



Integrated Single Electricity Market (I-SEM)

Energy Trading Arrangements (ETA) Markets Consultation Paper

Consultation Response Template

SEM-15-038

22 May 2015

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PURPOSE OF THIS DOCUMENT

1.1 PURPOSE AND STRUCTURE OF THIS DOCUMENT

- 1.1.1 This supplementary document provides a template for responses to the [ETA Markets Consultation Paper \(SEM-15-026\)](#). We request all responses to the consultation are submitted in this template, and in **Microsoft Word** format.
- 1.1.2 This template contains the questions presented in the consultation document.
- 1.1.3 Responses to the Consultation Paper are requested by 17:00 on 5 June 2015. Following a review of the responses to this paper the SEM Committee will publish its decision on the proposals set out in this paper in September 2015.
- 1.1.4 Responses should be sent to Kenny Dane (kenny.dane@uregni.gov.uk) and Kevin Hagan (khagan@cer.ie). Please note that the SEM Committee intends to publish all responses unless marked confidential¹.

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¹ While the SEM Committee does not intend to publish responses marked confidential please note that both Regulatory Authorities are subject to Freedom of Information legislation.

2 CONSULTATION QUESTIONS

2.1 RESPONDENT DETAILS

COMPANY	Indaver Ireland Ltd
CONTACT DETAILS	Claire Downey – Claire.downey@indaver.ie ph: 01 6972845
MAIN INTEREST IN CONSULTATION	Owner & operator of hybrid generators (<50MW) operating in SEM

2.2 GENERAL COMMENTS

Indaver Ireland Ltd currently owns and operates a small, centrally dispatched hybrid renewable generator (17MW registered capacity). Within the next 5 to 10 years we plan to develop two similar generators. This hybrid capacity is controllable and predictable, though the operation is driven primarily by waste treatment rather than energy production. The facility operates as a priority dispatch plant and receives REFIT support on the renewable fraction of output. Due to the priority dispatch merit order, from our experience hybrid plant tends to be curtailed during high wind / high interconnector import events.

For these reasons, areas of key importance to Indaver are:

- Supporting the priority dispatch of renewable plant,
- Ensuring efficient interconnector trading (i.e. facilitate export of renewables when there is excess capacity rather than curtailment of renewables)
- Ensure efficient and transparent pricing across the spot and balancing markets,
- Providing clear market revenues for the operation of REFIT,
- Providing sufficient certainty and clarity regarding non energy balancing.

Our comments as set out below focus on these areas.

2.3 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?	
2. What measures can be taken to minimise early actions by the TSOs?	

2.4 EX-ANTE MARKETS (SECTION 3)

Question	Answer
1. Which of the three options put forward for interim IDM arrangements is most appropriate?	<p>As our preference is that the interconnector is included in any interim IDM arrangement, we do not agree with option 1. We also submit that trading in any interim arrangement should be exclusive.</p> <p>Overall, our preference would be for continuous trading (e.g. Option 2). However, we are cognisant that this option may be too cumbersome to implement during a transition period.</p>
2. Should intraday auctions be implemented in I-SEM? Are there any advantages to those auctions not described in this paper?	<p>Our long term preference is for continuous trading where possible to facilitate greater flexibility in managing generator positions.</p>

2.5 PHYSICAL NOTIFICATIONS (SECTION 4)

Question	Answer
1. What are your views on the timing of PN submissions to the TSO	
2. What are your views on the removal of the requirement on wind generation and non-dispatchable demand to submit PNs	
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.	Our preference is for ex ante trades to default to the PN if they are not updated. This could help to minimise the administrative burden of the new market arrangements for small generators. Furthermore, constraints should be treated for predictable price takers in the same manner as for variable price takers e.g. on ex post SCADA data.
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.	The benefit of an information imbalance charge in addition to uninstructed imbalances is not clear e.g. uninstructed imbalances already penalise generators for failure to meet / exceedance of declared availability

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>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>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 accepted bids and offers • Undo prices • Freezing all prices 	
<p>4. Should open or closed instructions be used to move participants away from their PN?</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>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 below the imbalance price through the bid-offer acceptance 	
<p>3. Which of the three options put forward for dealing</p>	

<p>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	
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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>2. Are there any market power issues that need to be specifically addressed in relation to System Services?</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. 	

2.9 IMBALANCE PRICING (SECTION 8)

Question	Answer
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.	Flagging and tagging appears to be a highly complex solution to imbalance pricing and for reasons outlined in the consultation paper, could be very difficult to apply to the Irish market given the extent of constraints already seen for non energy reasons.
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>Our preference is for imbalance pricing to reflect actual dispatch to ensure the imbalance market is cost reflective.</p> <p>Basing the imbalance price on an unconstrained stack could lead to an artificially low imbalance price, which would reduce liquidity in other spot markets. At the same time, the much higher constraints costs would have to be socialised across all participants.</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: <ul style="list-style-type: none"> • Plant Dynamics • An optimisation time horizon 	<p>As noted above, our preference is for imbalance pricing to reflect actual dispatch to ensure the imbalance market is cost reflective. This option is more robust than option 2, but there would still be some level of socialisation of system constraints costs required.</p> <p>One potential challenge in applying the optimisation time zone could be publishing imbalance pricing within a reasonable time following the trading period.</p>
4. What are your views on the price based method – unconstrained unit from actual dispatch?	Our preference is for imbalance pricing to reflect actual dispatch to ensure the imbalance market is cost reflective. Pricing based on unconstrained unit from actual dispatch more closely aligns with this preference.
5. What are your views on the sharpness of the marginal imbalance price? Do any concerns relate to the transition	We would favour Price Average Referencing (PAR) especially in the early implementation stages of the BM as it would help to dampen any potential sharpness in pricing should this arise. This would in turn provide greater certainty to market participants and investors. If the decision is taken not to implement an IDM in the transition period, PAR would be especially important since the imbalance price is likely

<p>between SEM and I-SEM or are there other broader concerns?</p>	<p>to become more volatile in this scenario.</p>
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2.10 IMBALANCE SETTLEMENT (SECTION 9)

Question	Answer
<p>1. What are your views on the issues set out in the imbalance settlement section?</p>	<p>We would support the protections afforded to RES plant in relation to constraints, where a price taker that is constrained down and that has not done an ex ante trade should receive the imbalance price. We note that this should apply to all price taking plant including hybrid.</p> <p>It is noted that RES with non zero costs is not addressed in this section. For such plant it is important that some level of commercial control is allowed for. We would therefore propose, in line with the current market arrangements, that such plant (e.g. hybrid) should be able to submit DEC pricing (e.g. opportunity cost for being turned down). We would be grateful for the opportunity to discuss this matter further in bilateral meetings.</p> <p>Finally, we would flag the importance of the interaction with REFIT. We would support green revenue being simply pro-rata from overall trades.</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>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</p>	

your views on the options put forward in the paper.	
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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	
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.	
3. Metering – What are your views on the proposal for metering put forward in the Consultation Paper.	
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.	
5. Units Under Test –	

<p>What are your views on the two options put forward for units under test in I-SEM.</p>	
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