



## **Re: Incentivisation of All-Island Dispatch Balancing Costs – SEM-11-048**

Endesa Ireland is in favour of an all-island incentive scheme for minimisation of DBC in order to keep costs as low as possible for customers, who are finding it increasingly difficult to absorb increases in costs. Endesa Ireland does not accept the argument made by the TSOs that the current TSO/TAO model structure must reduce the effectiveness of an incentive mechanism. Provided that appropriate incentives are designed for both the TSO and TAO, the ownership of the assets should not provide a barrier to the effectiveness of incentive mechanisms and Endesa Ireland asks the RAs to ensure complementary incentive programmes for the asset owners.

The consultation paper does not clearly set out how the DBC will be calculated. This is key to understanding how the incentive mechanism will work. Endesa Ireland considers that the DBC should be the difference between the monies that would be paid to generators according to the Ex-Ante Market Schedule and the cost of actual dispatch, taking into account imbalance payments, constrained on/off payments, testing charges and any monies paid to the TSOs for GPIs, testing tariffs, etc., as these penalties are calculated taking into account potential system constraints.

### *Incentive Design*

Endesa Ireland agrees with the suggestion made by the regulator that an ex-post review should take account of any external factors which heavily influenced DBC outturn in the tariff period. In order to do this, the SOs will have to provide more transparency on the rationale for constraint dispatch decisions and identify the causes of constraining generators on or off – it will then be clear whether it was absolutely necessary to constrain a certain unit off and whether the cheapest suitable unit was constrained on.

The RAs state that the cost of fuel is a key part of DBC and it is outside the control of the TSOs. Endesa Ireland submits that this fuel price risk could be mitigated by hedging the fuel price and considers that the TSOs should be encouraged to do so.

Endesa Ireland agrees with the RAs proposal to set an ex-ante target with upper and lower bounds and a dead band by which to award/impose the incentive payment or charge. However, this target should not be set by the SOs themselves, and should be rigorously assessed by the RAs. As mentioned above, this will require more transparency on dispatch decisions. For this reason, Endesa Ireland supports the RAs proposal for a quarterly report by the SOs on the levels of constraints, drivers behind constraints, mitigating measures and other information.

Endesa Ireland also agrees with the proposal to set an incentive on wind and demand forecasting. This element of the incentive might be set on a percentage difference between the forecast quantum and the actual wind generation or demand, according to the same bounds indicated in the consultation paper.

Endesa Ireland suggests that the RAs might provide an indication of the total amount to be allowed for this incentive.

### *Payment*

Endesa Ireland is in favour of the RAs' suggestion of including any payments or penalties through annual TUoS revenue allowances in Ireland and Northern Ireland.