Response to:

Treatment of Price Taking Generation in Tie Breaks in Dispatch in the Single Electricity Market and Associated Issues: Consultation Paper

14th Oct 2011

Introduction

ESB Wind Development (ESBWD) welcomes the opportunity to respond to this consultation. ESBWD is a leading developer of wind generation projects across the island of Ireland. The dispatch of wind generators in tie-break situations is of critical importance to our business. How tie-breaks are dealt with can impact on the economic viability of a project. It is important that the solution to this issue is transparent in its implementation so that investment decisions can be made taking it into consideration. Equally it is important that the solution is fair and equitable and does not stifle investment in wind generation and therefore put the achievement of both Governments 2020 renewable targets at risk.

Priority Dispatch Hierarchy

The corresponding decision paper SEM-11-062 ("Principles of Dispatch and the Design of the Market Schedule in the Trading & Settlement Code") issued alongside this consultation lists the hierarchy for Priority Dispatch. In this hierarchy trades on the interconnector are given priority over wind farms. This order of dispatch has been seen in operation whereby there have been many instances recently whereby uneconomic interconnector import trades have been allowed to flow while at the same time wind generators have been dispatched down. We consider that this practice is inefficient and contrary to the Renewable Energy Directive 2009/28/EC which gives priority access to the grid to renewable generation. The maximum output of renewable generation should be facilitated whenever possible and therefore we consider that the hierarchy order should be changed to reflect this.

Tie Breaks & Constraints

Constraint Groups

We are concerned that the proposal for constraint management in tie-break situations will mean that there will be inconsistencies, volatility and unpredictability created in the market. It is proposed that generators in some areas will be dispatched in a priority order relating to their access whereas generators in other areas will be dispatched on a least cost principle. Generators may fall into one category one year and then the other the next. Consequently the level of constraint a generator may experience may change a lot year on year as a result of the method that is being used to manage and dispatch the constraints. This situation will inevitably lead to difficulties for investors.

We ask the SEM Committee (SEMC) for their proposals on how to reconcile these issues. We also ask that there be full transparency with regard to the constraint

groups, for example, which nodes and generators are included, how often they will be changing, the reasons for any changes etc.

Constraint Group Categories

The consultation proposes three categories with wind generators classified according to percentage of firm access. This proposal in theory seems reasonable, however we consider that the groups as proposed currently do not represent the fairest distribution of projects. From the last Gate 3 ITC run most generation either falls into the 0% or 100% categories. There is very little generation with partial firmness. The ITC runs for Gates 1 & 2 have not been published in the public domain and the situation with regard to access arrangements in Northern Ireland is not clear (this is discussed further below). This all means that it is difficult to propose what the optimal category divisions should be. However, we think the breakdown of the categories should follow some key principles:

- Generators with 100% firm access should be a separate category on their own and be the last to be constrained down. Given they have firm access they should expect very little and infrequent constraint levels. This group should therefore not require much active management from the Transmission System Operators (TSO) and should not warrant one of the three categories that need to be actively managed to be allocated to it. The 100% firm group would effectively be outside the three groupings, or a separate fourth category.
- Generators with partial firm access should be given preference over generators with 0% firm access. The higher the percentage of firm access, the higher in the hierarchy the generator should be, within the confines of the feasible level of categories allowed.
- Generators with 0% firm access should be a separate category. However if the amount of generation with 0% firm access is large such that the level of constraint being faced by the entire group is excessive, then the 0% category should be further broken down into two or more separate categories such that date order of projects can also be honored in the hierarchy. This may be particularly important for Northern Ireland where the amount of new wind generation connecting to the system is not limited by a Gate or similar process.
- Generators connected to the system via temporary connections should be categorised in terms of their firm access quantity, or eligibility for same, rather than the fact that they are temporary connections. In order for some generators to avail of the firm capacity available to them it is necessary for them to connect to the system via the temporary connection process. This

process will in itself create additional burdens on those generators. It is unfair to further disadvantage such a project by keeping it in the lowest category of the hierarchy groupings. Furthermore the concept of temporary connections does not exist in Northern Ireland so it is inappropriate for it to be included in an All-Island rule set.

Tie Breaks & Curtailment

ESBWD agree with the SEMC proposal that curtailment should be dealt with on a pro rata basis. As identified in the consultation the requirement to curtail wind is caused by system rather than local issues and so network access arrangements should play no part in prioritising which wind generator is dispatched down. The pro rata approach is the fairest and most transparent. Furthermore it will ensure that development of wind generation is not stifled by prohibitively high levels of curtailment facing new generators.

The SEM-11-062 decision paper states that there will be quarterly reporting of incidences of curtailment of renewable generation made by the TSOs to the Regulatory Authorities. We ask that the frequency of this reporting be increased and also that it would be made publically available.

Tie Breaks & Northern Ireland

The concept of firm access does not exist as of yet in Northern Ireland. It is very difficult therefore to evaluate the proposal in the consultation with regard to constraint groups and categories for Northern Ireland. Nevertheless we consider that the key principles outlined above will remain valid for Northern Ireland. We understand that there is a consultation paper due imminently from SONI on the issue of allocation of firm access rights in Northern Ireland and we look forward to responding to this. We ask that if required, any choices by the SEMC relating to constraint group and categories for Northern Ireland be re-examined after decisions relating to the SONI consultation have been made.

Another issue for Northern Ireland is the process for how wind will be dispatched down in situations where the N-S interconnector is congested and the NI system cannot take the full output of the wind generators there. Since such a situation can be managed by dispatching down wind generation anywhere in NI we consider that the process put in place by the TSO should reflect this and not unfairly disadvantage generators which have been included in a constraint group to manage a separate local network constraint.

PGOR Modeling

In order to allow developers to make informed investment decisions it is imperative that the results of the PGOR reports represent an accurate prediction of the levels of constraint and curtailment levels that generators are likely to face in the future. It is therefore important that whatever decisions are made by SEMC are not only implementable by the TSOs in terms of how they can dispatch in real time, but also reasonably accurately representable in the models used to create the PGOR reports. A key assumption in the modeling will be the level of wind generation that is expected to be built on the system. This assumption will have a massive impact on the predicted levels of both constraint and curtailment. Currently the proposal is to model constraint levels for a 100% build out of Gate 3 projects only. It is important than other lower levels of build out are also studied otherwise the report may give unrealistic and misleading signals to the wind development industry.

We note that separate to this consultation that Eirgrid and the CER are looking for responses to the assumptions that they are using in their modeling work and we look forward to responding on this.

Curtailment Compensation for Non-Firm Generators

ESBWD consider that all wind generators that are curtailed down, i.e. dispatched down due to system rather than network reasons, should be compensated, regardless of their access status. The High Level Design (HLD) of the SEM did not envisage curtailment situations when it was decided that non-firm generators would not receive constraint payments. The HLD of the constraint payment arrangements was based on the assumption that the constraints for non-firm generators were being caused by the fact that deep reinforcements on the network had not been completed. However it is not the lack of deep reinforcements that will cause non-firm wind generation to be curtailed. Therefore it is not appropriate to deny such generation compensation on this basis.

Non payment of curtailment could have the economic effect of blocking connection of generators that are looking to connect on a temporary basis even where the level of constraint that might apply to such generation is expected to be low. This will put further pressure on the achievement of government targets which temporary connections are trying to facilitate. Generators seeking to connect on a temporary basis will already face non payments for periods when they are constrained off, as well as a market price for electricity which will steadily decrease with increasing levels of wind generation on the system. Adding an additional burden of non compensation for curtailment would seem discriminatory and may ultimately lead to such generation becoming unviable.

If you have any questions or would like to discuss any of the matters raised further please contact:

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