

Dispatch Model for the All Island Market/ Transmission System

Market Integration Information Workshop

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Role

1. Provide an independent expert consideration of the TSOs' findings and recommendations
2. Analyse key points of the TSOs' analysis, including
 - Necessity of central dispatch
 - Implications of moving to decentralised dispatch
 - Gate closure times
3. Consider relevant stakeholder views from consultation responses
4. Advise SEM Committee

The TSOs' Report

1. SEM has to change to comply with the Target Model
2. Self-dispatch is not a requirement of the Target Model
3. Central dispatch can operate efficiently in compliance with the Target Model
4. Market participants seeking self-dispatch seem to be seeking firmness of their bilateral trading positions (something not related to compliance with the Target Model)
5. Self-dispatch in Ireland and Northern Ireland will not offer that firmness, given degree of interventions required
6. The TSOs do not recommend self-dispatch on the island of Ireland, however the TSOs can work with self-dispatch and the system can be feasibly operated under that model
7. The purpose of their report is essentially to highlight the issues of doing so

The TSOs' Analysis

- The main technical analysis conducted was to estimate the level of interventions required under self-dispatch.
 - Result: 28% - 33% in 2010/2011
- An attempt was made to calculate the comparable number in GB.
 - Result: 8%
- The report sets out reasons why a smaller market is expected to have more interventions
- The report points out that “physical firmness” cannot be guaranteed under either self-dispatch or central dispatch and that “financial firmness” can be achieved under both

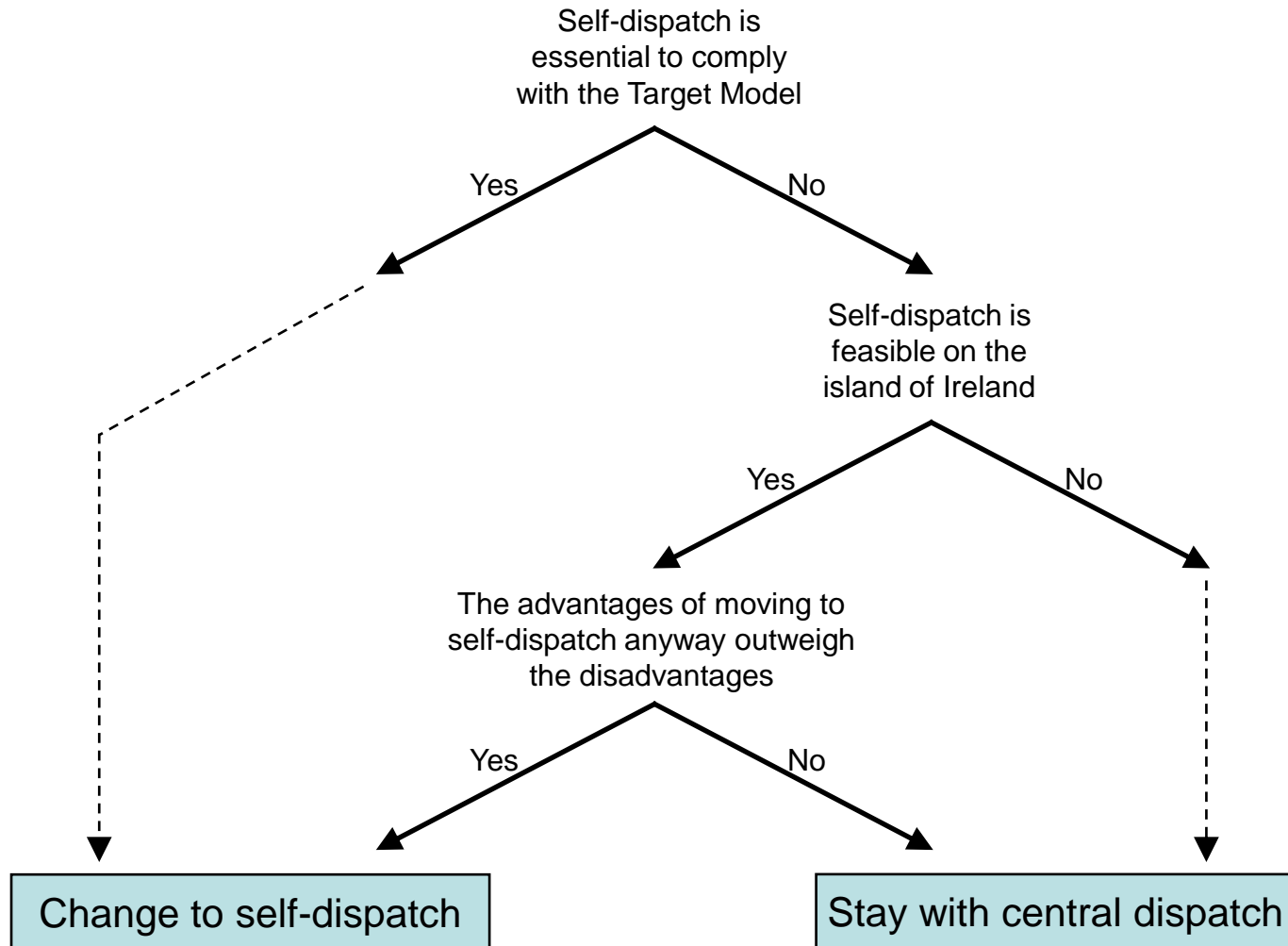
The TSOs' Analysis

- The report also argues that:
 - Self-dispatch is by definition more expensive than central dispatch
 - The dispatch model is but one of many considerations of market design for the Target Model
 - The core of the Target Model is in fact a centralised auction

Review & Critical Analysis

- TSOs' report is valuable and informative
- Main quantitative output is the analysis of interventions in a self-dispatch market
- Interventions is the right metric because:
 - It represents the extent to which self-dispatch bilateral transactions cannot be physically firm for technical reasons
 - It would be reasonable to infer that efficiency would be lower as the level of interventions increases
- Estimating the level of interventions is imprecise and comparative analysis difficult

Review & Critical Analysis



Review & Critical Analysis

Criteria		Options	
		Change to Self-Dispatch	Stay with Central Dispatch
1	Cost to comply with the requirements of the Target Model	Same	Same
2	Cost to implement market trading arrangements	High cost	Low cost
3	Risk	High risk	Low risk
4	Market efficiency	Good	Good
5	Consistency with international best-precedent	Good	Good
6	Consistency with neighbours	More consistent	Less consistent
7	Control of market power	An inherent problem	Market power already mitigated
8	Price-transparency and regulatory visibility	Low visibility	High visibility
9	Ability to cope with increasing wind penetration	Poor ability	Better ability
10	Ability to allow participants to be physically-firm	Poor	Poor
11	Ability to allow participants to be financially-firm	Good	Good
12	Cost (as measured by market efficiency) of making participants financially firm	High cost	Low cost

Independent Assessment

1. A self-dispatch model is not required to comply with the Target Model. By itself, self-dispatch is not a solution to any issue that has been raised by the requirements of the Target Model.
2. The over-arching concern must be what is best for Ireland and Northern Ireland. The disadvantages of self-dispatch outweigh the advantages.
3. International experience provides templates for how the Target Model can be implemented in the context of central dispatch and this can be addressed in the design phase of project.
4. The Target Model is continually evolving. It is clearly influenced, in terminology at least, by drafters who are more familiar with self-dispatch models than central dispatch models. The RAs should continue to take active role in the Network Code process to ensure that no language is introduced which could be interpreted as requiring self-dispatch.