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Grange Backup Power Response to SEM-15-011 ETA Building Blocks Consultation

1. Summary

Grange welcomes the opportunity to respond to the SEM-15-011 ETA Building Blocks Consultation.

In summary are comments are as follows:

- i. Grange is in favour of a consistent treatment of losses in all market timeframes. Therefore losses should be applied to both prices and volumes in Day Ahead, Intraday and Balancing Markets.
- ii. Grange agrees that loss factors for each interconnector should be represented separately
- iii. Grange is in favour of the constraints methodology proposed.
- iv. As non-firm volumes are effectively a temporary connection to the transmission or distribution grid Grange believes these volumes should not avail of the same access to market schedule quantities and prices as firm volumes.
- v. Grange is in agreement with the revised approach for the treatment of priority dispatch.
- vi. It is Grange's overall view that 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.
- vii. 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.
- viii. Grange agrees with the Treatment of Currency proposals.
- ix. Grange agrees with the current level of transparency in market data publication in the SEM and agrees that additional publications will be required in the I-SEM. See section 9 for more information.

2. Treatment of Transmission Losses

2.1 Treatment of Generator Losses

Regardless of the TLAF implementation method chosen for the Balancing Market participants will have to adjust or acquire systems to reflect loss adjusted prices and volumes for ex-ante markets and the TSO would have to apply TLAFs to balancing market bids and offers at gate in order to reflect the dispatch merit order. Therefore a straightforward and consistent methodology is to have all market prices and volumes, including balancing, at the trading boundary and all physical notifications at gate.

2.2 Interconnector Loss Factors

Grange is in agreement that the loss factors for each interconnector should be represented separately in the market systems as opposed to employing an aggregate weighted loss factor.

3. Treatment of 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

4. 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.

Please see Grange's comments below in the event generators can contract in excess of their firm access quantities.

Option a) exposes, in particular non-firm wind generators, to imbalance risk. As in section 6 on curtailment, whether or not the capacity is available for the non-firm volumes is outside the control of the generator. Also the TSO may not provide sufficient accurate or timely information that non-firm volumes can't be accommodated in order for a generator to trade out its position in the intraday market. Therefore the most straightforward risk management policy is to bid non-firm volumes into the balancing market or leave them in imbalance. An imbalance price is volatile and more difficult to forecast so a generator will balance losing revenue on firm volumes based on day ahead and intraday prices because of cashing out at a higher imbalance price versus bidding non-firm volumes in the ex-ante markets.

Option b) is similar to mandated bidding in section 6 and interferes with a generator's ability to optimally trade in the balancing market.

An alternative option is to consider a post processing option, similar to the curtailment case, where outturn volumes are made whole to the ex-ante prices received in the ex-ante markets. This would facilitate the trading of non-firm volumes in the ex-ante markets and also mimic the current SEM arrangement: In the I-SEM if non-firm volumes aren't dispatched the ex-ante price is returned, in SEM unless a unit is dispatched above firm access

quantities you can't receive the market price, the final net settlement in both markets is the same.

5. Treatment of Priority Dispatch

Grange is in agreement with the revised approach for the treatment of priority dispatch. The HLD decision paper states that it will be mandatory for market participants to participate in the Balancing Market. Will a wind generator have the option not to submit Balancing Market bids and offers and receive or pay imbalance prices for energy imbalance volumes not covered by ex-ante trades?

Regarding Demand Balance Service Providers (BSPs) they should be considered in the same context as generator units. It may be a more cost effective option to pay a demand unit to increase demand than dispatch down a generator in order to accommodate increased priority dispatch generation. Demand BSPs should not be precluded from bidding negatively, since generators are allowed to do so. Demand BSPs may also reduce curtailment and facilitating active trading of these units encourages demand side response.

6. Treatment of Curtailment

It is Grange's overall view that 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.

In the event that the 2018 decision on curtailment compensation remains please see Grange's comments in relation to the questions posed in the consultation paper:

- a. How should the SEM Committee decision on curtailment compensation be implemented?

The section on priority dispatch has proposed that units such as wind units should be able to bid into the Balancing Market. Wind units do not have control over the implementation of curtailment. Therefore if mandated bidding is introduced in the balancing market for wind units this effectively removes balancing market trading and risk management flexibility for those units.

In relation to the Cash Out and Post Processing option why should wind generators accept additional cash out risk for a curtailment risk which is outside of their control? Day Ahead and Intraday prices are firm. Therefore for any outturn volumes revenues should be made whole to any ex ante prices traded.

- b. Is there a distinction in treatment to be made between trades in the DAM and IDM versus trades which are executed in the BM or settled in imbalance settlement?

Treating DAM and IDM differently for curtailment purposes post 2018 should not be considered. If wind installed capacity and curtailment are forecast to increase, based on the drive to meet national renewable targets, then incentives to trade in ex ante timeframes should be encouraged. Alternative incentives to reduce curtailment and encourage development of alternative technologies should be explored instead.

7. De Minimus Threshold in I-SEM

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.

8. Treatment of Currency

Grange is in agreement that I-SEM should operate as a dual currency market and currency costs should be projected ex-ante and charged to suppliers as a tariff with any differences between the projected and actual adjusted for through a correction factor.

9. 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 continued in the I-SEM. Appropriate publication time delays can be facilitated to prevent market gaming. In addition regional wind, imbalance volumes, countertrading and curtailment forecasts; energy balancing merit orders, indicative generation notifications, contracted reserves and systems services volumes and prices should be published.