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driving sustainability

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Submission on:
Integrated Single Electricity Market (I-SEM)
High Level Design for Ireland and Northern Ireland from 2016

4th April 2014

We welcome the opportunity to respond to the recent consultation on the High Level Design of the I-SEM. We are aware that the Irish Wind Farmers Association (IWFA), the representative body of the small and independent wind industry, has been fully engaged in this consultation, holding workshops and seminars and meeting bilaterally with the Regulators. IWFA has proceeded to take expert advice, after which it has come to a very clear conclusion and has responded to the consultation accordingly.

We broadly agree with their conclusion, as expressed in this submission, that the only sustainable approach is Option 4. However, we have not considered all of the detailed questions you have posed in your consultation document, and don't enclose detailed replies with this submission.

Independent wind generation is fundamental to the future development of the power system on the island of Ireland, as regards de-carbonization, competition and in particular security of supply, at a point in time when we have been reminded of the vulnerability of gas supplies due to the emerging conflicts in Eastern Europe.

The Options.

Option 1, as stated very frankly in the Consultation Document, has several features which "… advantage portfolio generators…" and that the ex-post imbalance price would be "… less attractive for wind…" than an ex-post pool price. This option should be rejected and taken no further.

Option 2 would, we fear, operate in practice in a very similar way to Option 1. We understand that the ex-post imbalance price, to which we will inevitably be exposed,

will again be "… less advantageous for wind …" than in a full ex-post pool. This is a novel hybrid, and it is not clear to anyone how it would work.

Option 3 is the worst of all four options for small wind projects. It has all the disadvantages of Option 1. In addition, such projects would be forced to trade in a day-ahead market at a time when the wind forecast is inaccurate, which will only add risk to our business, unnecessarily. Our projects would inevitably still be exposed to the ex-post imbalance price – which, as the Consultation Document again acknowledges in respect of Option 3, would be "… less attractive for wind…" than a full ex-post pool. We consider that exemptions and fixes will not address the core issues with this option.

Option 4 is the only option that offers independent wind generators a level playing field, because it includes an ex-post imbalance mechanism, based on a gross pool, that reflects the full underlying power system, in which we can fully participate, and against which the forward markets can operate. It also gives a clear and unambiguous support reference price, unlike every other option. It is the option that will best incentivize optimal demand side management and interconnector flows, by having a gross pool and flexible forward markets. To complete the picture, there must be 'market maker' obligations on portfolio generators and appropriate incentives on the TSO to minimize the cost of meeting system stability, transmission and other technical system requirements.

We also propose an increase in the de-minimis level to 20MW in the new I-SEM arrangements. To minimize delay and disruption, we would wish to see all other SEM/CER directions (e.g. Tie Break arrangements) to remain unchanged, with one exception. SEMC's proposed removal of compensation for curtailment must be reversed.

We support the inclusion of a Capacity Remuneration Mechanism (CRM). We believe that the only option is a long-term price-based mechanism.

In summary,
A fully liquid and transparent ex post imbalance settlement mechanism, voluntary day-ahead and intra-day markets, primed by market maker obligations on the portfolio generators, accompanied by a long-term price based CRM, will provide an entirely level playing field on which generators of all sizes and technologies can participate effectively. It would also provide the best reference price for the various renewable support schemes, while minimizing the cost of those supports to the consumer. It is the only market model in which small independent wind generators have any real prospect of survival, in particular where they are out of support. And we must remember that all projects end up in that position after a roughly 15-year period. While the market design can help relieve curtailment, to really address that issue, there is a need for the TSO to be subject to at least some of the rescheduling costs arising from the under development of the island's system, so as to incentivize the necessary and urgent improvements, which are the TSO's duty in any case. In the meantime, there is a continuing role of TSO counter-trading.
We thank you for your attention and consideration of this submission,

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Yours sincerely'
Kind Regards

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