken until it has been thoroughly assessed that such a revision is warranted by a level of material and sustained harm to end customers. AES therefore welcomes the RA's intention to set out and consult upon what might constitute such a material level of harm.

Issue 2 – Allocation of Infra Marginal Rents Behind Constraints

AES is concerned that the paper states that the SEM Committee's current thinking is to favour Option 1 which ignores the concept of firm access for generators located behind export constraints, subject to the material harm test introduced under Issue 1. The RAs reiterated this view at the industry workshop. AES strongly disagrees with this view (as did the majority of respondents to the preceding consultation paper) and reiterates its support for the retention of firm access. AES originally supported Option 2 as Option 3 was likely to be complex and costly to introduce. However given that at the workshop Eirgrid considered Option 3 to be feasible and indeed favoured this AES

believes that Option 3 merits further consideration.

Within the NEAI the strength of feeling opposing Option 1 was such that the NEAI's response is principally devoted to this issue. In the interests of efficiency AES will not reiterate its concerns with Option 1 but would instead refer the reader to the detailed concerns set out in the NEAI response which AES fully endorses.

Issue 3 – Least Cost Dispatch

AES supports the proposal to retain the concept of least cost dispatch.

Issue 4 – Interpreting Priority Dispatch

AES considers it prudent to review the position following the transposition of the Directive 2009/28/EC into domestic law. AES fully supports the SEM Committee's thoughts that mandatory priority dispatch (renewables) be given precedence over discretionary priority dispatch (peat) introduced by Member States. AES however believes that priority dispatch for peat should be removed and instead treated as a constraint with costs borne by customers in the Republic of Ireland.

Issue 5 – Information Provision by TSOs

AES supports the SEM Committee's strong endorsement of the proposal that TSOs should continue to make information available. Currently only limited ad hoc information is provided in relation to constraints with no breakdown of constraint costs. AES would urge that greater transparency be provided regarding the nature of constraints and their relative costs and that incentives are introduced to increase focus on the management and resolution of constraints.

Issue 6 – Grid Code

AES supports the SEM Committee's endorsement of the proposal that TSOs should strictly enforce Grid Code compliance and keep it under review.

Issue 7 – Deemed Firm Access

AES supports the SEM Committee position that Deemed Firm Access should not be introduced in the SEM.

Issue 8 – Hybrid Plant and Priority Access

AES considers it prudent to review the position following the transposition of the Directive 2009/28/EC into domestic law.

Issue 9 – Determination of SMP when Demand met by Price Takers

AES supports the SEM Committee proposal that PFLOOR be used as the lower limit for SMP provided that PFLOOR continues to be consulted upon annually.

Issue 10 – Quantity of Generation Paid PFLOOR

AES supports the SEM Committee proposal that price takers will be pro-rated down when supply

exceeds demand although it would be more equitable to take firm access into account.

Issue 11 – Tie Breaks

AES acknowledges the practical difficulty in tracking the firm status of generators but it would be more equitable to consider this in a tie break situation.

Issue 12 – Treatment of Variable Price Takers in the Market Schedule

AES supports the proposal that Variable Price Takers should be treated consistently with Price Makers in the market schedule.