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Grange Backup Power's Response to the I-SEM Building Blocks Rules Liaison Group Discussions

Grange Backup Power welcomes the opportunity to provide feedback on the building blocks discussed at the I-SEM Rules Liaison Group workshops that have occurred to date.

RLG 1.1

1. Treatment of Transmission System Losses

Grange recommends that traded and station gate schedules are published by the market operator for Day Ahead, Intraday and Balancing market timeframes.

Transmission loss factors will already be present in the market settlement systems, if the TSO is providing metered generation to the market at generator unit gate/export point. In particular, to assist independent and smaller participants, and to serve as a check for market operator and participants systems, the market operator could also calculate and publish the generator gate or export volumes as well as the traded volumes.

A further consideration is how loss factors will be implemented for units that are aggregated, such as wind units with TLAFs and DLAFs, and effectively submitting portfolio bids. One option is to determine a weighted average TLAF for each settlement period for the aggregated units which would be used in bidding and settlement. This could be accomplished at registration stage with individual units being assigned an aggregator flag under the participant to facilitate the calculation of the weighted loss factor.

Grange believes it is more transparent and cost reflective that all interconnectors are represented in EUPHEMIA and the intraday, balancing and settlement systems with separate transmission loss factors.

2. Treatment of Firm Access

As non-firm volumes are effectively a temporary connection to the transmission or distribution grid these volumes should not avail of the same access to market schedule quantities and prices as firm volumes. The day ahead and intraday markets result in firm prices and quantities so the prerequisite starting point for these markets should be the firm access quantities of generation units. If non-firm volumes are increasing then the balancing market should provide signals to reduce or limit the level of non-firm quantities. These signals may be masked if non-firm volumes are afforded access to the day ahead and intraday markets.

RLG 1.2

1. Constraints

Grange is in favour of the proposal:

- A plant that is constrained down due to a dispatch instruction shall pay back the lower of its decremental offer price or the Balancing price; and
- A plant that is constrained up due to a dispatch instruction shall receive the higher of its incremental offer price or the Balancing price

Grange is also in favour of transparency in the methodology for flagging and tagging energy and non-energy actions so that the reasons and costs for imbalance volumes are easily identifiable and monitored.

Additionally the balancing market design should encourage that the maximum production capacity possible will be available to the wholesale markets. Publication of regularly updated wind and demand forecasts, constraints and curtailment forecasts, system services contracted capacity (MW), the system services price and the merit order for balancing energy for the next 24 hours is needed to encourage participants to actively trade in the day ahead and intraday markets. Clarity on the notice given by the TSOs and procedures for activating balancing services, which may lock volume out of the wholesale markets, needs to be provided as part of the detailed design process.

2. Priority Dispatch

Grange believes that if a priority dispatch price taking unit wishes to become price making in the balancing market then, in the interest of fairness and competition, the unit should forego the status of priority dispatch including any priority dispatch advantages in a tie-break situation.

3. Curtailment

A level playing field should be accessible to all participants. With respect to constraints, curtailment is a system constraint and should be treated like any other constraint in the market.

4. De Minimus Level

In order to facilitate efficient and successful markets, Grange believes that, the day ahead and intraday markets need to be as liquid as possible and therefore should encourage renewable generation units to participate in these markets. Consequently the de minimus level should remain, as it currently is, at 10MW.

Regarding aggregation Grange believes the de minimus level should not diminish the options of negotiating trading services and power prices with either suppliers or aggregators or diminish the viability of aggregators. Therefore if an aggregated portfolio exceeds the de minimus level it must bid into the markets as a portfolio generation unit.

The detailed market design should also provide for efficient day ahead and intraday market signals that reduces the need for TSO countertrading.

RLG 1.3

1. Currency Costs

Quick settlement turnarounds are essential to reduce currency risk. The methodology of applying exchange rates and calculating currency costs in day ahead, intraday markets and balancing markets should be as straightforward and transparent as possible. RAs should provide historical information on the amount of currency costs paid to date annually and the likelihood of the range of total currency costs increasing or decreasing in the future in the consultation paper. Grange recognises that the replication of the current currency costs is extremely difficult or impossible in the current SEM. If the currency costs pot is reasonable the socialisation of the costs through a tariff is reasonable once clear budgets and under/over recovery from previous years and justifications for the currency cost pot are published.

2. Participant Registration

Grange favours a single point of contact for party and participant registration covering all markets from Day Ahead to Balancing, Reliability Options and System Services. The registration process should be straightforward, efficient, account for smaller participants, and allow for regular face-to-face meetings or conference calls to ensure smooth market entry. The suggestion of prefilling of online forms which can then be adjusted is positive and should be considered. Where changes from the current SEM are not required and where reasonable then the current processes and concepts and positive attributes should be preserved.

3. Clearing and Settlement

Grange believes streamlining of clearing settlement processes where possible is favourable:

- a) Pooling of invoices is an option, once they are workable with market timeframes and have clear line items per market. For e.g. Day Ahead and Intraday invoices could be pooled together. Pooling timeframes could be at a daily, weekly or monthly level depending on the revenue stream. Settlement statements would need to include data per market timeframe to facilitate shadow settlement and queries.
- b) If possible a single clearing house to facilitate netting of trades and assessing collateral requirements and netting collateral across all the different I-SEM markets would be advantageous, especially if there are savings, such as reduced trading and settlement costs and collateral requirements, that can be passed on to market participants.
- c) Grange is in favour of quick settlement turnaround times and assessing if meter data delivery timelines can be shortened to facilitate quicker balancing market settlement while providing as firm as possible balancing prices.
- d) If avoiding a shipping agent can reduce market costs then this would be the preferred scenario.

4. Credit Risk

Grange recommends exploration of the following:

- a) Trade netting across all markets, including Forwards market, Reliability Options and System Services
- b) A clearing house performing the credit risk functions including unsecured bad debt
- c) Insurance option for unsecured bad debt

Grange is generally in favour of excluding bids of participants that do not have sufficient collateral in place. The forms of collateral that can be implemented should not favour larger participants over independent or smaller participants.

5. Treatment of VAT

As discussed at the RLG discussions with Revenue Commissioners regarding the status of reverse charging should be conducted as soon as possible.

6. Market Information

To facilitate competition and market power monitoring the level of market data published in the current SEM, including commercial offer data, should be carried on into the I-SEM. In addition regional wind, imbalance volumes, countertrading and curtailment forecasts; energy balancing merit orders, contracted reserves and systems services volumes should be published in a timely manner.