

2 CONSULTATION QUESTIONS

2.1 RESPONDENT DETAILS

COMPANY	Tynagh Energy Ltd
CONTACT DETAILS	David Vaughan, Commercial Risk and Regulatory Manager
MAIN INTEREST IN CONSULTATION	Generation Market Participant in the Single Electricity Market

2.2 GENERAL COMMENTS

TEL as a member of the EAI supports the collective response from the association. TEL echoes the call for the publication of a proposed decision. The Rules Liaison Group meeting were welcomed and beneficial for market participants in developing an understanding of the issues. However, unlike the HLD Consultation, they have not delivered a coherent set of internally consistent options. This has made the task of understanding and responding to the consultation in the short time period allocated a difficult task. A proposed decision would allow market participants to assess a series of options to ensure that they are coherent and internally consistent and provide the correct incentives.

TEL would argue that the primary decision to be made at this stage is how the system operation in the I-SEM will impact on the market. While the current SEM is unconstrained it is clear that due to the level of constraints in Ireland and the decisions made in the HLD the I-SEM Balancing Mechanism will be constrained. The implication of this will affect all other market timeframes and a clear decision on how to manage this interaction will impact the desired options that are presented throughout the consultation paper. It is therefore not possible to provide a definitive view on each market design options proposed in isolation. TEL's response to this consultation is consequently limited however we have previously responded in detail following the Rules Liaison Group meetings and would ask that our previous comments be considered in the context of this consultation.

2.3 SYSTEM OPERATION IN THE I-SEM (CHAPTER 2)

Question	Answer
<p>1. What are the impacts of early action by the TSOs on the Intraday Market?</p>	<p>The one consistent aspect of all of the HLD options that were presented by the RAs¹ to comply with the EU Target model was the introduction of additional market timeframes. While the options differentiated how energy was to be traded in and across these different timeframes, in all the options there would be a set of prices that would change for a particular trading period as we moved closer to real-time.</p> <p>The I-SEM High Level Consultation Paper explained as follows:</p> <p>“...the earlier markets acts as a tool for market participants to manage risks and their exposure to the ex-post or imbalance price. It is:</p> <ul style="list-style-type: none"> • the expectation of the ex-post or imbalance price(s) that drives prices in the ID market; • the expectation of the ID market prices and ex post or imbalance prices(s) that drives prices in the DA market; and • the expectation of prices from the DA market that drives forward trading.” <p>In presenting each separate HLD option the RAs strove to ensure that design decisions made at each market timeframe should be coherent to allow efficient trading across each timeframe. The design of DA and ID timeframes are largely being dictated through the EU Network Codes. The primary area of determination left to the RAs was Energy Balancing and the settlement of Imbalances.</p> <p>The HLD Decision which was arrived at following extensive consultation² consisted of a Balancing Mechanism rather than an ex-post pool. On the topic of TSO actions the decision states the following:</p> <p>“The TSOs are responsible for ensuring a feasible dispatch of plant that delivers a safe and secure system, including having sufficient reserve available to deal with contingencies.</p> <p>From the day-ahead stage onwards, the TSOs will access the system feasibility of the physical nomination profile for each generator, take relevant actions if necessary and issue dispatch instruction for ensuring system security.”</p> <p>In the current SEM, action taken by the TSOs for system security have no impact on the market because the market and the physical are completely separate i.e. the market is unconstrained. Constraint</p>

¹ SEM-14-008

² SEM-14-085a

	<p>payments exist to bring generators back to their market position.</p> <p>In the I-SEM with a Balancing Mechanism this will not be the case. Non-energy actions taken by the TSO will have a direct bearing on the price of balancing energy due to the high nature of constraints that exist on the system. In fact, the consultation recognises this in the discussion of tagging and flagging:</p> <p>“...there is the potential that a flagging and tagging approach could have insufficient energy actions taken to set an imbalance price.”</p> <p>The result of this is that non-energy actions will need to set the imbalance price. There is therefore the risk that trading in earlier markets will not be driven by the expectation of future market prices but by the expectation of TSO actions. This has the potential to undermine the efficiency of the market.</p> <p>The market should be allowed to discover the value of energy imbalances that present in either the ID or BM. If the TSO takes early action this will undermine this price signal and deter investment. Where possible the TSO should be dissuaded from taking early actions.</p>
<p>2. What measures can be taken to minimise early actions by the TSOs?</p>	<p>As stated above, in the balancing market, occasionally non-energy actions will set the imbalance price. It would therefore be unhelpful to differentiate early TSO action between energy and non-energy actions. All early actions taken by the TSO have the potential to impact price.</p> <p>TSO constraint actions in the current SEM are not known until after the fact. This is incompatible with the design of ex-ante markets. As discussed above TSO actions in the I-SEM would be deemed inside information that has the potential to influence energy prices in these markets and so would be reportable under REMIT in a timely manner i.e. if the action occurs in the ID timeframe it would need to be reported before any further trading can occur in the ID market. This is particularly important for single asset generator participants who may otherwise be disadvantaged.</p> <p>The aims of REMIT would be best served if these were reported by the TSO who is undertaking these actions rather than by the market participants affected. This reporting should take place in real-time. TEL believes that the RAs should clearly state in their decision that the TSO will have responsibility for the real-time reporting of their actions. This reporting is additional to any requirement for post event reporting of the circumstances under which early actions are taken.</p> <p>The HLD decision states that the TSO will be responsible for ensuring a feasible dispatch of plant that in delivering a safe and secure system. This would be best served by the TSOs ensuring that there is adequate ramping capability available and only intervening where the available ramping capability is below a predefined threshold. Where there is sufficient ramping capability the market will be capable of solving energy imbalances. It is also not clear that early action by the TSO</p>

	<p>would be economically efficient i.e. if price signals in the ID market alter the flow of the interconnector any early action taken by the TSO may be deemed unnecessary.</p> <p>TEL is strongly in favour of the introduction of a Balancing Principles Statement and was concerned by the suggestion from the TSO at the Markets Consultation Workshop that any such document would only be a guide. The principles for the dispatch of the system such as required ramping margin and localised constraints must be clearly defined and adhered to. To do otherwise would undermine the market.</p>
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2.4 EX-ANTE MARKETS (SECTION 3)

Question	Answer
1. Which of the three options put forward for interim IDM arrangements is most appropriate?	Any interim arrangements for the ID market must include GB. To do otherwise would not deliver the full value of interconnection and wind generation to Irish consumers. These interim arrangement should be designed to complement the XBID implementation so as not to incur unnecessary costs.
2. Should intraday auctions be implemented in I-SEM? Are there any advantages to those auctions not described in this paper?	While there may be advantages for the I-SEM in implementing auctions the question should be is there any advantage to GB. The I-SEM IDM has not yet been established whereas the GB IDM already exists. Discussions with the operators of this market should be progressed as a matter of urgency and should not be dependent on the appointment of the NEMO to ensure that the most advantageous solution for both markets can be identified.

2.5 PHYSICAL NOTIFICATIONS (SECTION 4)

Question	Answer
1. What are your views on the timing of PN submissions to the TSO	TEL is of the view that prior to a clear decision on system operation within the I-SEM it is not possible to comment on PNs.
2. What are your views on the removal of the requirement on wind generation and non-dispatchable demand to submit PNs	N/A
3. What are your views on how PNs from participants should be linked to their ex-ante trades and what are your opinions on which of the three options outlined in this chapter is optimal for I-SEM.	N/A
4. What are your views on the potential for the inclusion of an information imbalance charge. In addition, comment is sought as to whether this issue is best addressed under the generator performance incentives.	N/A

2.6 FORM OF OFFERS, BIDS AND ACCEPTANCES (SECTION 5)

Question	Answer
<p>1. Which of the proposed formats should be used for bids and offers for deviating from PNs?</p> <ul style="list-style-type: none"> • Simple MWh • Relative MWh • Absolute MWh 	<p>TEL would agree that Relative and Absolute bids and offer formats are similar. The Absolute format would be simpler for a generator participants to implement and would not require resubmission following trading in the IDM. However there is one fundamental difference as they are proposed. The Relative format allow for a generation participant to submit separate prices for increasing and decreasing load. The Absolute format assumes that the costs incurred in increasing load are equal and opposite to the costs avoided in decreasing load. This is not necessarily the case particularly for gas generators with regards to gas capacity costs.</p> <p>If the Absolute format is chosen it would benefit from allowing generator participant to submit two sets of absolute bids; one for increasing load up to base load and a second for reducing load from base.</p>
<p>2. How should fixed costs be represented within bids and offers?</p> <ul style="list-style-type: none"> • Explicit start up contracts • Block bids • Explicit start-up (and no load) costs 	<p>In order for thermal plant to offer their full range of flexibility through block bids, a participant would be required to submit block bids for every possible time period over which the plant could run. This is impractical and market participants are likely to submit a significantly reduced number of block bids. Block bids would therefore appear to reduce the flexibility that thermal generators will be capable of providing to the Balancing Mechanism. TEL can see the benefit that explicit start up costs provide in this regard. However start up contracts would not be the preferred solution as they would reduce transparency.</p> <p>It is difficult to see how a tender process would work for start up contracts particularly considering the fact that not all starts are equivalent i.e. for non-energy action that solve localised constraints there would be insufficient competition eligible to compete under a tender.</p>
<p>3. Should it be possible to rebid offer and bid prices following an acceptance?</p> <p>Three options are proposed:</p> <ul style="list-style-type: none"> • Fixing prices of accepted bids and offers • Undo prices • Freezing all prices 	<p>The question of rebidding cannot be considered in isolation. It is inextricably linked to the question of system operation in the I-SEM and the interaction between the IDM and BM.</p> <p>One of the main differences between the I-SEM and the current SEM, as identified by the RAs in the HLD consultations³, is the fact that for each trading period the price for energy changes as the market timeframe moves towards real-time. The primary advantage that this presents to market participants is that the energy price is a “live” price that will better reflect movements in the underlying commodities.</p> <p>The proposal to freeze all prices would seem inconsistent with this.</p>

³ SEM-14-008

	<p>TEL would therefore in principle support rebidding. If a market participant were not able to rebid it is likely that the risk of an adverse movement in underlying commodities may be priced into the original bid and offers negating any benefit from freezing prices.</p>
<p>4. Should open or closed instructions be used to move participants away from their PN?</p>	<p>Closed instruction would appear to be the most consistent approach to use in conjunction with the freezing of accepted bids and offers.</p>

2.7 INTERACTIONS BETWEEN THE BALANCING MARKET AND INTRADAY MARKET (SECTION 6)

Question	Answer
<p>1. Which of the options put forward should apply to participation in the IDM in the event that the TSOs take a balancing action pre-gate closure:</p> <ul style="list-style-type: none"> • Freeze PNs • Additive PN Changes • Substitutive PN Changes 	<p>The intention of the I-SEM HLD is for the ex-ante energy market to be unconstrained. The I-SEM HLD Consultation⁴ explained this as follows:</p> <p>“...the imbalance price is intended to reflect the marginal cost to the SO of balancing the residual difference between (unconstrained) energy supply and demand (i.e. the physical volumes neither settled in an ex-ante market nor on the basis of a trade with the TSO for system purposes).”</p> <p>This principle was reaffirmed in the HLD Decision⁵ through the BM use of marginal pricing for unconstrained energy balancing actions. The proposal to Freeze PNs is incompatible with this principle and would in effect exclude market participants from the ID market and result in this ex-ante market being constrained. TEL welcomes the RAs rejection of this proposal.</p> <p>It is difficult at this time to comment in detail on whether Additive PN Changes or Substitutive PN Changes would be the preferred option without a clear decision on system operation in the I-SEM. While the consultation presents a prima facie case for Substitutive PN Changes further quantitative analysis should be conducted before a decision is made for either option.</p>
<p>2. If the substitutive PN Changes option is taken, there are two further options for swapping out or netting IDM trades against bid-offer acceptances:</p> <ul style="list-style-type: none"> • If the participant wishes to trade in the IDM and substitute the bid-offer acceptance they will need to achieve a more advantageous price in the IDM than the bid-offer acceptance price • Implement a methodology which sees the unit lock in the 	<p>If Substitutive PN Changes are the preferred option then consideration needs to be given to the incentives that will exist for trading in the ID market in the context of the eventual decision on system operation in the I-SEM.</p> <p>Under the first option a bid-offer acceptance locks in the bid price therefore a market participant is only incentivised to trade in the ID market if they can achieve a price higher than this. If early actions by the TSO are for non-energy balancing actions they will by definition be out of market action i.e. the cost of these actions will be higher than the prevailing ID market price. This option could therefore severely limit liquidity in the ID market.</p> <p>The second option which might be more complicated to implement would provide a clear incentive to market participants to trade in the ID market thereby promoting liquidity.</p>

⁴ SEM-14-085a

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<p>premium above or below the imbalance price through the bid-offer acceptance</p>	
<p>3. Which of the three options put forward for dealing with “Trading in the Opposite Direction” should be implemented:</p> <ul style="list-style-type: none"> • No specific consideration of this would be reflected in the market design • Implementing a rule that would prohibit PN changes that increase the quantity of any offer or bid acceptances • Permit PN changes in either direction but, in the settlement of the offer or bid acceptances, to limit the quantity on which the premium is payable, such that a change in PN cannot increase this quantity 	<p>As stated previously the ex-ante market should remain unconstrained therefore market participants should be able to trade in either direction either to increase or decrease load regardless of any early TSO actions. The RAs have already rejected the proposal of Freezing PNs and TEL would likewise strongly urge the RAs to reject the proposal of freezing PNs in one direction.</p> <p>If this were implemented it would limit market participant’s access to the ID market and the cost of this would be reflected in any bids and offers thereby negating the perceived benefit. TEL would argue that local market power measures should only be implemented where there is evidence that a market participant has manipulated their bids to take advantage of the TSOs as a distressed buyer/seller.</p>

2.8 TREATMENT OF SYSTEM SERVICES (SECTION 7)

Question	Answer
<p>1. What are your views on the proposal whereby a unit that is deployed for reserves should be constrained to the minimum extent possible in the IDM</p>	<p>TEL is of the view that prior to a clear decision on system operation within the I-SEM it is not possible to comment on the treatment of system services.</p>
<p>2. Are there any market power issues that need to be specifically addressed in relation to System Services?</p>	<p>As previously stated TEL would argue that local market power measures should only be implemented where there is evidence that a market participant has manipulated their bids to take advantage of the TSOs as a distressed buyer/seller.</p>
<p>3. Which of the two approaches should be utilised where the TSOs have to schedule a plant before the opening of the Balancing Market:</p> <ul style="list-style-type: none"> • A system services framework would be used to contract with those generators that need to be scheduled prior to the BM opening. • The TSOs would use incremental offers and decremental bids from previous trading day to call a plant pre-BM. 	<p>No comment.</p>

2.9 IMBALANCE PRICING (SECTION 8)

Question	Answer
<p>1. What are your views on the Tagging and Flagging Approach. A “cause” based method for identifying energy and non-energy actions with the imbalance price being set only on energy actions.</p>	<p>TEL is of the view that prior to a clear decision on system operation within the I-SEM it is not possible to comment in detail on imbalance pricing. Any decision on imbalance pricing must be consistent with the HLD Decision.</p>
<p>2. What are your views on the Simple Stack? With this approach there would be a simple stack of the available bids and offers and the price would be set based on the net imbalance volume.</p>	<p>No comment.</p>
<p>3. What are your views on the unconstrained stack with plant dynamics included. These are two additions that this option would have over the simple stack:</p> <ul style="list-style-type: none"> • Plant Dynamics • An optimisation time horizon 	<p>No comment.</p>
<p>4. What are your views on the price based method – unconstrained unit from actual dispatch?</p>	<p>No comment.</p>
<p>5. What are your views on the sharpness of the marginal imbalance price? Do any concerns relate to the transition between SEM and I-SEM or are there</p>	<p>No comment.</p>

other broader concerns?	
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2.10 IMBALANCE SETTLEMENT (SECTION 9)

Question	Answer
1. What are your views on the issues set out in the imbalance settlement section?	TEL is of the view that prior to a clear decision on system operation within the I-SEM it is not possible to comment in detail on imbalance settlement. TEL would caution against moving forward with defining the algebra for imbalance settlement without first clearly defining the problem that the RAs are attempting to solve.
2. What are your views on the refined proposal whereby the payment rule applies only to incremental offer acceptance volumes above the PN and to decremental bid acceptance volumes below the PN?	No comment.
3. What are your views on the possible consequences of ex-ante trades based on trading periods of different duration to the Imbalance Settlement Period (ISP) and what are your views on the options put forward in the paper.	No comment.

2.11 OTHER ISSUES (SECTION 10)

Question	Answer
1. Global Aggregation – what are your views on the current policy and the three alternative options put forward in the paper for dealing with global aggregation	No comment.
2. Local Market Power – What are your views on whether there are any specific issues in relation to local market power which need to be considered at this stage.	TEL is of the view that prior to a clear decision on system operation within the I-SEM it is not possible to comment in detail on local market power. As previously stated TEL would argue that local market power measures should only be implemented where there is evidence that a market participant has manipulated their bids to take advantage of the TSOs as a distressed buyer/seller.
3. Metering – What are your views on the proposal for metering put forward in the Consultation Paper.	No comment.
4. Instruction Profiling – What are your views on the instruction profiling section. In particular, is it feasible to more accurately model the precise loading of units and whether more technical characteristics need to be accommodated in the technical offer data.	TEL is of the view that prior to a clear decision on system operation within the I-SEM it is not possible to comment in detail on instruction profiling.
5. Units Under Test – What are your views on the two	TEL is of the view that prior to a clear decision on system operation within the I-SEM it is not possible to comment in detail on Units Under Test.

options put forward for units under test in I-SEM.	
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