Integrated Single Electricity Market (I-SEM)

High Level Design for Ireland and Northern Ireland from 2016

Consultation Response

April 2014

1 CONSULTATION QUESTIONS

1.1 RESPONDENT DETAILS

COMPANY	*Codling Wind Park Ltd*
CONTACT DETAILS	*Graeme.cooper@fredolsen.co.uk*
MAIN INTEREST IN CONSULTATION	Wind Generator Project – Irish Sea

1.2 GENERAL COMMENTS

We welcome the opportunity to respond to the SEM Committee consultation paper on the *Integrated Single Electricity Market (I-SEM) - High Level Design for Ireland and Northern Ireland from 2016.*

We support the IWEA response to this consultation and to the consultation questions posed. Please note that that this is a hugely important consultation for the industry and will have a significant impact on the future of the electricity system in Ireland. As an industry we are in the process of an energy transition, which is set to continue into the future, to an energy system with increased levels of renewable generation. **It is essential that the market design is fit for purpose for a market which will have 40% of electricity produced from renewables (primarily wind) in 2020, and that the suitability of the market for the trading of electricity from wind energy is given appropriate consideration from day one.** A long-term stable market which encourages investment and appropriately reflects costs is needed.

IWEA has presented a number of key considerations for the SEM Committee with reference to the renewable energy targets, the requirements under the RES Directive, and the need for a market that is accessible, transparent and fair for all generators, which we support.

We support the energy trading option "Option 3b" which has been put forward by IWEA which we believe is the most appropriate option for the energy trading arrangements going forward. In summary, it comprises:

- Financial Transmission Rights in forwards timeframe.
- No long-term physical contracts in forwards timeframe.
- Exclusive day-ahead market (not mandatory)
- Exclusive within-day market
- Mandatory provision of INCs / DECs into Balancing Market for all generation
- All physical market trades should be based on a gross import or export position, i.e. it should not be possible to trade the net position of a generation and demand portfolio

- Wind generators may choose to trade on a unit basis or portfolio basis (the portfolio being the summation of physical units), but imbalance settlement should be carried out across all windfarms within a participant's own portfolio.
- Considerations to facilitate trading should be an integral part of the design:
    - TSO wind generation forecasts should be published for all market participants
    - The concept of intermediaries in the market should remain
    - Cross-company aggregation functions should be an integral part of the market design across all timeframes, including electricity balancing
    - An aggregator of last resort should be provided
    - There should be transparency of market revenues
    - Below de-minimis trading should at a minimum be kept at its current level and requires further consultation
- Further consideration should be given to imbalance pricing and settlement than that reflected in the consultation paper.
- Balancing pricing and settlement should be carefully managed so that artificial balancing costs (driven by market structure or reflective of, for example, market power) are not charged to Balance Responsible Parties.
- Existing established local market policy related to connection, firm-access and dispatch should be respected
- While it is not an integrated market design requirement, the facility should be retained to maintain TSO countertrading in the event of inefficient market outcomes
- Market participation fees and market collateralisation requirements should be managed to minimise requirements for all parties where possible. This includes, for example, the acceleration of market payment timeframes.
- Structural design features to promote IDM liquidity should be considered.

We also support the IWEA preferred position on Capacity Remuneration Mechanisms:

- For a long-term price based mechanism.
- That wind generation should receive capacity payments for its capacity credit contribution to system security.
- The design of the CRM should be such that impacts on IC flows are minimised and imports on the IC are not rewarded at times of high wind, resulting in wind curtailment.

We have not provided detailed answers to the consultation questions in this response as we support the IWEA submission which has responses detailed.
In conclusion we would like to thank the SEM Committee for the opportunity to engage on this issue and to **highlight the particular importance of this consultation given the significant implications it has for the viability of the wind sector.**

Yours sincerely

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