

Comments on:

I-SEM Energy Trading Arrangements Detailed Design

Building Blocks

November 26th 2014

Introduction

Electric Ireland welcomes the opportunity to submit feedback on the “Building Blocks” section of the Energy Trading Arrangements (ETA) for the I-SEM.

Comments on each of the three Workshops and Discussion Papers are given in sections one to three below. Since discussion to date has been on individual discrete topics, there remain many unknowns and open questions on how all aspects will interact. Without this full picture Electric Ireland would like to caveat the comments below as provisional views only.

Topics covered are:

- 1.1 Transmission Loss Adjustment Factors
- 1.2 Firm Access
- 2.1 Constraints
- 2.2 Curtailment
- 2.3 Priority Dispatch
- 2.4 De Minimis Level
- 3.1 Currency Cost
- 3.2 Registration Process
- 3.3 Clearing and Settlement (incl. billing and funds transfer)
- 3.4 Credit Risk
- 3.5 Treatment of VAT
- 3.6 Cross Border Shipping
- 3.7 Market Information

1.1 Transmission Loss Adjustment Factors (TLAF's):

Electric Ireland have a concern surrounding the potential for inaccuracies in current TLAF's given the more inaccurate the ex-ante TLAF the bigger the risk to a supplier. Whilst acknowledging the regulators have no stated intention during I-SEM to change TLAF policy there is an ongoing requirement to have accurate and fair TLAF's.

In relation to interconnector TLAF's we would support modelling the two interconnector lines separately in the Euphemia algorithm, as this will better represent reality and the individual technical characteristics of the interconnectors.

1.2 Firm Access:

Electric Ireland would like some further information on this i.e. typically, how much generation on the system is non-firm and also how much information could the TSO provide in advance on how much, if any, of the non-firm access could be used on a given day. Electric Ireland would like to see the TSO provide as much information as possible regarding generators firm/non-firm access in advance of the different market gate closures so that market participants can make informed decisions. We support allowing non-firm access that has been given advance notification of firmness by the TSO in advance of the market timeframe to bid into the day ahead market and be exposed to the risk of the imbalance market, indeed this would be essential in order to create a more level playing field in the market.

2.1 Constraints:

Electric Ireland is concerned about higher constraints costs leading to increased imperfection charges on suppliers, and ultimately customers. There is a need for an effective market monitoring unit. Generators offers need to be cost reflective and given the proposed lack of a BCOP going forward stringent policing of market bids will be essential. For example, this would be especially true if a unit was constrained on and knew it was to be left constrained on, what practices/policies are in place to stop this participant putting a bid into the market at a higher price than its normal cost reflective bid value.

We generally agree with the intention of the unconstrained market and maintaining compensation for constrained actions as per current arrangements, though the TSO must be in a position to provide as much information as possible in advance to market participants to enable them to trade out positions within day or take whatever actions they deem necessary.

In I-SEM will imperfection charges continue to be set ex-ante, annually, in advance? Are any changes to this mechanism envisaged? The role of incentivising the TSO to minimise constraint costs through the imperfection tariff should be reviewed and enhanced to ensure it is fit for purpose under I-SEM.

2.2 Curtailment:

Electric Ireland would like to see curtailments treated similarly to constraints assuming cost reflective bids being allowed, along with effective market monitoring and timely and accurate information being provided by the TSO to all market participants.

2.3 Priority Dispatch:

Electric Ireland is of the view that imbalance costs should be minimised as far as possible and bids should be as cost reflective and accurate as possible in order to keep imbalance costs down. Given the forecast level of wind penetration, priority dispatch status should not insulate a priority dispatch unit from its position in the balancing mechanism as this will remove the incentive to minimise imbalance position.

2.4 De Minimis Level:

Electric Ireland supports the use of aggregators as a route to market participation for smaller players. It also supports decreasing the de minimis threshold. Reducing the de minimis threshold will ensure the market reflects the underlying reality of the system. Removal of de minimis in favour of aggregation would ensure that all demand faces the same cost of capacity costs and imperfection charges.

We would also like further information from the TSO/SEMO on what is the current total capacity of de minimis generation in the SEM currently?

3.1 Currency Cost:

Electric Ireland supports the idea of I-SEM continuing to be dual currency as it currently is in SEM. We also support the notion of currency risk being socialised in I-SEM. This socialised cost should be managed through an ex-ante forecasted figure and administered through daily tariffs. Further clarity from regulators regarding on which exchange rates will be used in which of each of the markets.

3.2 Participant Registration:

Electric Ireland supports the idea of a single point of contact for registration process in I-SEM. Furthermore it supports the idea of a single registration process in the mandatory balancing market which would suffice in all the other markets –forward, day ahead, intraday, balancing, FTR's and RO's.

3.3 Clearing & Settlement:

Electric Ireland supports cross collateralisation across multiple markets, (forward, day ahead, intra-day, balancing, FTR's and RO's), to reduce over-collateralisation. This should be done using clearing houses. We disagree with shorter payment times in the day ahead and intra-day markets. We note that the regulators mention possible changes to SRA operation in I-SEM and that they say they are to provide information on how this will work. We ask for this information to be published quicker so we can consider its impacts on Electric Ireland. As we make heavy use of the SRA process at present we wouldn't endorse any major changes to the process. However we'd need to see what is being proposed in this area as soon as possible.

3.4 Credit Risk Review:

Current arrangements for participant collateralisation in SEM should be reviewed to ensure they are fit for purpose under I-SEM

We note that the decision paper will have what is implementable in this regard and shall comment on the matter further then.

3.5 Treatment of VAT:

The regulators need to interact with Irish Revenue Commissioners and HM Revenue Commissioners on this matter.

3.6 Cross Border Shipping:

More information needed on this topic from the regulators.

3.7 Market Information:

Electric Ireland supports the publishing of all available data in a timely and accurate and open way across all markets, including accurate demand and wind forecasting.