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Electric Ireland Comments on:

Integrated Single Electricity Market (I-SEM) -

**Energy Trading Arrangements Detailed Design
Building Blocks Consultation Paper**

Introduction

Electric Ireland welcomes the opportunity to submit feedback on the “Building Blocks” Consultation Paper 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 eight below. Since discussions to date has been on individual discrete topics, there remains 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 Treatment of Transmission Losses
- 2 Treatment of Constraints
- 3 Treatment of Firm Access
- 4 Treatment of Priority Dispatch
- 5 Treatment of Curtailment
- 6 De-Minimis Level
- 7 Treatment of Currency
- 8 Market Information

1. Treatment of Transmission Losses

Electric Ireland has 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 the current SEM and future I-SEM.

Electric Ireland supports the proposed treatment of generator losses in the Day Ahead and Intraday Markets, i.e. the traded volumes would be at the Trading Boundary, net of transmission losses. As for the treatment of losses in the Balancing Market we would support the option that minimising the impacts on participants systems, i.e. Option (b) Balancing actions are priced at the station gate.

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.

2. Treatment of 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 effectively monitored and given the proposed lack of a BCOP going forward stringent policing of market bids will be essential which will also ensure against any potential abuse of local market power. 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 that abuses local market power.

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.

3. Treatment of 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.

4. Treatment Priority Dispatch

Electric Ireland is of the view that imbalance costs should be minimised as far as possible and bids should be effectively monitored 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. We agree with the SEM Committees approach to the treatment of Priority Dispatch generation in I-SEM:

- May observe prices in the day-ahead and subsequent intraday markets, trading in them as it sees fit;
- On the basis of observing prices and possibly trading in the ex-ante markets, decide on physical notification reflecting the output at which it wishes to run given the prevailing market conditions;
- Submit any incs and decs reflecting the price at which it is willing to deviate from its physical notification.

5. Treatment of Curtailment

With regards the issue of whether the treatment of curtailment post 2018 should apply differently to DAM and IDM trades than to BM and imbalance settlement, Electric Ireland cannot support such a position in the absence of any supporting analysis on the trade of between increased compensation for curtailment versus increased energy market costs.

Given the two options on the methodology to recoup curtailment revenues offered in the Consultation Paper, Mandated bidding Behaviour or Cash Out and Post Processing, Electric Ireland is in favour of the Mandated Bidding Behaviour option. Wind generators would be required to bid a dec price into the Balancing Market based on its revenues from the ex-ante markets. All curtailment would be treated as an out of merit dispatch instruction by the TSO, and hence settled at the dec price submitted in effectively monitored bids.

6. 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 and should increase liquidity in the ex-ante markets which is a stated objective of the I-SEM. Removal of

de-minimis in favour of aggregation would ensure that all demand faces the same cost of capacity costs and imperfection charges.

7. Treatment of Currency

Electric Ireland supports the idea of I-SEM continuing to be dual currency as it currently is in SEM. However, we believe that each participant should be responsible for managing their own currency risk exposure in the I-SEM, there should be no requirement to socialise the costs involved across participants. Given that the new Day Ahead and Intraday ex-ante markets will have quicker turnaround with no resettlement the currency risk in these markets should be small as it represents the potential movement of the exchange rate across a short period of time.

8. Market Information

Electric Ireland supports the publishing of data in a timely and accurate and open way across all markets, including accurate demand and wind forecasting. Transparency of market information is key to encouraging investment and competition however due consideration must be given to the commercial sensitivity of participants information and their competitiveness should not be put at risk due to too much transparency. To this end we continue to support the current SEM data publication arrangements of publishing both Public Reports and Private (for participants) Reports.

Yours sincerely,

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