

**PRINCIPLES OF DISPATCH AND THE DESIGN OF THE MARKET SCHEDULE – SEM COMMITTEE  
PROPOSED POSITION PAPER AND REQUEST FOR FURTHER COMMENT (SEM-10-060)**

**OVERVIEW OF KEY RESPONSES RECEIVED**

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## **1. Purpose**

The purpose of this document is to provide an overview of the key comments in the responses to *Principles of Dispatch and Design of the Market Schedule – Proposed Position Paper and Request for Further Comment*, SEM-10-060 ('the paper'). The key responses to each of the issues outlined in the paper are summarised in the "High Level Summary of the Responses to the Twelve Issues" section of this document. This note is not a substitute for full review of the responses received.

## **2. Overview of Key Response Themes**

In total fifty four responses to the paper were received.

The key themes that emerged from the responses were:

- The need for more meaningful engagement with stakeholders.
- The need for a policy pathway document regarding the strategic direction of the SEM rather than a patchwork approach to the development of the SEM in the absence of an overall policy/strategic direction.
- Comments on the need for a truly holistic approach to decision making in the SEM.
- The need for a stable investment environment.
- The 'grandfathering' issue.
- Treatment of hybrid and waste-to-energy plant in the SEM in the context of priority dispatch.

An overview of the key themes that emerged from the responses is provided below. An overview of the key responses on each of the issues in the paper is outlined in Section 3 of this document.

### **2.1. Meaningful Engagement with Stakeholders**

A number of stakeholders requested more meaningful and worthwhile engagement with industry on issues which pertain to the fundamental design of the SEM. The industry forum organised on the 12<sup>th</sup> of October 2010 to ascertain feedback to the proposed decision and afford attendees the opportunity to get clarity from the Regulatory Authorities on matters therein was generally welcomed, but it was felt that this forum was not enough in respect of the dispatch and scheduling work. Some respondents felt that the SEM Committee was not giving genuine and due consideration to their input to the process and in particular the view that a 'pre- decision' in respect of 'Option 1' regarding the Allocation of IMRs behind Constraints in SEM-10-060 had been made before the issue of a final decision paper was expressed.

Calls for increased industry involvement in the strategic and policy direction of the SEM are also noted. One respondent in particular requested the SEM Committee to ensure ongoing 'conversations' were held with industry in conjunction with consultations. This respondent noted in

this context *“the experience in BETTA is instructive where industry working groups around issues such as demand side, electricity connections, and distributed energy have been set up by Ofgem to assist its decision making. It must be stressed that these bodies are advisory only”*.

## **2.2. Need for a Pathway Document to outline Policy Direction of the SEM**

As strongly emphasised by industry at the 12<sup>th</sup> October Industry Forum in Dundalk, and re-iterated notably by the IWEA and National Electricity Association of Ireland (NEAI) in their responses<sup>1</sup>, the need for a ‘pathway’ policy document to be considered in the context of the ongoing policy development of the SEM and the medium-term trend towards regional integration has emerged as a key theme from the responses.

It was noted that such a document, consulted upon with industry, would provide *‘transparency, structure, consistency and direction to what is currently a patchwork approach to market reform’* and enable work streams and ongoing issues to be examined holistically. A substantial part of this pathway document could be a roadmap of interacting consultations/work streams relevant to the ongoing SEM design. The majority of respondents felt that interacting consultations/work streams are currently being progressed with little tangible ‘joined up thinking’ and this can lead to conflicting messages increasing risk for all parties. The example most often quoted in the responses to support this is the inconsistency between the SEM Committee TLAF splitting decision and the proposed position regarding alignment of the market schedule and dispatch.

The relevant responses do not elaborate on this in detail and more engagement on this topic with industry will be necessary if the SEM Committee chooses to request it. Note in this regard that the NEAI refer to a previous submission from IBEC and CBI to the SEM Committee on SEM strategy and industry involvement in this area and that this separate submission does provide suggestions on this issue.<sup>2</sup>

## **2.3. Holistic Approach to Decision Making in the SEM**

Similar to the Pathway document referred to above, at the 12<sup>th</sup> October Industry Forum in Dundalk, one of the key themes that emerged from the floor was the need to examine issues holistically. This has also emerged as a key theme from the written responses to the proposed position paper.

A number of respondents considered that the so-called Material Level of Harm Framework (‘the Framework’ - to be published separately from the final decision paper) once finalised should assist the SEM Committee in examining the SEM on an ongoing basis, ensure the development of the SEM is monitored in a holistic fashion and ensure there is consistency between approaches across different work-streams<sup>3</sup>. When referring to ‘holistic’, this could mean ensuring the relevant parts of

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<sup>1</sup> Note that the two responses mentioned are from bodies that represent a number of stakeholders and were supported by many respondents.

<sup>2</sup> Note that the IBEC-CBI submission was not submitted as a response to the proposed position paper and is being progressed separately by the SEM Committee.

<sup>3</sup> A number of respondents noted the apparent disjoint in relation to SEM Committees preference for option 1 (i.e. remove firm and therefore closer align the market and dispatch schedules), whilst also commenting on the

particular SEM work-streams such as TLAFs work, dispatch and scheduling, capacity payments, ancillary services, regional integration, intraday trading, demand side vision etc could all be captured in the Framework's analysis of key SEM metrics. For example, a number of respondents referred to the SEM Committee's recent decision on TLAF splitting in the market schedule and in dispatch, which does not appear to be consistent with the SEM Committee's proposed position to date in the dispatch and scheduling work stream with regard to the need to align the market schedule and dispatch and to allocate IMRs to plant of use to the real time operation of the system.

Some respondents also noted that the business case for renewable projects relies on revenues from the SEM and revenues relating to their respective support schemes. Respondents requested the SEM Committee to ensure that any of its decisions which may affect the operation or intended operation of the support schemes be considered holistically, in the context of the assumptions the support schemes are based upon, relevant targets and legislation, and the business cases of such projects.

Respondents also noted that the SEM design is composed of a balance of different revenue streams and incentives. It was noted that any change to the operation of one of the revenue streams should be considered in the context of the effect it may have on the balance of the operation of the different payments streams of the SEM/render the SEM design internally inconsistent.

#### **2.4. Need for Stable Investment Environment**

Almost all respondents noted the importance of, and premium placed on, regulatory certainty and the need to ensure that unnecessary risk is not created for market participants. In this context two primary themes emerged:

- **Do not remove financial firmness:** Most respondents strongly requested that the SEM Committee reconsider its stated position of being drawn to the option of removing the concept of financial firmness in the market if a level of material harm in respect of misallocation of IMRs was considered by the SEM Committee to be reached, i.e. Option 1 re Issue 2 in the proposed position paper. Respondents noted the huge risk this represented for financing of projects and stated that it would put many existing projects which have been financed in the context of financial firmness into default and create unacceptable levels of uncertainty for future projects. Many respondents noted that they did not consider the SEM Committee had given enough thought to the implications of implementing Option 1 and to the consideration of it as the preferred option for dealing with mis-allocation of IMRs behind constraints. Many respondents felt that the arguments favouring the removal of firm access were poorly constructed and would not achieve the objectives that the SEM Committee argued they would achieve. Respondents on this issue noted that the removal of firmness would not give correct locational signals to generators.

One respondent also noted the potential effect on the offering of CfDs of implementing option 1 as it increases risk to generators. In short, any volumes that may be scheduled off behind a constraint would not be offered into the contract market as the price/volume

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decision in relation to TLAF 'splitting' (where TLAFs will be applied differently in market schedule and dispatch, causing a divergence between the market schedule and dispatch).

exposure for a generator that was physically short of its contracted volumes would most likely be unacceptable – or at the minimum be associated with significant risk premiums. Some respondents favoured keeping the status quo, whilst others preferred one of the other options outlined in the paper.

- **Timely Delivery of the Grid:** Many respondents noted that the timely delivery of the electricity transmission grid is crucial to ensuring the SEM’s objectives can continue to be met, projects can secure grid capacity and constraint payment costs to end customers are minimised. Many expressed the view that this should be the focus rather than seeking to change remuneration for generators under the TSC (Option 1) as a vehicle to address the symptoms of an underlying problem (timely and efficient delivery of infrastructure). Many respondents noted that the incentivisation of the development of the electricity network (the transmission system in particular) is key to ensuring the continued progression towards Ireland and Northern Ireland’s renewable targets and feel that this issue should be addressed immediately.

In addition to the above most respondents view the current arrangement, where developers essentially shoulder all the financial risk in respect of deep reinforcements, to be unacceptable and that the risk should be managed by the party best placed to do so. Many respondents noted that proper incentivisation will minimise constraint costs to the customer and help ensure renewable generators can fully avail of the support schemes (which are paid out on output) that are in place. It was also noted that as the Grid 25 build programme is considered a credible, suitable and important signal for multi million euro investments, the SEM Committee should introduce deemed firm access for generation at their scheduled deep-work completion dates. A number of respondents stated that the plan for the delivery of Grid 25 should be published as should the associated incentives regarding the delivery of that plan.

## **2.5. The ‘Grandfathering’ Issue**

This issue also relates to the previous issue and the requirement for a stable investment environment noted by respondents. Most respondents that discussed this issue felt that existing plant should be treated in a manner which is consistent with the basis upon which such plant were financed, consistent with investment decisions already made and information provided to them regarding constraint estimates. Suggestions included:

- ensuring such plant are held whole financially to their initial constraint report levels of output (via some market arrangement or in supports), and/or;
- in the case of tie-break, existing firm generators should be turned down after non-firm generators.

It is accepted by many respondents that this may represent more constraints for later projects but the view was expressed that it is consistent with investment decisions already made by earlier plant. It would also ensure that later projects would be built based on a clear signal that earlier generators will be afforded some kind of priority in tie breaks with compared to later generators. The SEM Committee’s reasoning for why a differentiation cannot be made between firm and non firm

generators by the SOs in dispatch is not clear to some respondents and further debate on this issue was strongly requested.

A number of respondents agreed with the SEM Committee's position regarding pro rating in tie breaks, stating that to do otherwise would render many later projects more difficult to finance.

## **2.6. Hybrid and Waste-to-Energy Plant in the Context of Priority Dispatch**

Some respondents noted there is a lack of clarity on what constitutes a hybrid plant and requested that further consultation be carried out on the classification of what constitutes a hybrid plant and on any relevant 'threshold' for the provision of priority dispatch to such generators. It is not clear to respondents that the SEM Committee are willing to take a decision on the issue of priority dispatch for hybrid plant in the absence of legislation in this respect. If this is the case, it was requested by a number of respondents that the SEM Committee must revise the rules around the appointment of Intermediaries by Price Makers. This will allow hybrid plant to participate in the SEM as Price Makers and participate in the REFIT scheme which requires appointment of an Intermediary for those plants that are above the de minimis threshold under the SEM TSC.

The waste-to-energy (WTE) respondents noted the requirement for the specific operational requirements of WTE plant to be considered in the context of granting priority dispatch in order to provide for such plant to meet national waste targets set by the EU. In the context of requiring priority dispatch, such respondents noted minimum efficiency criteria which they are required to meet under their Environmental Protection Agency and environmental licences, the fact that the biomass element in waste is inseparable from other fuel component and more onerous plant shutdown requirements for waste-to-energy plant than for conventional generating units (which if effected could in a short period of time result in a breach of environmental licences). In addition the system benefits of these baseload, non-intermittent plant was noted. The respondents also noted that the installed WTE capacity on the island was unlikely to exceed 150MW to 200MW.

The WTE respondents make cases for mandatory priority dispatch for such plant, based on text in Directive 2009/28/EC, in contrast to SEM Committee's position that there is no basis for provision of priority dispatch to hybrid plant. These respondents outline that Directive 2009/28/EC states that Member States *"shall also provide for either priority access or guaranteed access to the grid system of electricity produced from renewable energy sources"* where *"energy from renewable sources"* includes biomass or the *"biodegradable fraction of products, waste and residues"*, which includes *"the biodegradable fraction of industrial and municipal waste"*.

It is maintained that because WTE plant cannot commercially control the level of renewable fuel in their fuel mix, they should not be considered as hybrid plant or in considerations around any hybrid 'threshold' for priority dispatch purposes and should be dealt with separately. It was also noted that there are technical limitations on the ramping up and down of hybrid plant. In this context and the reasons outlined above, it is requested that such plant be designated as 'must run' plant. The SEM Committee stated in the proposed decision paper SEM-10-060 that it considered the classification of a plant as 'must run' as being a matter to be decided in the Grid Code by the SOs. Where the unit is *technically* capable of being turned down but (for reasons respondents outlined above) 'should not' be, the respondents requested the SEM Committee to provide for such plant to be given 'must run' status for the reasons outlined, as this is a policy issue the SOs are not empowered to decide upon.

Respondents also noted in this context the requirement for Ireland to meet binding EU waste targets and achieve performance requirements under their licences from the EPA (and other agencies) and meet.

### **3. High Level Summary of Responses to the Issues**

#### **Issue 1 Divergence of MS and Dispatch**

A key message in a number of the responses is that the current market rules are working quite well and that the SEM Committee should only consider change where and when appropriate. A number of respondents welcomed the SEM Committee's intention to outline a 'Material Level of Harm' (MLOH) Framework ('the Framework') for the SEM. Respondents noted that the Framework should not be limited to assessing such harm to end customers, but take a holistic view of the health of the SEM in general. Some respondents noted that the Framework should be a means of assessing the health of the SEM in a holistic fashion in the context of the SEM's objectives. A number of respondents made general suggestions with regard to the metrics that may be employed by the SEM Committee in this regard. It was noted that the Framework should not be a '*blunt instrument*' that could trigger '*market change inappropriately*'.

According to some respondents on this matter, the Framework should essentially encapsulate Issue 1 in the paper (Divergence of MS and Dispatch) and whatever other metrics the SEM Committee decide to incorporate into the Framework. This is in the context of increasing intermittent generation, the requirement for a different portfolio of thermal generation and relevant work streams in the SEM (for example TLAFs, capacity payments, intra day trading, ancillary services etc). This should enable information to be obtained as to when a change to the SEM (energy market, capacity payments, ancillary services etc) may need to be made to ensure it continues to meet its objectives. Some more specific comments were made; an assessment of constraints should take cognisance of the drivers of those constraints and consideration of 'material harm' (for example due to constraints) should factor in benefits associated with the driver of the harm (i.e. extra wind on system increases constraints, reduces SMP).

Respondents consistently noted that change to the SEM or revision of one of its primary payment streams should only be considered where it is proved necessary and should be proportional to any required change. Some respondents also noted the requirement to ensure that any change to the SEM in this respect should be subject to a full Regulatory Impact Assessment (RIA).

Respondents also noted that that the SEM design is composed of a balance of different revenue streams and incentives. It was noted that any change to the operation of one of the revenue streams should be considered in the context of the effect it may have on the balance of the operation of the different payments streams of the SEM.

#### **Issue 2: Allocation of IMRs behind constraints**

Most responses that dealt with this issue maintained that the issue of allocation of IMRs behind constraints is at present most closely related to the delivery of the network and that with the timely delivery of the network, the potential for large constraint costs greatly diminishes. Respondents noted that the risks associated with the delivery of the network should be allocated with the party best placed to manage them and noted that all this risk currently resides with generators.

Firstly, almost all respondents that commented on this emphasised that they strongly disagree with the SEM Committee's position of favouring implementation of Option 1 (remove firm financial access) if the point which allocation of IMRs behind constraints are deemed 'harmful' is reached. It is

stated that the SEM Committee's position on this issue has created risk and uncertainty for many projects from a financing perspective and has in respondent's views, not been clearly thought through. It is stated that if implemented it would result in unacceptable risk for many existing firm generators and would result in default for some, it would increase uncertainty and cost of capital for new entrants, would not incentivise the timing of new entry such that it is coincident with network delivery (as SEM Committee state in its position paper SEM-10-060), would not provide the correct locational investment signals and dilutes the SEM market into a local constraint market as generators are generally going to be primarily competing with other generators behind the constraint, not those on a national basis. The question of market splitting was raised in this context. One respondent noted that the implementation of option 1 would have implications for CfD liquidity in the SEM as it would create extra uncertainties for IMRs for generators, resulting price/volume risks – key to the offering of CfDs. EirGrid also noted that *“only a proxy to Option 1 is practically implementable, giving rise to regulatory uncertainty and increased risk to participants”*.

Some respondents maintained that the current market arrangements are functioning well and there is no requirement to change them, or at least that the proposals by the SEM Committee (Options 1-4) are not any better. The requirement to change them should be forthcoming with the application of the Framework (with appropriate metrics) and should be cognisant that constraint costs are a transient issue as network development lags generation roll-out. Such respondents also noted that the existing arrangements provide the best balance between respecting firm rights, allowing non-firm generators into the MS, and provide the correct location signals to such generators. The requirement to change to any of the options presented should be forthcoming with assessment from the Framework and should, as stated by some respondents, be accompanied by a full RIA.

A couple of respondents favoured Option 2 as it provided the greatest level of certainty to firm generators and sends the correct investment signals regarding investment when the network is ready to take a plant's output.

Some respondents favoured Option 3 as it maintains a level of investment stability, preserves the principle of financial firmness, provides the best balance between short and long term investment signals, and leans towards respecting the rights of existing generators more. Some respondents noted that this does not provide for efficient grid delivery. Some stated that this option merited further consideration. EirGrid offered an alternative approach as per their response to the consultation paper, whereby a proportion of the IMR payments that were made to non-firm generators which were dispatched above their firm access quantity would be charged to those non-firm generators and subsequently repaid to firm generators that were pushed just outside of the market schedule. EirGrid note that this is technically easier to implement than the other options (as it doesn't involve re-runs of the market schedule), but notes the remuneration amounts calculated will at best be good approximations.

The IWEA noted its preference for firmness to be considered in general dispatch decisions where a transmission constraint is active, where it proposes a firm generator would be dispatched ahead of a non-firm generator (but only where all priority dispatch plant had been run), where a transmission constraint is active. It noted this may provide slightly higher short term prices and would not be in keeping with the principle of least cost dispatch but maintained it provides a more certain and secure investment environment.



Some respondents are of the view that the SEM Committee has taken a 'pre-decision' in respect of opting for option 1 and stated that in their opinion the SEM Committee did not sufficiently consider responses on this issue in selecting option 1 as its preferred option.

### **Issue 3: Least Cost Dispatch**

Most respondents who responded on this issue agreed with the SEM Committee's position in that least cost dispatch is the appropriate means by which plant should be dispatched.

As noted above in Issue 2, where transmission constraints are active, the IWEA request that firm generators be dispatched ahead of non firm generators, except in the case where priority dispatch determines otherwise.

One respondent requested that firmness and precedence be respected in the dispatch process.

### **Issue 4: Priority Dispatch**

Almost all respondents who responded on this issue essentially agreed with the 'absolute' interpretation of priority for renewables.

One respondent noted that the priority afforded renewables should only be in tie break situations, and that normal dispatch should be done on an economic merit basis.

A respondent also requested that the market rules be changed to allow a wind generator retain its priority dispatch status and still protect itself from negative prices (related to Issue 10 'PFLOOR when met by Price Takers').

### **Issue 5: Hybrid Plant**

Firstly, some respondents noted that it is not clear what a hybrid plant means in the context of the SEM. There is no clearly defined meaning of hybrid plant in the context of running on two fuels. In the paper the SEM Committee suggests that there may be merit in providing for a qualification threshold for priority dispatch for hybrid plant where a high proportion of renewable fuel is used, but it is not clear to respondents that the SEM Committee are willing to take a decision on the issue of priority dispatch for hybrid plant in the absence of legislation in this respect. If this is the case, some respondents stated that the SEM Committee must revise the rules which do not allow Price Makers to appoint Intermediaries. This will allow hybrid plant to participate in the SEM as Price Makers and participate in the REFIT scheme which requires appointment of an Intermediary.

Bord na Mona proposed a model for operating the Edenderry peat station under biomass co-firing that would rely on being able to register as a Price Maker for the first half the year (where it would run on peat), operating as a Price Taker for the other half (where it would run primarily on biomass and receive REFIT payment).

The waste-to-energy (WTE) respondents<sup>4</sup> requested the specific operational requirements of a WTE plant to be considered in the context of granting priority in order to provide for such plant to achieve performance requirements under their licences from the EPA (and other agencies) and meet national waste targets set by EU. In addition the system benefit of the base load, non intermittent nature of power from such plant was also noted. The respondents also noted that the installed WTE capacity on the island was unlikely to exceed 150-200MW. Dublin WTE, local councils and Indaver have a different view on mandatory priority dispatch for such plant, based on text in Directive, than that espoused by the SEM Committee in the proposed position paper.

It is maintained that because such WTE plant cannot commercially control the level of renewable fuel in their fuel mix, they should not be considered as hybrid plant in the context of priority dispatch and any considerations around any threshold for qualification for same and should be dealt with separately. It was also noted that there are technical limitations on the ramping up and down of hybrid plant, that require that such facilities be dispatched consistently and near constantly. In this context and the reasons outlined above, it is requested that such plant be designated as 'must run' plant. The SEM Committee stated in the proposed decision paper SEM-10-060 that it considered the classification of a plant as 'must run' as being a matter to be decided in the Grid Code by the SOs. Where the unit is technically capable of being turned down but (for reasons respondents outlined above) 'should not' be, the respondents requested the SEM Committee to provide for such plant to be given 'must run' status, as this is a policy issue the SOs are not empowered to decide upon.

Essentially, the WTE respondents make cases for mandatory priority dispatch for such plant, based on text in Directive 2009/28/EC, in contrast to the SEM Committee position as set out in the proposed position paper that there is no basis for provision of priority dispatch to hybrid plant. Respondents also noted the requirement for Member States to meet binding EU waste targets.

#### **Issue 6: Deemed firm Access**

Most respondents requested on this issue that deemed firm (or a contractual variation of granting firm access between the TSOs and generators) be introduced as too much risk is currently placed inappropriately on developers and not with the party who can control it. As outlined by respondents to the initial consultation, many respondents to the proposed decision felt that it is not reasonable that all the risk with respect to deep connection infrastructure is aligned with the parties who cannot control it. It was noted that as the Grid 25 build programme considered a credible, suitable and important signal for multi million euro investments, the SEM Committee should introduced deemed firm access for generation at the scheduled completion dates.

If deemed firm is not to be introduced, it was requested the SEM Committee explain clearly why this is the case and what the incentives are on the SOs to deliver the grid against published plans for delivery.

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<sup>4</sup> Dublin Waste to Energy, Indaver Ireland, Antrim Borough Council, Belfast City Council, Carrick Fergus Borough, Chartered Institute Waste Management ROI, Chartered Institute Waste Management NI, Chartered Institute of Environmental Health, Down District Council, Department of Energy NI, Local Government and Technical Advisors Group, Northern Ireland Local Government Association, SITA.

### **Issue 7: Treatment of VPTs**

Almost all respondents that responded on this issue agreed with the SEM Committee's decision that the treatment of VPTs in the SEM should be aligned with the treatment of PMs. Respondents did note however that this would result in relevant non-firm parties being in a substantially worse financial position. The IWEA noted that when the treatment of VPTs in the SEM is aligned with the treatment of PMs, the financial position of VPTs will be weaker, especially given the expected levels of constraints and curtailment forecasted in the coming years.

### **Issue 8: Grid Code and Information on Technical Issues**

Respondents who commented on this matter welcomed the principle of provision of information by the TSOs, noting that this should be adequate, accurate and timely. It was noted that following on from the Facilitation of Renewables work by the SOs, clarity and updates on the SOs work plans and analysis of constraints, curtailments and losses should be provided on an ongoing basis to the market on a quarterly basis. It was emphasised that appropriate review and enforcement of the Grid Code is important to ensuring the system operates as intended.

A number of respondents called for more transparency in relation to dispatch processes and decisions and some requested that specific information be made available in this regard.

### **Issue 9: Tie Break Dispatch**

Most respondents who discussed this issue felt that existing plant should be treated in a manner which is consistent with the basis upon which such plant were financed, consistent with investment decisions already made and information provided to them regarding constraint estimates. It is accepted by many respondents that this may represent more constraints for later projects but that it provides more certainty for firm projects and is consistent with investment decisions already made. It also ensures that later projects will be built based on a clear signal that firm generators will be afforded priority in tie breaks with non firm generators

In the case of tie-break, most respondents noted that existing firm generators should be turned down after non firm generators. It is accepted that this may represent more constraints for later projects but that it at least provides more certainty for firm projects and allows later projects to be built based on a clear signal. In addition, the SEM Committee's reasoning for why a differentiation cannot be made between firm and non firm generators by the SOs in dispatch with respect to tie breaks, in addition to the reasoning for why tie-break costs should be socialised across all generators involved in the tie break is not clear to some respondents. Further debate on this issue was strongly requested.

Respondents almost entirely discussed this issue in the context of renewable, priority dispatch generation in tie-break situations.

Some respondents on this matter agreed with the SEM Committee's position regarding pro rating in tie breaks, stating that to do otherwise would render many Gate 3 projects more challenging from a financing perspective.

One respondent noted the treatment of tie breaks in the market schedule under the TSC, stating that in the market schedule tie break situations are dealt with by using a systematic process of random selection. It was noted that if tie break in dispatch is to be changed from the current practice, the same should be done in the market schedule, with a preference expressed for the basis to be date order connection.

#### **Issue 10: PFLOOR when met by Price Takers**

Respondents noted that the barriers for Price Makers to register an Intermediary should be removed to allow renewable generators protect themselves from negative prices should they wish to do so.

Some respondents noted that PFLOOR as consulted upon and set annually by the RAs is a reasonable means of determining what the SMP should be when the market demand is met by Price Takers. It was noted by one respondent that in the case of an excessive generation event, the PFLOOR should be zero as excessive generation events will likely become more frequent and could represent financing problems for developers.

One respondent noted *"there is an anomaly under certain circumstances, namely at night, when prices are negative despite the fact that conventional generation can be running at minimum stable generation. The current rules do not allow conventional plant running at minimum stable generation to set the SMP. This should be amended to reflect the true cost of generation at these times"*.

#### **Issue 11: Quantity of Generation Paid PFLOOR**

There was broad consensus in the responses that the quantity of generation paid FLOOR should not exceed system demand.

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