



**Aughinish Alumina Limited**

**Comments on**

**‘Markets’**

**Part of the Rules Liaison Group**

*Non Confidential*

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## Overview

Again Aughinish Alumina Limited (AAL) found the useful exchange of opinions tabled at the second suite of Rules Liaison Group (RLG) meeting to be beneficial. This can only help the consultation process to follow.

## Background

AAL operate an Alumina Plant in West Limerick; the Alumina Plant is a Large Energy User with a 45MW baseload demand. The two generating units Sealrock 3 (SK3) and Sealrock 4 (SK4) were built following deregulation of the electricity market in Ireland; they operate within a trading site to satisfy the onsite power needs and substitute the steam (375MW) needs of the onsite Alumina plant. They produce 80% efficient power and are certified as High Efficiency Combined Heat and Power (CHP) plants. The site has a Maximum Export Capacity of 130MW, through which excess power generation is exported to the grid.

## **Primary Comment's relation to Markets**

### **Function of the Balancing Market (BM)**

AALs primary concern in the BM is a dramatic dispatch instruction from the TSO below our expected operation which would also dramatically affect our Alumina production. Certainty around communication with the TSO is important and definition of what the TSO obligations are is important e.g. how is the TSO to know the Alumina plant critical steam requirement? Perhaps the Physical Nomination tool could be used to keep the TSO informed.

One presenter suggested that Physical Nominations should be de-linked from contract position. It is difficult to know if de-lined or linked PN are more appropriate during normal operation. However, as a priority dispatch site with a dependant head load AAL can see an advantage to de-linked PN beyond the IDM gate closure up to real time.

### **Form of Bids and Offers**

Market power is a concern for smaller participants in the I-SEM. The removal of the BCOP and the potential for large block bids are a concern for market liquidity and market power manipulation.

### **Imbalance Pricing & Flagging and Tagging**

From the presentation on the balancing market marginal price make up it appears to be a complicated structure for a participant to try to replicate, it being strongly linked to the flagging and tagging procedure. Transparency has served the SEM well and should be maintained in as much as possible. If flagging and tagging can be done in other markets to a high degree of accuracy within a very short time, similar timeframes should be the targeted as part of the I-SEM design. An automated rules structure is preferable to manual interpretation.

It is apparent that the balancing market will serve a greater purpose than just balancing long and short positions. A lot of power is going to be traded in the I-SEM balancing market so the form of Bids and Offers will have an effect on market liquidity and market power manipulation.

## **General Comment's relation to Markets**

### **Incs and Decs**

Through EUPHEMIA testing AAL hope to develop a better understanding of the potential pros and cons of relative vs absolute INC/DECs.

### **Global Aggregation**

AAL have no objection to an ex-ante tariff system based on a forecast of unrecovered costs for suppliers.

Any changes of global aggregation needs to retain the net settlement within a trading site which is the case in the SEM i.e. in-house power consumption needs to be excluded from Global aggregation .

### **Instruction Profiling**

Dispatch instructions should remain open as they are today.

AAL would have concerns about closed dispatch instructions:

- The reversal element of a closed instruction is only the TSOs best guess and could be misinterpreted
- Some grid security would be passed from the TSO to individual operators around the country.
- EDIL might become unnecessarily noisy in control rooms without any additional action required from operators.

AAL would prefer where possible not to change EDIL as part of the I-SEM but recognise some additional features might need to be incorporated.

### **Testing**

Testing tariffs do not need to be changed as part of the I-SEM implementation but, similar to the TLAf discussions, there is justification for a separate review of the methodology.

The current under-test procedure is complicated without any obvious advantage for participants, TSO or SEMO. Any initiative to streamline this would be welcomed by AAL.

### **Metering**

Best in class meter data availability times should be targeted by the market.

## **Other items from participant presentations and discussion**

- As a current PPTG AAL have some reservations around the -€500/MWh effective bid price for a price takers in the SEM. Upcoming testing might help to elevate some concerns from a trading point of view.
- AAL agree that for a secure electricity system the long run marginal costs must be recoverable for thermal generation. Short sighted gains would not be in the best interests of power consumers and could result in a highly stressed system in the longer term.
  - Modelling will be needed to illustrate what level of BCOP, if any, should apply in I-SEM to ensure