



Integrated Single Electricity Market (I-SEM)

**Energy Trading Arrangements (ETA)
Markets Consultation Paper**

Consultation Response from

BORD NA MÓNA 

The logo for Bord na Móna, consisting of a yellow sun-like symbol above a green wavy line, with a red diamond shape at the bottom right.

SEM-15-038

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1 CONSULTATION QUESTIONS

1.1 RESPONDENT DETAILS

COMPANY	Bord na Móna
CONTACT DETAILS	John MacNamara john.macnamara@bnm.ie +353 87 7829934
MAIN INTEREST IN CONSULTATION	All sections addressed

1.2 GENERAL COMMENTS

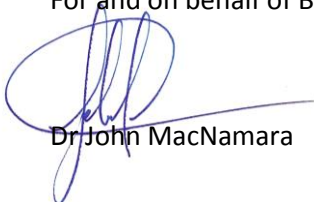
Bord na Móna welcomes the opportunity to respond to the *Energy Trading Arrangements (ETA) Markets Consultation Paper*. In the first instance, Bord na Móna commends the Project Team in preparing and publishing this very comprehensive and wide ranging document.

Bord na Móna, as a commercial participant in the market and in the spirit of this consultation process, has attempted to address each of the sections contained in the Paper. Notwithstanding the specific comments, answers and opinions proffered for each question, Bord na Móna believes that there may be merit in publishing a Proposed Decision or ‘Minded to’ paper in advance of the final decision (we also appreciate the tight timelines both the project team and SEMC are working to but believe this extra step may pay dividends in the long run).

Finally, in addition to the topics covered in the Paper, Bord na Móna also takes this opportunity to briefly raise the matter¹ as to how partially supported hybrid generation units with priority dispatch will be treated in the I-SEM’s BM.

As ever, we are available and would welcome the opportunity to discuss the contents of this submission (including issues around partially supported hybrid generation unit) with members of the Project Team at their convenience.

For and on behalf of Bord na Móna



Dr John MacNamara

¹ Bord na Móna also alluded to related matters in Building Blocks consultation, SEM-14-045, etc),

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 ETA market design paper describes the Intraday Market (IDM) as a platform for participants to ‘Trade into Balance’. In this regard, Bord na Móna fully appreciates the concomitant task of the transmission system operator (TSO) to ensure the safe, secure and reliable operation of the power system while a market which seeks to maximise social welfare runs in parallel. It is, however, suggested that early TSO action could result in the following undesirable market impacts:</p> <ul style="list-style-type: none"> • Reduced liquidity in ex-ante markets (especially the IDM), leading to under-utilisation of indigenous low carbon assets and inefficient outcomes from all participants. • The possibility of adverse effects on price formation in the Balancing Market (BM), potentially leading to unintended consequences that impact on domestic RES-E production and participants providing system flexibility products <i>via</i> DS3.
<p>2. What measures can be taken to minimise early actions by the TSOs?</p>	<p>Measures for minimising early actions by the TSO closely relate to other market choices/options discussed in the consultation paper, with the result that answering this question is far from simple for market participants with limited resources. For example; it is possible that implementing Physical Notification (PN) submissions in an effective manner, one that provides the system operator with the best information available as early as possible, could reduce the need for early actions as the system operator would have greater clarity with respect to the unit specific generation information for a given period. However, in the Energy Trading Arrangements (ETA) paper there is a matrix of options, approaches and methods outlined that equate to a multitude of possible permutations. Bord na Móna would welcome the opportunity for market participants to provide more detailed feedback and analysis on energy trading arrangements when the options are more refined and closer to the enduring solution. In this regard, Bord na Móna would support calls for the publication of a Proposed Decision or ‘minded to’ paper in the coming months.</p> <p>Notwithstanding the above and irrespective of the final design – it would appear sensible and aligned with the HLD principles of the i-SEM that</p> <ol style="list-style-type: none"> a) A document similar to NG’s Balancing Principles Statement should be published outlining policy governing early actions as well as regular reviews and publication of performance against the stated policy. b) Accepting that the structure and nature of the all Ireland power system requires the overlap between the BM and IDM, there is benefit in a core policy of the proposed <i>Principles Statement (a)</i> limiting early actions to the simply committing and/or de-committing units.

1.3 EX-ANTE MARKETS (SECTION 3)

Question	Answer
<p>1. Which of the three options put forward for interim IDM arrangements is most appropriate?</p>	<p>In terms of choosing the most suitable interim IDM arrangements, Bord na Móna has outlined certain areas that need exploration, or at least some consideration prior to the decision making process:</p> <ul style="list-style-type: none"> • Ideally the successful option for an interim IDM arrangement would be compatible with the XBID project, ensuring a smooth transitional phase to the supranational IDM mechanism when it is fully implemented across the European Union. On the other hand, XBID has not yet been finalised which makes it difficult to ensure compatibility – the ‘Moving Target’ conundrum. • The associated cost of designing and implementing a temporary IDM needs to be weighted against the benefits foregone to market participants and consumers if less efficient but cheaper temporary solutions were put into effect. Again, there is an argument that there is simply insufficient analysis available such that an objective and fact based decision can be reached – as noted in response to Q2(S2.3) above, this predicament supports the logic of moving to a Proposed Decision or ‘minded to’ position as an interim measure prior to reaching an enduring solution. <p>As regards the ‘most appropriate’ interim arrangement, Bord na Móna believes that coupling the I-SEM IDM with the GB IDM would best service I-SEM participants and consumers. As noted in the consultation paper, such an arrangement would require the co-operation of the GB Market Operator (as well as possible oversight from OfGEM and consent from DECC). However, as a market participant, Bord na Móna is not privy to these cross channel discussions and issues that GB stakeholders may bring to the negotiating table (particularly around the issue of funding the arrangements).</p>
<p>2. Should intraday auctions be implemented in I-SEM? Are there any advantages to those auctions not described in this paper?</p>	<p>Bord na Móna is of the opinion that intra-day auctions should, not only form the basis of interim IDM arrangements but also survive as part of the enduring solution for the IDM in the I-SEM, as facilitated for under the Network Codes and as currently implemented in the Spanish market.</p> <p>The consultation paper rightly describes a number of positive advantages of intra-day auctions – in the absence of a robust market model for the I-SEM describing how in practice the various markets in the different timeframes will interact, intra day auctions will provide a nexus for liquidity and in reality may act as a potential ‘safety net’ for outcomes that are unforeseen at this moment in time.</p>

1.4 PHYSICAL NOTIFICATIONS (SECTION 4)

Question	Answer
<p>1. What are your views on the timing of PN submissions to the TSO</p>	<p>Noting the expected timelines for clearing the EUPHEMIA DA market, a final submission deadline (where fallback procedures are not triggered) for initial DA PNs by 1400 would appear to be reasonable.</p> <p>As regards updating PNs associated with ID trades, it is expected that the TSO will have access to transactions on the ID platform including the depth of the market. With this in mind, the paper is therefore most likely correct in suggesting that continuous updating of notifications is the outcome which may develop in practice. However, it must be accepted that depending on the market participant, there may be a finite time required between a trading desk taking a market position, and that information being relayed (internally) to the control room of the unit in question, and that control room actually updating the PN.</p> <p>The consultation paper suggests that PNs will be published – it would be interesting to know if the SEMC envisages a ‘live feed’ being broadcast, not just the initial DA PNs, and whether this information would be the aggregate figure or provided on a unit by unit basis?</p> <p>Finally as regards ‘granularity’, Bord na Móna agrees that there may be merit in addressing this matter during the detail implementation phase.</p>
<p>2. What are your views on the removal of the requirement on wind generation and non-dispatchable demand to submit PNs</p>	<p>Requiring a generator to submit a PN when the outturn of the unit is outside the participants control, and where simultaneously the TSO is forecasting (with more computational resources than the typical participant) the output associated with that unit, serves no practical or economic objective.</p>
<p>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.</p>	<p>Bord na Móna would caution against the adaption of ‘Option 1 – PNs linked to ex-ante trades at all times’ as already discussed in the submission. Ensuring ID liquidity will be critical for the success of the I-SEM; the onerous requirement detailed in Option 1 could inhibit generator participation (building up non-feasible trades to a feasible trade) in the IDM thereby reducing overall liquidity.</p> <p>It is expected that plants would have no incentive in not making reasonable endeavours to provide the TSO with its best estimate of its PNs. Following on from this Bord na Móna suggests that the way forward requires further development of Option 2 and Option 3. However, one of the fundamental issues which prevents a definitive answer being provided relates to the question of what bidding restrictions / ‘behavioural measures’ will be imposed on participants in the <i>ex ante</i> markets. As noted previously, the publication of a</p>

	'proposed decision' or 'minded to' paper in the light of other market design features being crystallised may be a prudent next step.
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.	Notwithstanding the comments above, namely uncertainty over <i>ex ante</i> bidding restrictions / 'behavioural measures' and a leaning towards Option 1 or Option 2, it seems the added imposition of 'information imbalance charges' is unwarranted, perhaps a solution in search of a problem. As stated previously, there appears that plants would have no incentive in not making reasonable endeavours to provide the TSO with its best estimate of its PNs. In addition, the BM will insure that generators are incentivised to be balanced, and the existing GPI regime (updated to reflect the new market structure) should be more than sufficient to minimise information deficiencies that would otherwise challenge the TSO's safe, secure and reliable operation of the power system.

1.5 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>Bord na Móna accepts that the directness of the Simple MWh format is also perhaps its Achilles heel, in that the ‘blocky’ nature of the offers/bids exposes generators to potential costs associated with TSO instructed deviations which may not be recovered.</p> <p>Bord na Móna sees merit in both the Absolute MWh and Relative MWh proposals as outlined in the paper. All things being equal, it would appear that using the Absolute MWh format may have an advantage over the alternate, as it should involve less participant adjustment compared to the <i>Relative MWh</i> proposals, where the ‘current’ PN is employed as the datum rather than zero. In addition, the ultimate choice of the bid/offer format must also facilitate and not prohibit or limit rebidding (see response to Q3 below) where non-gaming opportunities arise, e.g. an early TSO action is reversed and costs have been already sunk.</p> <p>As the cost of inc/dec an extra MWh when a unit is at its minimum stability level or near full load is not always the same due to operational characteristics and the technical features of a given plant –hence the option of providing two cost curves, one for being instructed up and another for being instructed down should be facilitated.</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>The current SEM provides both a high level of transparency and guaranteed cost recovery for constrained units. Any diminution of these characteristics would be regressive – in the first instance it is critical that the I-SEM’s BM fundamentally guarantees the recovery of start, no-load and energy cost for units ‘contracted’ by the TSO.</p> <p>Instinctively (i.e. without carrying out forensic analysis), it is assumed that the BM costs should feed directly into the BM clearing price – however, Bord na Móna is not comfortable at this moment in time in proffering a preferred methodology simply because we do not have a clear understanding of the scale of the impact such a truly cost reflective BM price would have on imbalanced participants and more critically what categories of generators (i.e. including or excluding wind) could typically be included in this cohort.</p>
<p>3. Should it be possible to rebid offer and bid prices following an acceptance? Three options are proposed:</p> <ul style="list-style-type: none"> • Fixing prices of 	<p>The overlap in the opening of the <i>ex ante</i> markets and the BMs is accepted as being a necessary feature of the I-SEM given the nature and topography of the power system. This parallel running of markets, while undesirable, does however provide the TSO with the necessary flexibility to ensure the safe, secure and reliable operation of the power system. In a similar vein, allowing rebidding into the BM may also be an undesirable design feature, but a feature which</p>

<p>accepted bids and offers</p> <ul style="list-style-type: none"> • Undo prices • Freezing all prices 	<p>must be incorporated into the I-SEM to ensure participants are not exposed (or at least have the latitude to minimise that exposure) by their mandatory participation in the BM.</p> <p>Accepting that ‘freezing all prices’ is not a viable option, the question as to whether simply rebidding or the concept of an ‘undo’ price (or perhaps both) is the optimum solution is difficult to assess at this moment in time. Unknowns remain as to how either (or both) solutions could be affected by market power concerns, impact liquidity, increase REMIT reporting obligations etc. As stated previously, there may be considerable merit, in further qualitative analysis, which could be facilitated by publishing a proposed decision or ‘minded to’ paper prior to the final decision.</p>
<p>4. Should open or closed instructions be used to move participants away from their PN?</p>	<p>Enduring compatibility of the new I-SEM with the EU target model is an important consideration.</p> <p>Typically other markets, which could be described as further down the target model path, utilise <i>Closed instructions</i>. This suggests there is perhaps merit in the I-SEM also adapting this approach. However, it should be noted that the perceived benefit for participants could be lost if the interval between revised ‘closed’ instructions was short.</p>

1.6 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>Considering both the intraday and balancing markets will be operating in parallel for certain periods of the trading day, it is important to address the pathway for a unit to participate in the IDM after an early BM transaction, as it will have repercussions on liquidity and price formation in the IDM.</p> <p><i>Freezing PNs</i> would appear to restrict a unit's ability for IDM trading once the BM transaction is complete. The <i>additive PN changes</i> option could be seen as a mechanism that has the potential to distort price formation in the IDM in terms of remunerating start costs for the deployment of a unit that was not in merit, yet is then free to trade additional volume in the ex-ante markets.</p> <p>The <i>substitutive PN changes</i> appear to address the issue of flexibility in terms of IDM trading as well as minimising the potential distortive impact of remunerating start costs. For instance, the substitutive approach should reduce distortion between the IDM and BM, while also minimising the need for early energy actions.</p> <p>However, as mentioned in the consultation paper, Bord na Móna appreciates that this method could be complex to implement and suggests that further quantitative modelling be commissioned.</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 premium above or 	<p>Bord na Móna appreciates that the market design options under consideration, in this section of the paper, are somewhat novel. As a consequence, the options explored in this section are limited to those flowing from the Substitutive PN Changes option. While this limited focus could be seen as systemic of the inherent complexity addressed in this paper, Bord na Móna believes there are advantages in carrying out of further quantitative analysis and modelling prior to the final decision.</p> <p>Be this as it may, and assuming the substitutive PN changes option is chosen as the pathway for participation in the IDM - then of the two potential methods for swapping out or netting IDM trades against bid-offer acceptances; the first appears relatively straightforward; whereas the second involves more complexity and could drive more liquidity into the IDM market.</p> <p>For Bord na Móna to advocate one method over another, further analysis is necessary on the second (premium method) option to ensure a decision could be arrived at based on a level playing field. With the possibility of market distortion, an investigation</p>

<p>below the imbalance price through the bid-offer acceptance</p>	<p>into how mitigation measures are implemented in other markets may be necessary.</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>Bord na Móna notes what is effectively a ‘mind to’ position being adapted by the SEMC in respect of Option 3. As the current project plan currently envisages a Decision Paper following directly from this consultation, or perhaps our understanding is flawed, but providing comment on options 1 and 2 at this time would appear moot?</p>

1.7 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>The long-term view of Ireland’s generation capacity is expected to feature large volumes of non-dispatchable capacity. Being ‘non-dispatchable’ and having priority dispatch by its very nature poses a challenge for the TSO. In such a system, flexible and synchronised generation capacity is vital for system security. With this in mind, Bord na Móna understands the proposal of allowing a deployed participant to trade on the IDM.</p>
<p>2. Are there any market power issues that need to be specifically addressed in relation to System Services?</p>	<p>At this stage of the ETA design process, where there is limited knowledge of the detailed remuneration scheme for DS3 services and in advance of the Market Power paper, Bord na Móna feels that we are not in a position to proffer a definitive position on this matter (obviously, it goes without saying that appropriate Market Power mitigation measures must be deployed across all aspects of the I-SEM).</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>Firstly, the extra market (and extra SS) contracting of plants with long start/synchronisation times needs to be considered in light of the objectives to be delivered by DS3 as well as the over-arching policy objective to decarbonise the power system. While it may be the case that such pre-BM actions are rare, no historical analysis or future forecasting is provided.</p> <p>In the absence of details describing the magnitude and the potential frequency of such events during the operation of the I-SEM, it may be prudent to initially adapt option 2 (use of incremental offers and decremental bids from previous trading) for the I-SEM, rather than designing and procuring framework agreements/contracts for ‘warming’ services.</p> <p>Bord na Móna feels obliged to point out that such concerns and solutions, as highlighted in this section, should ideally be addressed and remedied using the DS3 framework.</p>

1.8 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>Following a gradual evolution, the flagging and tagging approach was shaped into a functional market mechanism for imbalance pricing in GB.</p> <p>In terms of the I-SEM, which is more constrained than the GB system, it would therefore be expected to see more flagging and tagging activity, relative to system size. In theory, ‘Flagging and Tagging’ should be an efficient method for identifying and separating energy from non-energy actions. However, there are concerns over the resources required by the system operator as well as the effort/time in definitively designating all BM actions appropriately, particularly in light of the benefit to market participants of an expeditious settlement (and publication) of the imbalance price so as not to hinder the price formation of the subsequent period.</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>The Simple Stack, while eponymously attractive, may not be an efficient solution for the I-SEM.. Using generator unit bid or offer prices to set the imbalance price, yet ignoring the technical characteristics (generator constraints) could add new complications to the market. This purely unconstrained stack approach suggests that the unit setting the imbalance price might not have any physical position.</p> <p>Furthermore, the question of recovering start costs, and the potential for undermining the rationale (and investment signals) of DS3 service provision may be exacerbated using this approach.</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>For an optimised scheduling of market participants, plant dynamics and time horizons are central characteristics when providing incremental bids or decremental offers for the BM. Using a purely unconstrained stack approach without taking these into consideration may pollute price signals in the ex-ante markets and create a negative feedback loop which could be detrimental to indigenous RES generation on the island.</p> <p>Through a similar mechanism as occurs in the SEM today, technical dynamics are used along with commercial offer data to form a merit order based on <i>achievable</i> offers or bids from each participant (i.e. generator constrained not system constrained). The previous trading periods are taken into consideration when committing a unit for balancing purposes to ensure an optimised unit scheduling.</p> <p>Bord na Móna believes that this option may have a role in the I-SEM however, we are of the belief that additional analysis and modelling of this potential option is warranted.</p>
<p>4. What are your views on the price based</p>	<p>The ‘unconstrained unit from actual dispatch’ option has many benefits in terms of its implementation and operation, most of which</p>

<p>method – unconstrained unit from actual dispatch?</p>	<p>are due to its reduced complexity. For instance; this method involves a straight-forward (and mature) market pricing methodology; it does not require a detailed process of dividing energy and non-energy actions; and finally prices can be potentially published closer to the time of delivery.</p> <p>This option combines characteristics from both the flagging and tagging and unconstrained stack approaches to make a viable option, based on the actual unit dispatch scheduled through the DAM and IDM. Nevertheless, using this option unearths an inherent issue in the methodology which should be considered - actual dispatch includes aspects of system constraints. Again this leads to the possibility of generating a negative feedback loop, where for example SNSP curtails wind, driving up the BM price (set by actual dispatch), which could also influence ex-ante markets, increasing prices, eroding exporting opportunities, depressing the absolute SNSP limit, leading to increased curtailment and so on...</p> <p>Again, echoing our concerns detailed in response to earlier questions, Bord na Móna respectfully suggests further analysis and modelling of these scenarios be carried out and perhaps the publication of a Proposed Decision before reaching an enduring solution.</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 other broader concerns?</p>	<p>In terms of pure ‘market design’ theory, it is difficult to mount a cogent argument against dampening the marginal imbalance price. In its favour, a single cost reflected ‘sharp’ imbalance price should drive liquidity into ex ante markets and, in the context of the ‘structure’ of the Irish power system, should also send the appropriate signals for flexible DS3 investments – all very positive outcomes.</p> <p>However, and again it is difficult to back up the following assertion with hard fact or analysis, the benefit of averaging or dampening a pure imbalance price must be seen in the context of the sea-changes proposed for market participants in Q4 2017. That is, the complete restructuring of the energy market, the replacement of the existing CRM with ROs and the greater importance of ancillary services revenues will be such, that by allowing dampening/averaging there would be in effect an initial ‘safety net’ (against penal imbalance prices) for market participants. It is possible that as the new I-SEM matures, the degree of averaging/dampening could be gradually removed.</p>

1.9 IMBALANCE SETTLEMENT (SECTION 9)

Question	Answer
<p>1. What are your views on the issues set out in the imbalance settlement section?</p>	<p>It is appreciated that the consultation uses a number of detailed descriptions and worked examples when examining the imbalance settlement and payment streams for generators that are required to deviate away from their ex ante positions. However, none are directly applicable to scenarios where a partially supported hybrid generation unit with priority dispatch is moved away from its FPN. In previous submissions (eg Building Blocks, SEM-14-045, etc), Bord na Móna has raised the matter as to how partially supported hybrid generation units will be treated in the I-SEM. It is appreciated that units of this type will be a relative small subsection of the conventional generation fleet. However, it would be remiss of this organisation not to raise the matter at this juncture, and particularly as the proposed imbalance settlement arrangements have the potential to materially impact on revenues. Noting that there was no obvious hook in the consultation paper to address this matter, it was felt that it was appropriate to introduce this topic in the imbalance settlement section.</p> <p>In the absence of clarity around bidding restrictions, the operators of partially supported hybrid generation units will need to be able to construct offers and bids into the BM that ensure at the very least operational costs are recovered. This simple requirement is complicated by the fact that not all such units will have a fixed fuel mixture (even over intra-day time periods) and therefore such fuel costs, and subsequent BM offers and bids, will vary over the trading day. Furthermore, as there will be an element of PSO support for such units, the relative portion of any constraint payments will have to be correctly allocated as ‘market revenues’ -using the current REFIT terminology. Noting that only a finite proportion of the unit’s output will be supported, there is therefore a compelling case (in terms of cost recovery of the unsupported costs) to calculate constraint payments and the allocation (unsupported versus supported) of same on a trading period basis.</p> <p>For the avoidance of doubt, Bord na Móna is not suggesting that constraints associated with the supported volumes be compared to the REFIT floor price on an individual trading period basis – instead these would be aggregated over the 12 month PSO period. Rather an initial pro-rata of the constraint payment would allocate the trading period revenue into unsupported and supported bins.</p> <p>It is therefore respectfully suggested, that BM arrangements in any future Decision (or possible Proposed Decision) and imbalance settlements are such that opportunities are afforded to all generators to construct bids which ensure, at the very least, cost recovery.</p>

<p>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?</p>	<p>Noting that the Absolute MW format is employed in the example, it is assumed that the use of symmetrical INC/DEC prices is for illustrative ease; as it was indicated in section 5.2.1.2 that separate INC and DEC cost curves could be accommodated with the Absolute MW format. As noted Bord na Móna sees merit in the Absolute MW format complimented by individual INC & DEC cost curves.</p> <p>It would appear that Option 1 (application to all BOA) appears to provide a less equivocal application of settlement rules – it should be noted that the complexity inherent in either option is reason in itself to ensure that early TSO actions are taken only out of absolute necessity.</p>
<p>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.</p>	<p>The consequences of ex-ante trading (hourly) and imbalance settlement period (quarter-hourly) not being synced could be significant in terms of cashflows in imbalance settlement.</p> <p>Fundamentally, Bord na Móna believes that if a participant's <i>ex ante</i> contracted position is met by the equivalent volume of energy delivered (or consumed) in that trading period, then by definition that participant should be deemed to be 'in balance'.</p> <p>The comments of the SEMC are noted, i.e. that there could be a revenue shortfall. However, as the proximate cause cannot be attributed to participants' actions in the <i>ex ante</i> markets, an extra market solution may be required to meet any such shortfall.</p>

1.10 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	Although not active in ‘supply’, Bord na Móna sees a degree of equity in the application of Option 3 – a fixed approach for the Residual Error.
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.	Bord na Móna is currently developing its thinking and will address this issue in the forthcoming Market Power consultation and has no specific observations to make at this stage.
3. Metering – What are your views on the proposal for metering put forward in the Consultation Paper.	Bord na Móna has already made representations around specific issues that arise for partially supported hybrid generation units – in certain instances the output of a single meter will have to be allocated into 4 discrete ‘bins’.
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.	Bord na Móna notes the discussion on Instruction Profiling, and, at this moment in time has nothing specific to add. Bord na Móna wishes to take this opportunity to highlight the fact that given the inhomogeneity of ‘biomass’ feed-stocks, the actual performance (and technical characteristics) of co-firing plants can be subsequently impacted.
5. Units Under Test – What are your views on the two options put forward for units under test in I-SEM.	Bord na Móna’s initial view is that Option 1 affords a generator a mechanism to better manage its position when under test – however, before being definitive, and accepting the ‘unit under test’ is not on the critical path for the ETA implementation, Bord na Móna would appreciate if a workshop could be organised (or appended to a future workshop on a different topic) to explore the various scenarios.