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25th of March 2015

RE: Bord na Móna response to SEM-15-011 Building Blocks consultation paper

Dear Kevin / Kenny,

Bord na Móna welcomes the opportunity to comment on SEM-15-011 "The Building Blocks Consultation paper component of the Energy Trading Arrangements Detailed Design". Bord na Móna also appreciated the opportunity to attend, participate and be informed by the recent Building Blocks information workshop.

Please find outlined below our feedback on the paper. However this response and the positions /comments put forward should be considered as conceptual at this point in the absence of visibility of the final ISEM Trading arrangements and markets design.

1. Treatment of Losses - Generators

Bord na Móna acknowledges that the debate to reopen arguments for socialising Transmission Losses is not a primary concern for the SEM Committee at this moment in time, and accepting that the current compressed quasi-location based approach continues, agrees that a pragmatic and straightforward approach to the treatment of losses is preferable. Using a single 'location' for all trades with the onus on the market participant to calculate and submit their 'adjusted' bid/offer details (for all market timeframes) would appear to be both a reasonable and relatively uncomplicated approach.

2. Interconnector Loss Factors

Whilst on the face of it the SEM Committee's view that individual representation of each IC appears to suggest a more efficient outcome for consumers on the island, by maximising trade across the IC, and is favoured in principle by Bord na Móna, reservations remains. In particular, the absence of detailed modelling taking cognisance of physical constraints in GB may mask some unintended consequences of what appears in good faith to be the most beneficial option. Furthermore, the individualisation of the two existing ICs appears again to be a uniquely I-SEM requirement, relative to the rest of Europe, for the DA coupling algorithm. Firstly, the question needs to be asked, and assuming post the detailed modelling the proposed individual approach is demonstrated to be the most effective, what happens if the EUPHEMIA developers cannot feasibly incorporate this virtual splitting into the coupling engine?

3. CONSTRAINTS

Bord na Móna sees the merit in the emerging thinking of the SEM Committee in the consultation paper whereby a plant that is constrained down due to a dispatch instruction shall pay back the lower of its decremental bid 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. Although welcome, there will still be a requirement for detailed consultation, at a later stage, to identify and distinguish energy and non-energy actions. It may also be beneficial to further flesh out the concept presented at the informative Building Blocks Public Presentation, albeit discussed in relation to Priority Dispatch, an analogous application of the availability signal to transition current SEM guaranteed 'trades' for firm access generators across to the ISEM.

4. FIRM ACCESS

This particular section of the paper and the implications of the various options proposed is very difficult to assess when one considers the possibly impact on liquidity in the ex ante markets, the effect on the clearing price (absent all non-firm generators), interactions with NI RES CfDs, the proposed Reliability Option based CRM and the imbalance risk on non-firm generators. While it appears somewhat trite to make the comment, considerable additional analysis is needed so that the qualitative issues discussed above can be quantified. However, and not wishing to pre-judge the outcome of future analysis, Bord na Móna would find it difficult to reconcile any rule set where a bona fides ex ante trade, albeit by a non-firm generator, is exposed to an imbalance risk. Obviously, if such an approach were to be implemented, a prudent non-firm generator would limit ex-ante positions, which would most likely be detrimental to overall social welfare. It would therefore appear that the most optimum solution is based around the proposal outlined in b) The plant must bid to buy back any non-firm volumes in the Balancing Market at the DA price, or some price related to its actual trades (including trades in the IDM). Further work to examine how in practice 'some price related to its actual trades' is calculated, which difficult, is certainly warranted.

5. Priority Dispatch

Bord na Móna welcomes the increased flexibility in the revised approach to Priority Dispatch (PD). In particular, the proposal to remove the current rigidity when distinguishing and switching between Price Making (PM) and Price Taking (PT) regimes in ISEM affords such generators greater opportunities to participate in ex ante markets (enhancing liquidity) as well as reducing risks that could arise in the new market design for PD simplicity.

In terms of wind generation with PD there would appear to be merit in the 'revised approach' published in the paper, in allowing what is effective PM/PT switching between different market timeframes. Obviously, the interaction with support schemes, and specifically what market price (DA or BM) is employed as the reference price for existing and proposed support schemes will influence how generators would engage with this proposals detailed in the 'revised approach'. In addition, and in keeping with HLD principles of non-discrimination and absolute definition of Priority Dispatch, it is implicitly understood that the SEM Committee's application of the 'revised approach' is universal in nature, i.e. all plants afforded Priority Dispatch under 2009/28/EC would

be entitled to PM/PT flexibility including plants qualifying for PD as a result of SEM-13-006 , i.e. hybrid units, this will require further modification of the existing qualifying criteria to align with the proposed PM/PT flexibility of the 'revised approach' detailed in the Building Blocks paper.

6. Curtailment

There is a prima facie argument, even outside the delay in the delivery of DS3 and restricted SNSP limits, that the SEM Committee decision on excluding wind from curtailment compensation post 2018 should be revisited. The rationale is based on the fact that the market structure in existence when the process which reached this decision will bear very little resemblance to the proposed ISEM in 2018. In light of this, then it may be possible to adapt the mechanism discussed in the paper (for constraints) and modified herein to also be applicable to curtailment.

Of the two possible choices discussed in the paper, the "Cash Out and Post Processing" would appear to offer a better option to market participants – is it expected that such a post processing function would be managed centrally? As to whether there is a rationale to apply different treatment to DA & ID trades versus BM, it is a question that may require further analysis.

7. DE MINIMIS

Bord na Móna supports the retention of the current De-minimis export capacity threshold of 10MW, for I-SEM.

8. Currency

Bord na Mona recognises that I-SEM should operate on the basis of a dual currency. The proposals in the paper regarding currency costs being projected ex-ante and charged to suppliers as a tariff seem reasonable

9. Market Info

Bord na Móna are generally supportive of as much information being published to support fair market participation.

I hope that you find these comments helpful and look forward to further engagement on these topics. If you have any queries or require clarification on any point, please do not hesitate to contact me.

For, and on behalf of Bord na Móna PowerGen,


John Mac Namara
Commercial and Regulatory Affairs Manager

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