



Energy for  
generations

Generation & Wholesale Markets

**Response to:**

I-SEM Energy Trading Arrangements Detailed Design

Markets Consultation Paper

SEM-15-026

June 5<sup>th</sup> 2015

## **Introduction**

ESB Generation and Wholesale Markets (GWM) welcomes the opportunity to submit a response to the Markets Consultation. The consultation covers the key aspects of the I-SEM Energy Trading Arrangements (ETA), including how the TSO will operate the system, how participants will participate in the Balancing Market (BM), how the ETA will interact with the new DS3 System Services, and how Imbalance Pricing and Settlement will occur. It is crucial for the overall success of the I-SEM market that efficient coherent solutions are incorporated within the design for all of these topics.

Section One below gives a summary of ESB GWM main comments in relation to this consultation. Detailed responses are given in Section Two using the template provided.

## **1. Main Comments**

### **1.1 TSO Operation in I-SEM and Overlap of the Ex-Ante and Balancing Market Timeframes**

In order to achieve a well functioning I-SEM market, it is important that the approach and principles the TSO will adhere to in relation to system management in I-SEM are fully understood, transparent and consistent with the design of the ETA. While we recognise from the consultation paper that it is the Regulatory Authorities (RA) intention to have transparency in relation to TSO actions, ESB GWM is of the view that a lot more consideration still needs to be given in relation to the TSO approach to system operation in I-SEM.

As pointed out in the consultation early intervention by the TSO will have serious impacts on market outcomes. It is important therefore that such early interventions are limited to what are necessary and prudent, even if this means a fundamental change for TSO system operation. While recognising the role the TSO has to manage the system safely and securely, full TSO latitude and discretion to take early actions needs to be considered in conjunction with the distortive impact such actions may have on market outcomes. Early intervention actions by the TSO should be proportionate to the system risks they are intended to mitigate against. ESB GWM accepts that there may be a learning curve for the TSO in the transition from SEM to I-SEM.

Therefore ESB GWM recommends that further consideration is given to the approach the TSO will take to system management in I-SEM, and that no further decisions are taken on the ETA design until this review has been carried out and there is full clarity on the TSO role. This review should ideally include input from independent experts, and also engagement with market participants. The approach chosen should be consistent with the high level design for the I-SEM.

The incentives under which the TSO operate also needs to be carefully considered and consulted on by the RAs. Currently the TSO are incentivised to minimise constraint costs. The consultation proposes to allow the current incentivisation scheme endure into I-SEM.

However ESB GWM disagrees with this proposal and think such incentivisation would ultimately distort market outcomes as the TSO will be incentivised to take early actions.

## **1.2 Consultation Process**

The consultation covers a large breadth and scope of very detailed topics. The design of many elements of the ETA will have knock on implications for other elements. A preference for a design option relating to one element of the design may differ depending on decisions taken in relation to other items. Therefore, given the scope of the consultation, and the interlinking dependency of the various design options, ESB GWM considers it necessary that a proposed or minded to decision is published on this consultation, rather than going straight to a final decision as currently proposed. The proposed decision should include coherent groupings of the preferred design proposals, as well as the groupings of the alternative options.

ESB GWM also recommends that there continue to be on-going engagement with industry in relation to the development of the detailed design of the ETA, including after the final decisions have been made on the three consultations (Building Blocks, Aggregator of Last Resort and Markets) within the ETA workstream. Working groups with industry participants will need to be established in order to develop detailed market rules. Also how the results and outcomes of Euphemia testing are incorporated within the design of the ETA will need to be covered. Other areas which will benefit from further consultation with industry are the operation of the Balancing Market and Imbalance Settlement. ESB GWM would like to see a plan put in place by the RAs for such on-going engagement.

## **1.3 Physical Notifications**

ESB GWM has a strong preference for Physical Notifications (PN) to be fully de-linked from ex-ante trades. From ESB GWM experience of operating in the BETTA market, the type and shape of trades that a generator can undertake will not always accurately reflect plant capability. Requiring PNs to be linked to traded positions will therefore limit the trading a generator can undertake.

ESB GWM considers that the most logical and suitable arrangements to incentivise generators to match their generated and traded positions is via the Imbalance Settlement mechanism.

Furthermore it is not clear how asset-less traders would be facilitated within a market design if PNs were fully linked to ex-ante traded positions.

## **1.4 Imbalance Pricing**

ESB GWM considers that the Cause Based Method (“Flagging and Tagging”) is the most appropriate approach to determine the Imbalance Price. This methodology is well established in BETTA and will not require the development of complex algorithms or processes. Clear

principles around TSO system operation will limit any perceived complexity in the flagging and tagging of actions, and allow for timely publication of Imbalance Prices. ESB GWM considers that since under this option the Imbalance Price is based on the actual actions taken by the TSO it gives a truer and fairer value of the cost of balancing on the system.

## **1.5 Local Market Power Mitigation**

### Imbalance Settlement

The Imbalance Settlement algebra, and also many of the options proposed within the Imbalance Settlement framework, are essentially building local market power mitigation measures into the arrangements. Whilst ESB GWM understands the RAs rationale for taking this approach, it is not clear that other implications of these rules have been considered. For example the impact such rules will have on the commercial freedom for participants and the knock on impacts on BM liquidity.

### Regulated Bidding

Also in relation to local market power mitigation, it is proposed in the consultation to include in the specification of the market systems the capability to allow replacement of BM bids with regulated cost or price curves if it is defined as necessary. ESB GWM agrees that it may be prudent to build such flexibility into the system design at this time, in order to avoid significant change request costs at a later date. However, we have concerns over the practicalities of what has been proposed. It is not clear how a regulated bid would be calculated when energy market bids will be dependent on revenues earned from both DS3 System Services and also CRM Reliability Options. These issues are best dealt with in the dedicated Market Power work stream.

## **1.6 REFIT and I-SEM**

An increasing portion of the market will be supported by out of market mechanisms. It is therefore important that the interaction of such mechanisms with the market do not create any distortive outcomes. One such key interaction will be how REFIT interacts with I-SEM. ESB GWM is of the firm view that generators supported under REFIT should be adequately incentivised to participate in the ex-ante markets and to be balance responsible. An example of how this may be achieved would be to reference the REFIT payments to a market price such as the Day Ahead Market (DAM) price. Alternatively a blended reference price, between the DAM and Imbalance Prices, could be chosen in recognition of the fact that due to forecast error wind may not be able to achieve the DAM price exactly. Such a reference price methodology would be consistent with what is currently used for CfDs in GB, and what is proposed by DECC for CfDs in Northern Ireland.

## 2. Detailed Response

### 1 CONSULTATION QUESTIONS

#### 1.1 RESPONDENT DETAILS

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CONTACT DETAILS	Jag Basi <a href="mailto:jag.basi@esb.ie">jag.basi@esb.ie</a>
MAIN INTEREST IN CONSULTATION	All areas of consultation

#### 1.2 GENERAL COMMENTS

See Section One.

### 1.3 SYSTEM OPERATION IN THE I-SEM (CHAPTER 2)

Question	Answer
1. What are the impacts of early action by the TSOs on the Intraday Market?	<p>Early actions by the TSO may have the result of distorting the Intra Day Market (IDM). One option proposed in the consultation is that if the TSO takes an early action, that the generator is then prohibited from adjusting its PN, which effectively means this generator is unable to trade freely. This clearly distorts market outcomes.</p> <p>The impact of early TSO actions will depend on many factors, including</p> <ul style="list-style-type: none"><li>- the incentives the TSO operates on,</li><li>- the transparency of the actions,</li><li>- the rules that apply to the generator following the early action</li></ul>

<p>2. What measures can be taken to minimise early actions by the TSOs?</p>	<p>ESB GWM supports the publication of a document outlining the principles / approach under which the TSO will operate the system. However, ESB GWM considers that this document should be developed not by the TSO in isolation, but in conjunction with the RAs, industry participants and expert independent consultancy support. The principles / approach should be consistent with the market design and should ensure that early TSO actions are limited to those that are necessary and prudent to manage the system safely and securely. ESB GWM also supports the reporting of such early actions.</p> <p>In relation to the options proposed in the paper ESB GWM does not support the proposals to allow the TSO take early energy actions if some threshold is reached. ESB GWM has strong preference for energy actions to be limited until after Gate Closure of the IDM. The market should be left to balance without interference from the TSO. Publication of TSO forecasts will assist with allowing the market self balance.</p> <p>We note that under this first option presented in the consultation, (TSO only take energy actions within an agreed timeframe before real time operation, page 19) that this may “lead to lower operational production costs”. Inherent in this assumption is that the TSO will be able to balance the system more economically than the market. No evidence has been presented to support this assumption.</p> <p>A further option presented in the consultation around contingency reserve monitoring may have merit. However it is not clear how this is different to taking non-energy actions, since reserves is addressing a system issue (as outlined on page 13 of the consultation).</p> <p>It seems as well that inherent in this option are assumptions around other design options discussed later in the consultation. As stipulated under this option the TSO will only take early action if the difference between the aggregate PNs and the TSOs forecast of wind and system demand is outside a certain tolerance. It seems therefore there is an assumption here that PNs are fully linked to ex-ante trades, else how would the TSO know whether the system was actually long or short?</p> <p>This causes confusion when trying to assess the design options, as many options are interlinked. A certain option may not be possible, if an earlier design option relating primarily to another topic is chosen. There are other</p>
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	<p>examples within the consultation where this occurs. It seems that there are groupings of options each leading to a different overall design outcome, and that all options are not independent of each other. However this has not been clearly presented in the consultation and as a result has caused confusion. It is important therefore that a proposed decision is published on this consultation which explains adequately the linking of design options.</p> <p>A further point on the second option proposed is that it is not clear whether the TSO will have access to ex-ante contract information. How would they receive this data? Will this be consulted on?</p>
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#### 1.4 EX-ANTE MARKETS (SECTION 3)

Question	Answer
1. Which of the three options put forward for interim IDM arrangements is most appropriate?	ESB GWM does not support the implementation of an interim solution for ID trading which may result in redundancy and unnecessary costs being incurred. I-SEM is being implemented in order to comply with the European Target Model. It is appropriate that the relevant European mechanisms should be used to support this implementation. If these mechanisms are not in place in time for the planned I-SEM go-live, then this may necessitate either a delay to go-live or I-SEM implementation without a facility for ID trading.
2. Should intraday auctions be implemented in I-SEM? Are there any advantages to those auctions not described in this paper?	ESB GWM agrees that there may be advantages to having IDM auctions implemented for I-SEM. In addition to the reasons outlined in the consultation, ESB GWM also considers that auctions will aid with overall market transparency. However ESB GWM also recognises the merits of continuous trading as also providing transparency where market making could also be an integral part of that process.

## 1.5 PHYSICAL NOTIFICATIONS (SECTION 4)

Question	Answer
<p>1. What are your views on the timing of PN submissions to the TSO</p>	<p>It is important the process for updating PNs to the TSO is as simple as possible. ESB GWM has a preference for PN changes to be made as required by participants.</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>ESB GWM does think it should be a requirement for Price Taking wind to submit PNs, thus treating all generation on an equal basis. ESB GWM note also that there is an assumption in the consultation that TSO forecasts are likely to be more accurate than the sum of individual forecasts. No evidence has been presented to support this. If wind generators are incentivised to be balance responsible, then it is likely that this will drive out a requirement for forecast accuracy.</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>ESB GWM has a strong preference for Physical Notifications (PN) to be fully de-linked from ex-ante trades. From ESB GWM experience of operating in the BETTA market, the type and shape of trades that a generator can undertake will not always accurately reflect plant capability. Requiring PNs to be linked to traded positions will therefore limit the trading a generator can undertake. ESB GWM considers that the most logical and suitable arrangements to incentivise generators to match their generated and traded positions is via the Imbalance Settlement mechanism. Furthermore it is not clear how asset-less traders would be facilitated within a market design if PNs were fully linked to ex-ante traded positions.</p>
<p>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</p>	<p>ESB GWM considers that there may be merit for the capability for information imbalance charges to be included within system specifications. This would limit the cost associated with any change request in the future. However ESB GWM is of the firm view that such charges such be set at zero at the start of I-SEM and should only be moved from this if a clear case is presented for why they are required. Furthermore such charges should be only be based on the FPN value.</p>

issue is best addressed under the generator performance incentives.	
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## 1.6 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"> <li>• Simple MWh</li> <li>• Relative MWh</li> <li>• Absolute MWh</li> </ul>	<p>ESB GWM does not support Simple MWh bids. Either Relative MWh or Absolute MWh bids seem reasonable. Absolute MWh bids appear to have a benefit in that rebidding will not necessarily be required as the result of a PN change. Therefore from the point of view of process simplicity, Absolute MWh bids appear to have an advantage.</p>
<p>2. How should fixed costs be represented within bids and offers?</p> <ul style="list-style-type: none"> <li>• Explicit start up contracts</li> <li>• Block bids</li> <li>• Explicit start-up (and no load) costs</li> </ul>	<p>ESB GWM has a strong preference for fixed costs to be included in block bids. This option will give generators the greatest control over their own optimisation strategy. This option will also be the most straight forward in terms of how these costs are including in Imbalance Pricing. The use of explicit bids will bring complexity as an optimisation window will then be necessitated. Explicit start up contracts will not be fully transparent and will undermine overall market efficiency.</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"> <li>• Fixing prices of accepted bids and offers</li> <li>• Undo prices</li> <li>• Freezing all prices</li> </ul>	<p>ESB GWM has a strong preference for the Undo Prices option. If a BM instruction is unwound then costs that a participant has incurred will need to be recovered. Undo Prices appear to be the only option that would allow this fully. Say for example the TSO accepts an offer for a generator to turn on. That generator subsequently trades in the IDM. If the TSO then decides not to turn the unit on, the IDM trades may no longer be viable and the participant has incurred costs associated with this legitimate trading. Allowing Undo Prices will ensure the generator will have the ability to recover such costs.</p>
<p>4. Should open or closed instructions be used to move participants</p>	<p>ESB GWM has a preference for closed instructions. It seems from the consultation that closed instructions will be required in the future anyway, in order to comply with the Electricity Balancing Network Code. It makes sense then to change now rather than having I-SEM operate</p>

<p>away from their PN?</p>	<p>with open instructions for a while, and then have to change.</p> <p>Also it is not clear how open instructions would work in terms of Imbalance Settlement. If the TSO accepts a bid / offer, will the quantum of the instruction not need to be stipulated in any case?</p> <p>The closed instructions appear to give generators more certainty as well over TSO intentions.</p>
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1.7 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"> <li>• Freeze PNs</li> <li>• Additive PN Changes</li> <li>• Substitutive PN Changes</li> </ul>	<p>ESB GWM does not support the Freeze PNs option. Such a limitation would reduce liquidity in the IDM and distort market outcomes.</p> <p>Of the remaining options ESB GWM has a preference for the Substitutive PN Changes option, as it appears to try to limit distortion in the IDM. However we note the considerable complexity in terms of Imbalance Settlement that this option brings.</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"> <li>• 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</li> <li>• Implement a methodology which sees the unit lock in the premium above or below the imbalance price through the bid-</li> </ul>	<p>ESB GWM has a preference for Option 1 where the price is swapped out. Option 2, where the BM margin is maintained appears to be very complex.</p>

offer acceptance	
<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"> <li>• No specific consideration of this would be reflected in the market design</li> <li>• Implementing a rule that would prohibit PN changes that increase the quantity of any offer or bid acceptances</li> <li>• 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</li> </ul>	<p>ESB GWM has a preference for this issue to be addressed by limiting profits in the BM rather than by prohibiting changes to PNs, i.e. a variant of Option 3. However there is a risk under this option that generators may not be able to recover their costs as they would receive the Imbalance Price rather than bid / offer prices. The design of the rules for “Trading in the Opposite Direction” would need to mitigate against this. We note that section 9.7 included further expansion of this option. More consideration needs to be given as to the most appropriate rule set. ESB GWM considers that this is an area that could benefit from additional engagement with industry.</p>

## 1.8 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>ESB GWM agrees with this proposal.</p> <p>ESB GWM seeks clarity on the payment basis for all System Services. The examples included in the Markets consultation show payments for System Services based on the dispatch of the generator. However, the Decision Paper on DS3 System Services Procurement Design and Emerging Thinking (SEM-14-108) says that “the higher of a unit’s market position or physical dispatch will be used to determine the available volume” on which to base payment. Clarity is required on the interaction of the ETA and System Services.</p>
<p>2. Are there any market power issues that need to be specifically addressed in relation to System Services?</p>	<p>ESB GWM is not aware of any market power issues in relation to System Services that need to be addressed within the ETA.</p> <p>Any market power issues should be addressed in the Market Power workstream.</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"> <li>• A system services framework would be used to contract with those generators that need to be scheduled prior to the BM opening.</li> </ul>	<p>ESB GWM prefers Option 2, where bids / offers from previous trading day would be used. Side contracts are sub-optimal in terms of market transparency and also in terms of impact on liquidity. Also system service contracts are likely to be annual and therefore would require fuel price indexation, which would likely increase complexity. Annual contracts may also mean that if the underlying plant condition should change, that generators are locked into a contract which no longer reflects costs incurred.</p> <p>ESB GWM also considers that participants should have the option to submit bids in advance of the trading day or standing bids.</p>



<ul style="list-style-type: none"><li>• The TSOs would use incremental offers and decremental bids from previous trading day to call a plant pre-BM.</li></ul>	
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## 1.9 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>The cause based “Tagging and Flagging” approach is ESB GWM’s preferred option for establishing Imbalance Prices. This methodology is well established in BETTA and will not require the development of complex algorithms or processes. Clear principles around TSO system operation will limit any perceived complexity in the flagging and tagging of actions, and allow for timely publication of Imbalance Prices. ESB GWM considers that since the Imbalance Price is based on the actual actions taken by the TSO it gives a truer and fairer value representation of the cost of balancing on the system. A fall back procedure may be required if it transpires that no energy actions were taken by the TSO. However this does not necessarily mean a complex solution need be developed. For example the Imbalance Price fall back could be a blend of DA, ID and/or previous Imbalance Prices.</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>ESB GWM is not in favour of this option. Since it is fully unconstrained, and takes no account of plant dynamics or which plants were actually running, the Imbalance Price is likely to be dampened and consequently will not incentivise balance responsibility. This may ultimately undermine the efficient operation of the ex-ante markets.</p> <p>This option may also lead to a large discrepancy between the monies in and monies out of the Balancing Mechanism.</p> <p>In relation to the NIV, ESB GWM considers that it should be calculated using total ex-ante trades rather than total FPNs.</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>	<p>ESB GWM is not in favour of this option. It seems highly complex with the requirement for the development of a bespoke complex algorithm. Considerable on-going processes would be required in order to feed all the various inputs into the algorithm. Transparency around the algorithm may also be an issue. The setting of the optimisation time horizon will be difficult and ultimately arbitrary. This option also has the potential of diverting liquidity away from the ex-ante markets, to what essential becomes a nett pool arrangement.</p>

<ul style="list-style-type: none"> <li>• Plant Dynamics</li> <li>• An optimisation time horizon</li> </ul>	<p>Any perceived advantage in no way compensates for the complexity associated with this option. For complexity reasons alone this option should be ruled out.</p>
<p>4. What are your views on the price based method – unconstrained unit from actual dispatch?</p>	<p>This option has a number of advantages over the other price based methods proposed, in that it is based on actual dispatch, does not require an optimisation time horizon to be set and importantly is already in operation in other markets.</p> <p>Of the price based methods this is ESB GWM’s preferred option.</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 order to incentivise balance responsibility, the Imbalance Price needs to be reflective of the actual costs of balancing the system. Any dampening of this price will mean true value of flexibility is not exposed and flexible generators are not properly incentivised.</p> <p>However ESB GWM accepts that a learning period may be required to achieve an Imbalance Price that is appropriately sharp. In the initial stage of I-SEM it may therefore be appropriate to determine the Imbalance Price on an average basis rather than on the last 1MW.</p>

1.10 IMBALANCE SETTLEMENT (SECTION 9)

Question	Answer
<p>1. What are your views on the issues set out in the imbalance settlement section?</p>	<p><u>Algebra</u>            The algebra proposed for imbalance settlement appears to have inbuilt local market power mitigation measures included within it. The rules are intended to ensure that participants can't increase the quantity on which they earn a premium by biasing their PN to below their ex-ante volume, in situations where the TSO has no other option but to dispatch them. ESB GWM agrees that the rules as proposed will mitigate against this. However we are concerned that other alternatives have not been put forward and discussed, such as the imbalance settlement calculations for BETTA. Or that any other consequences of the proposed rules have not been presented.            The figures and prices included in the examples given in the Appendix are such that a participant will always gain if they "bias their PN". However, the Imbalance Price will not be known at the time at which a participant makes this decision. Essentially a generator would be taking a commercial decision to go short or long in the market and by doing so offering higher levels of liquidity into the BM. The TSO may have other options and will not necessarily call a particular unit.            ESB GWM considers that this is an area that could benefit from additional engagement with industry.</p> <p><u>Uninstructed Imbalances</u>            Commercial incentives will already exist in the I-SEM for generators to be in balance. Such incentives do not exist in SEM. Therefore an Uninstructed Imbalance framework that is appropriate in SEM is clearly not appropriate for I-SEM. It would seem wholly unfair to impose another penalty regime on generators with punitive (and arbitrary) price levels. The additional costs that the TSO are likely to incur as a result of participants not following instructions, needs to be quantified for the I-SEM, where other incentives exist. Any Uninstructed Imbalance framework and penalties needs to be proportionate to the actual costs incurred. ESB GWM strongly opposes the continuation of the current Uninstructed Imbalance framework into I-SEM.</p> <p><u>Priority Dispatch</u>            It seems from the consultation that the option for Price</p>

	<p>Making wind generation has been discounted as an option in I-SEM as a result of the limitations of the current NCC wind dispatch tool. ESB GWM seeks clarity on this. ESB GWM considers that an option should be included in the design to allow for wind generation to participate like any other generator in the market.</p> <p>The consultation also suggests that wind generation will be unable to submit negative decremental bids. ESB GWM seeks clarity on this also. Will negative decremental bids be allowed for other generation types?</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><u>Multiple Acceptances</u></p> <p>Similar to comments above this proposed rule appears to be a market power mitigation measure. It is not fully clear what all the implications of such a rule on a participants commercial freedom are, or what other options exist.</p> <p>It is important also that any costs incurred by a generator as a result of a cancelled or partially cancelled TSO action are fully recoverable.</p> <p>ESB GWM considers that this is an area that would benefit from additional engagement with industry.</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>In principle ESB GWM considers that if ex-ante traded volumes in the ex-ante trading period for a participant match the sum of the delivered energy over the same period (albeit that this period is made up of multiple ISPs), then the participant should not face any imbalance costs.</p> <p>As such, ESB GWM does not support Option 1. Option 2 seems reasonable, however it may be process intensive for participants. Some automatic method (a variant of Option 3) may be possible to fit with the principle outlined in previous paragraph.</p>

## 1.11 OTHER ISSUES (SECTION 10)

Question	Answer
<p>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</p>	<p>No comment</p>
<p>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.</p>	<p>ESB GWM agrees that it may be prudent to incorporate the capability for bid changes within the market systems in order to avoid large change request costs at a later date if this type of capability is deemed to be required. However, we are unsure of the practicalities of the implementation of such rules. For example, how a regulated cost curve is determined, when revenues are now dependent on other dynamic streams such as the DS3 System Services and the CRM Reliability Option. These issues should be dealt with in the Market Power workstream if required.</p>
<p>3. Metering – What are your views on the proposal for metering put forward in the Consultation Paper.</p>	<p>ESB GWM supports the establishment of a metering project to investigate this issue. Consultation with industry participants should be included where appropriate within this project. Participants will need to know imbalance positions promptly in order to inform their optimisation and trading strategies. Any decisions in relation to provision of metering data should be cognisant of participant needs.</p>
<p>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</p>	<p>ESB GWM is satisfied that the current TOD characteristics and instruction profiling methodologies accurately reflect plant capability.</p>

<p>and whether more technical characteristics need to be accommodated in the technical offer data.</p>	
<p>5. Units Under Test – What are your views on the two options put forward for units under test in I-SEM.</p>	<p>Currently in the SEM there are a lot of inflexibilities associated with the testing processes. For example the notice time required for testing, the requirement to be in test mode for a full day, the limitations of the size of within day testing etc. It is not clear how these issues have been addressed for I-SEM.</p> <p>In terms of the options put forward in the consultation, it is not clear if they are different only in the imbalance cash out arrangements, or whether TSO will dispatch different depending on the option chosen. Clarity is required on this.</p> <p>Currently there are no rules in relation to the interaction of Ancillary Service payments with Units Under Test processes. This should be consulted on. ESB GWM does not think it is appropriate that a generator is penalised in terms of non performance of System Services when the generator is in test mode.</p>