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Incentivisation of All Island Dispatch Balancing Costs

Dear Billy and Jamie,

Viridian Power and Energy (VPE) welcomes the opportunity to comment on the above consultation and wishes to endorse the views expressed by the National Electricity Association of Ireland (NEAI). VPE would particularly stress the following views:

1. We broadly welcome the initiative to incentivise the electricity TSOs to reduce dispatch balancing costs providing it is carefully designed to avoid unintended consequences, does not compete with or compromise TSO system security obligations, and is accompanied by much greater transparency of TSO dispatch decisions and constraints.
2. The incentive should be based from the outset on gross dispatch balancing costs (i.e. before other charges are netted off) as this is necessary to avoid duplication of incentives that already exist on other parties through other system charges.

3. Constraint costs are a natural consequence of SEM design. It is vital that commercial incentives to reduce constraint costs do not compromise the unconstrained nature of the SEM. We refer to a recent Eirgrid consultation on generator outturn availability and consider some its proposals a threat to SEM design as an unconstrained market and would strongly caution against this.
4. TSO system security obligations should not be compromised by a commercial incentive to reduce dispatch balancing costs. This is very relevant in the context of a need to test low-merit order plant more frequently to ensure they are capable of reliably providing the capacity declared. These generators are typically dispatched when system margins are tight and / or due to network constraints and therefore if they are not able to run when called this immediately presents a security of supply risk.
5. We support any incentive to improve demand and wind forecasting and would like to see this translated into a performance metric that would incentivise the accuracy of the indicative dispatch schedule.
6. Incentivisation of dispatch balancing costs should be promoted in conjunction with the development of ancillary services contracts that help reduce constraint costs.
7. Incentives for network owners (in capital works and generator connections) need to be urgently developed in parallel with any TSO incentives in a complementary way.
8. In the context of an incentive to reduce constraint costs there is a need to re-evaluate the consistency and appropriateness of splitting the treatment of losses in the market schedule from dispatch which will inevitably increase constraint costs.
9. Given renewable targets we see a need to incentivise the timely and efficient connection of renewables and the minimisation of transmission constraints and curtailment events. Transparency is also required in this area.
10. There is also a real need to improve the transparency of dispatch decisions and transmission constraints. We suggest this could be progressed as follows in the first instance:

- i. Incentivise the TSOs to run an All-Island Generator Forum at least three times a year, or preferably every Quarter. SONI and Eirgrid hosted an All-Island Generator Forum on 3rd February 2011 and it was very informative and useful, including important topics such as: (i) What determines a generators running pattern and why it is changing?; (ii) What's changing in the market and what will be the impact on plant operation?; and (iii) What may be causing low frequency system oscillations?. These are hugely important issues to understand on an ongoing basis and we see considerable value in having a regular 2-3 hour Generator Forum as proposed.

- ii. Incentivise the TSOs to make the Transmission Constraint Group (TCG) report a live document that is published on the SONI/Eirgrid website. TCGs are additional constraints imposed on RCUC by the TSOs and directly impact generator dispatch. TCGs can be time limited and can be activated or de-activated at any particular time. New TCGs can be introduced and old ones removed as necessary. There is currently a distinct lack of transparency around TCGs. We understand there is an annual TCG report published by SONI/Eirgrid but given the dynamic nature of TCGs this is of limited value. The need for regular updates of this report (as and when TCGs change) was raised at the aforementioned generator forum and the TSOs were amenable to considering this. This is clearly something that could and should be incentivised.

Please do not hesitate to contact me if you would like to discuss this response.

Yours sincerely



Kevin Hannafin
Regulation Manager