



## Re: SEM-12-045 – Imperfections Charges for October 2012 – September 2013

Endesa Ireland welcomes the opportunity to respond to SEM Committee Consultation SEM-12-045 Imperfections Charges for October 2012 – September 2013. Endesa Ireland recognizes the Commission's objective of minimizing the imperfections charges, as these charges are recovered directly from customers. In the current economic climate, many electricity customers will find it difficult to accept increases in costs. However, where real costs are incurred, it is not prudent to postpone recovery of those costs – such practice is a slippery slope that inevitably leads to greater problems in future. As a general principle for the calculation of imperfections charges, the charges should be set to fully recover costs the year in which they will be incurred.

### *Dispatch Balancing Costs*

Endesa Ireland is of the opinion that the constraints costs estimated in the RAs' and TSOs' paper are too low. We consider that intra-day trading will undoubtedly increase constraints costs and that this should be provided for in the forecast dispatch balancing costs and thus imperfections charge, particularly where gas and coal prices are forecast to increase on last year. We do not agree with the TSOs' assumption that Intra-Day Trading will not influence constraint costs (as set out in Section 1.1 of TSOs' paper), and the decision not to make any change to the PLEXOS model to reflect Intra-Day Trading (Section 3.4.2). The TSOs also state in Section 3.5.1.3 that *'With the introduction of Intra-Day Trading, it is possible that the level and direction of interconnector flows will change closer to real time. This in turn means that output from other generators will have to be scheduled differently. Plant notice times will have to be respected, meaning that operators are required to call units with long notice periods further from real time when there is greater uncertainty about forecast wind, demand, and levels of interconnector flows. This increases the likelihood that dispatch diverges more from the optimal solution.'*

If the RAs do not assume that constraint costs will be increased by Intra-Day Trading a large K-Factor will be required in the next year. Endesa Ireland accepts the TSOs' statement at section 10.1.1 that it is difficult to predict the impact that IDT will have on dispatch balancing costs but

considers that at a minimum, the dispatch balancing cost estimated should be at least the same as those incurred last year (€142.6m), which includes the K-Factor to be included in the 2012/13 charge in respect of under-recovery in 2011/12 (€14.106m).

With respect to the provision of static reserve, the TSOs' paper makes contradictory statements.

- At section 1.1.2 it is stated: 'Additional interconnection has a twofold effect on system reserve requirements: up to 50MW of static reserve is available from EWIC when scheduled flows allow it, reducing constraint costs at times by lowering the spinning reserve requirement..'
- Section 1.1.3 states 'With additional interconnection, up to 100MW of static reserve from interconnection is assumed to be available at all times, scheduled flows permitting'.

It is not clear whether the TSOs have estimated 'dynamic' half-hourly flows in order to determine static reserve availability. Endesa Ireland would expect that there would be no interconnector capacity available during mid-merit hours for the provision of reserve and would welcome clarification on the TSOs calculation.

### *Modelling Assumptions*

Endesa Ireland notes that inputs to the forecast were frozen in February 2012 and submits that these should be updated before a decision is made.

The Consultation Paper does not include a contingency for transmission forced outages. Endesa Ireland considers that in reality there will be transmission forced outages and considers that the FOP (forced outage probability) assumed elsewhere could be used for the purpose of estimating associated constraint costs.

As regards the interconnection assumptions set out at section 3.4.2, Endesa Ireland points out that under a CUSC Modification proposed by National Grid in the UK, the BSUoS charge may be removed for interconnector trades, which would impact upon the hurdle rate.<sup>1</sup>

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<sup>1</sup> CUSC Modification CMP202

<http://www.nationalgrid.com/uk/Electricity/Codes/systemcode/amendments/currentamendmentproposals/>



*SO Interconnector Trades*

Endesa Ireland would welcome reporting of counter-trading by the TSOs and would hope, as assumed by the TSOs that this will be cost neutral. If SO counter-trading may have a cost for consumers, its operation should be reviewed in depth and consulted upon.