



**Balancing Market Principles Statement
Terms of Reference**

I-SEM Energy Trading Arrangements

**Balancing Market Principles Statement
Terms of Reference**

Decision

SEM-16-058

7th October 2016

INTRODUCTION

This document sets out the Regulatory Authorities' (RAs) decision on the 'Terms of Reference' for the Balancing Market Principles Statement (the BMPS).

Before describing the decision, the paper sets out the background to the BMPS, as outlined in SEM-15-065, that the TSOs shall prepare a BMPS as part of the development of the I-SEM. It also summarises the feedback received to the consultation on the Terms of Reference, sets out the SEM Committee's response to the comments received, and the steps for the development and approval of the first BMPS.

The decision provides the TSOs with a structure in which to develop the BMPS in order to provide clarity to all parties, and to make the scheduling and dispatch of the system transparent and comprehensible.

BACKGROUND

During the process leading up to the Energy Trading Arrangements (ETA) Markets Detailed Design Consultation, concerns from market participants related to ensuring the comprehensibility, consistency and transparency of TSO decision-making in I-SEM. To address these concerns, the SEM Committee proposed that the TSOs would, as part of the development of I-SEM, draft a balancing principles statement similar to the National Grid document¹.

In response to the Detailed Design Consultation, the majority of respondents noted the importance of transparency of TSO actions and supported the concept of a document outlining the principles by which the TSOs would operate the system, and how these principles are put into practice. Participants also suggested that full disclosure of early actions taken by the TSOs on a regular basis should be facilitated through publicly available reports.

In its Markets Detailed Design Decision (SEM-15-065), the SEM Committee agreed that the framework surrounding TSO actions should be addressed via a document referred to as the Balancing Market Principles Statement.

¹ The National Grid Balancing Statement came into operation in 2002. The latest draft (updated November 2015) is available at <http://www2.nationalgrid.com/WorkArea/DownloadAsset.aspx?id=24522>

The purpose of the BMPS would be to provide clarity and transparency to all players in the market on how the TSOs operate the system. The decision stated that the BMPS shall be prepared by the TSOs and shall be based on a Terms of Reference established via an industry working group. The decision further stated that the Terms of Reference will take the form of a detailed scoping of the document, including the structure and contents of the paper, and that the BMPS will be approved by the SEM Committee after consultation with market participants.

The TSOs currently publish considerable volumes of data on dispatch and system operation via their websites, and operate the system in accordance with the objectives set out in the TSO licences, and the requirements set out in the Grid Code and Trading and Settlement Code (TSC). However, the disparate nature of the information published and the complex set of rules under which the system is operated, does not necessarily provide a clear picture of the operation of the system for market participants. The BMPS will bring this information together in one place and in comprehensible terms to facilitate market confidence. The BMPS will be a restatement of obligations which will stem from the TSOs' Licence obligations.

The BMPS will set out the hierarchy of obligations and will explain how these obligations are met.

PROCESS

For the first version of the BMPS prepared by the TSOs, the SEM Committee decision envisaged the creation of a dedicated industry group to develop the Terms of Reference (ToR). However, concerns from industry over the significant number of ongoing commitments to attend various industry groups necessitated a different process whereby the ToR would instead be developed via a consultation process. This process would involve an initial scoping exercise with members of the ETA Rules Working Group, followed by a public consultation, including an industry workshop.

The full process for the development of the BMPS Terms of Reference prior to this decision was:

- The RAs ran a high-level scoping exercise with the members of the Market Rules Working Group;
- Based on feedback from the scoping exercise, the RAs issued an updated proposal for public consultation; and
- During the consultation, the RAs held a dedicated workshop on the BMPS consultation document.

The scoping exercise was carried out through the Rules Working Group. Feedback was broadly supportive of the RAs' proposed structure, with a number of recurring themes:

- the need to ensure that the TSOs operate the system as close as possible to the physical notifications submitted by participants with minimum intervention;
- the need for a wider range of information to be published on system operation than is currently published – preferably in a user-friendly and accessible format;
- the need to put in place clear reporting rules for instances when the TSOs deviate from the standard processes and procedures (referred to as exceptions); and,
- the need to clarify how the TSO implements its statutory duties in the dispatch process.

A consultation was published on 27 May 2016. Eleven responses were received to this consultation. These responses are summarised below. This decision paper finalises the last step in the Terms of Reference process.

RESPONSES TO CONSULTATION

Eleven responses were received to the consultation:

AES	Gaelectric
Aughinish Alumina	Irish Wind Energy Association (IWEA)
Bord Gáis Eireann	Mutual Energy
EirGrid & SONI	SSE
Energia	Tynagh Energy Limited (TEL)
ESB Generation and Wholesale Markets	

Within the consultation, the RAs proposed a six-part structure to the BMPS:

1. Statement of the objective of the BMPS;
2. Statement of TSO statutory duties and how these are implemented;
3. Description of the data processes in the dispatch process;
4. Step-by-step description of the scheduling and dispatch process;

5. Exceptions; and
6. Publication of Information.

Respondents made general comments on the BMPS itself, the process of developing it, and the governance of the BMPS, although most comments were focused on these six areas of the proposed BMPS structure.

General Comments

Both **the TSOs** and **SSE** commented on the relative timing of systems specification and development. **EirGrid & SONI** commented that it is important that the SEM Committee decision is cognisant of the fact that market rules and delivery systems, including reporting systems, will have passed major milestones by the time of the decision.

SSE was concerned that the TSO is effectively in a position to determine what information they would like to publish to the market through the central IT project, because the T&SC obligations will be following the technical specifications, rather than the other way around.

Respondents also commented on the process for the development of the first BMPS. **Energia** considered that the BMPS should be drafted in collaboration with industry while **ESB GWM** suggested that the TSOs run an industry workshop as part of the development process.

EirGrid & SONI considered that the title “Balancing Market Principles Statement” did not reflect the nature of the document, which would be more accurately titled a “Description of the Scheduling and Dispatch Process”.

Some comments reflected participant-specific concerns. Such comments included:

- comment on the objectives of the flagging and tagging rules in ensuring that cheaper actions which could have been used for energy are included in price formation (**IWEA**).
- the need for the BM to become a market for only actions taken in the last hour (**Gaelectric**).

- comment on curtailment (**IWEA**) and the treatment of CHP and priority dispatch plant (**Aughinish**).

Governance

There was a general consensus that the BMPS be a requirement of TSOs' licences.

EirGrid & SONI commented that the SEM Committee decision on the BMPS ToR should clarify the criteria for SEM Committee approval of the BMPS itself, as well as subsequent review, amendment and approval of the BMPS.

ESB GWM commented that there should be a Licence Condition requiring the TSOs to involve industry in an annual review of the BMPS. Additionally, it suggested that the TSOs should meet with interested parties on a quarterly basis, citing that in Great Britain, National Grid host a regular Operational Forum. ESB also questioned how compliance would be audited.

Aughinish considered that clarity was required on how change control of the document would operate. **IWEA** noted that governance arrangements must be in place to ensure that changes to the original documents referred to in the BMPS are reflected in the BMPS. **AES** noted that the BMPS would be a "live document".

Statement of the Objective of the BMPS

A number of participants (**Mutual, AES**) commented on the importance of the BMPS providing an understandable, standalone guide to how the TSO balances the system.

EirGrid & SONI commented that the consultation paper focused on the objectives of the scheduling and dispatch process, rather than the objectives of the BMPS itself. They considered that objectives of the BMPS should be:

- A description of the TSOs' scheduling and dispatch processes
- A means by which the TSOs will provide appropriate transparency of their processes

- The BMPS does not take precedence over any existing legislation or contain any new obligations, but is a description of the way in which these obligations are met.

Aughinish considered that the statement of objectives section should set out further information, covering descriptions on Security of Supply, Competition and Sustainability. **SSE** considered this should be a straightforward section, with no conflicting objectives or principles, reflecting existing TSOs' obligations.

Statement of TSO Statutory Duties and how these are implemented

Respondents generally commented that the BMPS should not, of itself, give rise to new obligations nor replace existing obligations. **BGE** however highlighted that even if new obligations were not explicitly created through the BMPS, new obligations would be placed on the TSOs via licences as a consequence of the BMPS.

EirGrid & SONI commented that there are a number of rules and obligations that determine the scheduling and dispatch process. Documenting all these requirements and explaining their practical implications for the scheduling and dispatch processes will assist in providing market participants with clarity on the framework within which the TSOs operate.

Other comments included:

- a hierarchy of objectives should be included (**EirGrid & SONI, Gaelectric**);
- the BMPS should be a clear, transparent summary of the combined obligations (**Mutual**);
- there is a need to ensure there are no conflicting objectives in relation to system management (**Energia, Gaelectric**).

Description of the Data Processes in the Dispatch Process

Gaelectric and **SSE** suggested that what is contained in each data set, how it is calculated, and where participants can access the data used should be included. **EirGrid** commented that the application of the Long Notice Adjustment Factor (“LNAF”) and the System Imbalance Flattening Factor (“SIFF”) in the scheduling process should be included in this section.

BGE stated that, in order that the scheduling and dispatch process can be fully understood by participants, full definitions of each input and methodology used by the TSOs should be set out. It noted that the consultation is limited in this regard, referencing only LNAF and SIFF, and that the consultation refers to a step-by-step guide to the dispatch process, rather than scheduling and dispatch.

Step-by-Step Description of the Scheduling and Dispatch Process

Participants emphasised the importance of this section and suggested specific aspects of the scheduling and dispatch process that need to be set out in it.

The **BGE** response reflected a strong desire for completeness and detail to be provided in the BMPS. **Energia** commented on the information that it believed that the BMPS should set out the principles, processes and methodologies used by the TSOs, including with respect to outages and constraints. **SSE** considered this to be the most important section of the BMPS; it should set out all standard processes, not simply for resolving an energy imbalance under different circumstances, but also how individual security constraints are resolved by the TSOs.

EirGrid & SONI suggested that the Market Rules Working Group document ‘Scheduling and Dispatch Process in I-SEM’ could form the basis of this section. **Eirgrid & SONI** suggested that the BMPS contain a plain-English description targeted at market participants. More detailed descriptions of processes contained in the TSOs’ own operational processes and referenced in the BMPS, should be published “where appropriate”. Further, they suggested that this section should focus on the scheduling and dispatch process – and should not cover imbalance pricing principles

(such as the flagging of dispatch instructions), which they stated would be set out in the TSC.

Suggestions for the inclusion of other specific information included:

- scheduling of interconnectors (**Mutual**);
- explaining how energy/non-energy actions are determined from SCUC and SCED (**Gaelectric**); and
- The prioritisation of DS3 auction winners in the provision of Ancillary Services DS3 contracted units with AS contracts (**Gaelectric**).

Exceptions

Comments on this section related primarily to the timing of exception reporting. Participants suggested various regular (daily/weekly/monthly) timescales for the reporting of exceptions. There was a general view that the prompt reporting of “exceptions”, should be supplemented by, more detailed, regular reporting on any such events. **EirGrid & SONI** commented that the exceptions section appears to be introducing, or inviting industry views on new obligations on the TSOs to report on defined events.

Regarding the definition of an exception, **EirGrid & SONI** commented that variance from one schedule to another and the deviation of dispatch from the last schedule are normal and regular characteristics of the scheduling and dispatch process rather than an exception. They considered that the magnitude and frequency of such deviations may evolve in the I-SEM and that what is considered “exceptional” may also change over time. **EirGrid & SONI** commented on the real time operation of the system and how deviations from the scheduling and dispatch tools runs arise. They cited, by way of example, that if wind output is lower than forecast (as assumed by the scheduling tool) and system frequency is below target then the TSOs will not reduce the output of other generators, even if this is what is indicated by the scheduling tool. This point was also recognised by **AES** in its response.

SSE considered that by capturing the processes and procedures for dispatch, commitment and scheduling in sufficient detail, the non-standard outcomes should be clear. It stated that as exceptions are resolved through BM actions then it is important that the BMPS captures how, through non-standard measures, the TSOs resolve conflicts between its BM objective function and other functions. **BGE** also commented on the need to report on deviations from SCUD/SCED instructions.

EirGrid & SONI commented that they have carried out analysis of the National Grid exceptions; there are already rules and reporting arrangements in place/planned in SEM/I-SEM for many of these events. It stated that there is little benefit in establishing regular reporting arrangements for extremely rare events.

Publication of Information

ESB GWM considered that the requirements for the publication of data are best placed in the Grid Code, TSC, and NEMO rules etc. and that the BMPS of itself isn't an appropriate document to mandate information publication.

EirGrid & SONI commented that the BMPS would be a reference point for other information such as Dynamic Publications, Reports, Operational Processes and Operational Forums. Other respondents commented that information should be made available in a suitable format on a dedicated area of the TSOs' websites (**AES, BGE**).

Other comments covered the relevance and timing of published data. **BGE** commented on the importance of the publication of specific information necessary to understand the operation of the balancing market including outage, constraint and operating reserve information. It also set out the need for reporting of wind and solar forecasts, and interconnector activity (on a within day, hourly basis).

SSE stated that it is not enough to simply publish substantive quantities of data, if that data does not actually allow market participants or the Market Monitor to identify critical issues, and thus that published data needs to be of sufficient granularity. A number of other participants also commented specifically on the timing of data publication and the need for real time/event driven reporting

solutions under I-SEM that provides participants an opportunity to react in a timely manner to events, e.g. through ex-ante trading.

SEM COMMITTEE RESPONSE TO COMMENTS RECEIVED

The SEM Committee thanks those who provided comments on the BMPS Terms of Reference Consultation. This section sets out the SEM Committee's response to the comments received.

General Comments

The SEM Committee notes the comments made by both EirGrid & SONI and SSE regarding the implications of the timing of decisions on the data that would be published under the BMPS. At the time of the publication of this Decision, the TSC has been through a number of stages of development through the Market Rules Working Group process and a consolidated draft TSC has been presented to market participants at WG10 (held on 1 September). Market systems to deliver the I-SEM at the end of 2017 are significantly advanced. The BMPS will describe the data, systems and processes used by the TSOs and, as such, the SEM Committee expects that these will be provided for through existing sources of information, and sources that are developed as part of I-SEM.

SSE raised the point that this systems development would potentially drive TSC obligations, rather than the other way round. In reaching a decision on the BMPS ToR, the SEMC notes that it is not its role to specify specific data items that must be included in the BMPS. This said, the SEM Committee would expect that in developing the BMPS, the TSOs actively seek to meet participant requirements.

The SEM Committee are of the view that the TSOs' suggestion, made at the stakeholder forum held in July, that there would be some form of industry workshop during the drafting of the BMPS is valuable in this regard, and should be adopted. This will allow the TSOs to better understand and reflect participants' requirements. In this context, the SEM Committee stresses that while the BMPS may set out some new information that will be made available as part of the I-SEM implementation

project, it is primarily concerned with describing data inputs, processes and methodologies. The publication of market information will be captured elsewhere, for example in Appendix E of the TSC, which industry have had the ability to comment as part of the Working Group process.

Regarding the title of the BMPS, the SEM Committee considers that the suggestion by EirGrid and SONI to re-name the document is not required. While the scope of the BMPS does, as Eirgrid and SONI observe, cover the entire scheduling and dispatch process, the SEM Committee considers that a clear statement of the objectives of the BMPS, set out within the document, will provide sufficient clarity on its scope and purpose.

The SEM Committee notes the participant-specific comments made in response to the ToR consultation but considers that these concerned specific aspects of the market design rather than material for inclusion in the BMPS. The SEM Committee considers that these points form part of the development of the TSC, rather than relating to the content of the BMPS, which is intended to set out the principles and practices determined in other documents (such as the TSC and Grid Code).

Governance

Participants commented on the need for the BMPS to be a “live” document, and questioned how change control would operate. The SEM Committee recognise that as changes are made to the Grid Code, TSC or operating procedures by the TSOs, this will give rise to the need to change the BMPS to reflect actual practice.

The SEM Committee has previously stated that the TSOs will prepare the BMPS, and that it will be approved by the RAs. The RAs will be issuing a consultation paper on the TSOs’ Licence Obligations, which will include their obligations with regard to the BMPS. As this licence consultation will be subject to separate consultation the SEM Committee does not intend to pre-empt that process in this decision document. This said, the emerging thinking in respect of the licence condition is that the TSOs should comply with an obligation that the BMPS is as accurate and up-to-date a description of the scheduling and dispatch process as is practical, given that updates to it will

follow after the modification process for the mandatory obligations, updates to operational processes and updates to operational parameters. In addition, it is likely that the licence condition will require the BMPS to conform to the ToR decided upon in this document, or any subsequent updates to the ToR following an equivalent consultation process. While no firm decision has been made, it is likely that, in addition to an obligation on the TSOs to review the BMPS at least annually and update it if necessary following industry consultation, the RAs will also have the ability to request review of the BMPS from time to time and that subsequent versions will require SEM Committee approval.

The SEM Committee notes the request for periodic operational forums as part of the TSOs' reporting process, and considers that there is merit in BMPS reporting forming part of the industry information events already held by the TSOs.

Statement of the objective of the BMPS

The SEM Committee agrees with the comment that this should be a straightforward section, given that the document does not confer new objectives or give rise to new principles. The SEMC considers that the purpose of the BMPS is to set out in a clear, comprehensible and comprehensive manner the data inputs into scheduling and dispatch, and the principles and methodologies used by the TSOs. This includes providing information on the sources of the data used. Consequently, the BMPS is capturing how existing obligations on the TSOs are met, not imposing new obligations, either to manage balancing processes in a particular way or to report certain information. However, the BMPS may provide new information to participants and other interested parties in explaining how the TSOs fulfil existing obligations. Moreover, in the process of preparing the BMPS, it may perhaps be identified that existing reporting obligations should be amended to further enhance this process. The SEM Committee thus concurs with the view that the objective of the BMPS should not be confused with the objectives of the Scheduling and Dispatch process, which are captured in the TSOs' Licence obligations.

Statement of the TSOs' statutory duties and how these are implemented

The SEM Committee concurs with comments that the BMPS should not create new obligations on the TSOs in relation to the scheduling and dispatch process, but rather should describe how existing obligations are met. There is a hierarchy of existing obligations under which the TSOs schedule and dispatch the system. The SEM Committee considers that it would be consistent with the objectives of the BMPS to list the relevant obligations in both jurisdictions and explain how these various obligations interact. This would include the way in which the requirements that arise under these obligations are reflected in the TSOs' scheduling and dispatch processes, including how the TSOs resolve or manage competing objectives.

Description of the data processes in the dispatch process

Comments on this area related to setting out the inputs to the scheduling and dispatch process, and describing the information contained in each data set. EirGrid & SONI commented that while some parameters form an input into scheduling and dispatch, this section should be specifically concerned with the nature of such data, not how it is used in the scheduling and dispatch process. The SEM Committee concurs with this view, thus, for example, this section would set out the LNAF/SIFF parameters. How these affect scheduling and dispatch decisions would be set out in the "step-by-step" section.

Step-by-step description of the scheduling and dispatch process

The SEM Committee agrees with participants who stressed the importance of this section in particular in delivering the objectives of the BMPS. The SEM Committee agrees with the need for the BMPS to describe the processes and methodologies that determine scheduling and dispatch decisions and the balancing actions taken by the TSOs. While the principles will be captured in the explanation of the TSOs' obligations, this section will concentrate on the processes and methodologies used to give effect to those principles. The SEM Committee considers that this should capture both general and specific processes.

Regarding EirGrid and SONI's comment that the BMPS should not set out the imbalance pricing methodology, the SEM Committee considers that this methodology will be adequately defined in the TSC and does not need to be explicitly described in detail in the BMPS. However, the SEM Committee also considers that, in preparing the BMPS, the TSOs should be cognisant of the need to provide transparency around any TSO inputs to the flagging and tagging of balancing actions in the imbalance price calculation algorithm, and of the process itself. In particular, the TSOs should consider what additional information could be provided to further transparency in relation to System Operator Flagging.

The SEM Committee notes that the TSOs provided comment on other documented procedures that it utilises in operating the system. It suggested that one of these information sources "operational processes" could be provided, if appropriate. The SEM Committee considers that any operational procedures that affect scheduling and dispatch decisions will need to be published, and referenced in the BMPS.

Exceptions

The SEM Committee acknowledges that there was considerable comment on exceptions, particularly with regard to their reporting. The SEM Committee notes that a number of participants suggested that procedures and methodologies should be sufficiently clearly described in the BMPS that exceptions should be readily identifiable. The SEM Committee also notes EirGrid & SONI's response explaining circumstances under which difference may arise between the actual real time decisions taken by the TSOs (notably in dispatch) and the actions that would have been taken had the scheduling tool outputs been followed exactly.

The SEM Committee considers that the BMPS should describe all relevant balancing processes and methodologies. This includes not only the software systems but also the business processes and practices that surround software systems and which may result in deviations from the outputs of what are "advisory" tools. Consequently, if the processes and methodologies taken by the TSOs are described in a sufficiently

comprehensive way, then exceptions should be rare and, therefore clearly identifiable. If exceptions were to occur frequently then consideration would need to be given to increasing the scope of the process and methodology descriptions.

The SEM Committee agrees with the TSOs' comment that existing reporting captures many of the events where dispatch deviates from the schedule events. Nevertheless, the SEM Committee considers that these existing reports, enhanced where appropriate, may provide data concerning the information used and the actions taken by the TSOs. The purpose of exception reports is to identify when actions taken are not those that are derived from the available information using the normal processes, as described in the BMPS, and to explain the rationale for these alternative actions.

Notwithstanding that the nature and frequency of such exceptions is unknown at this time, the SEM Committee agrees with the respondents that argued for reporting of exceptions.

Publication of Information

Exception reporting aside, the SEM Committee agrees with the comments that if the BMPS contains no new obligations, then the BMPS will not create obligations for additional reporting in itself. Obligations relating to the publication of data or information will thus be defined in other documents, such as the TSC and the Grid Code.

Some participants commented on the benefits of a dedicated area of the TSOs' websites containing information provided under the BMPS. The SEM Committee understands the attraction of such a suggestion, but it is mindful that there are already a number of routes under which the TSOs already publish information or will do under I-SEM. The SEM Committee considers that the purpose of the BMPS is to describe the relationship between data published through these various mechanisms. It may be that, in the course of preparing the BMPS, additional reporting requirements are identified, and these will then need to be progressed by making amendments to the relevant other documents, using whatever governance

procedures apply to them. The SEM Committee is of the view that providing a point of reference for the relevant data sources is, at this time, appropriate given the scope of the BMPS. Investigation of whether the relevant reporting requirements should be consolidated into a single “BMPS reporting mechanism”, or platform, is a matter that the TSOs can investigate as a “day two” matter after I-SEM go-live.

The SEM Committee notes that TSOs have a number of publication requirements under REMIT legislation (EU No. 1227/2011) under different circumstances. The SEM Committee considers it appropriate that the TSOs should clarify what information is made available to parties in compliance with these REMIT obligations.

Regarding the appropriateness of published data, the SEM Committee concurs with the points made by participants for information to be both timely, and sufficiently detailed. This applies to the reporting of exceptions as well as non-exception data. Regarding the granularity of market data published under Appendix E of the TSC, this falls outside the scope of this decision paper and should be addressed through the ETA Working Group process developing the I-SEM T&SC or the I-SEM Technical Liaison Group as appropriate.

SEMC DECISION

Following the comments received to the Terms of Reference Consultation, the SEM Committee has decided that the structure of the BMPS described in the Consultation is an appropriate basis for the BMPS Terms of Reference. The SEM Committee is of the view that the six areas outlined in the consultation will provide industry with the desired level of transparency into TSO dispatch and scheduling processes. The structure of the BMPS will thus comprise:

1. Statement of the objective of the BMPS;
2. Statement of TSO statutory duties and how these are implemented;
3. Description of the data processes in the dispatch process;
4. Step-by-step description of the scheduling and dispatch process;
5. Exceptions; and

6. Publication of information.

1. Statement of the objective of the BMPS

The SEM Committee has decided that the objective of the BMPS is to set out in a clear and comprehensible manner the data inputs into the scheduling and dispatch process, and the methodologies and processes used by the TSOs. For the avoidance of doubt the TSOs' objectives in dispatching the system are captured under its Licence and other obligations, not by the BMPS.

2. Statement of TSO statutory duties and how these are implemented

The SEM Committee decision is that the BMPS will contain no new obligations in respect of the scheduling and dispatch process. This section of the BMPS will clearly set out the existing TSO obligations in both jurisdictions that arise under legislation, licences, the TSC, the Grid Code, and other documents that are relevant to the scheduling and dispatch of the system. The hierarchy of these obligations will be set out. Further, the BMPS should explain how these obligations interact and are reflected in how the TSOs operate the system to meet these obligations. This section should relate to the documents and obligations post I-SEM go live, i.e. the updated TSC and Grid Codes.

This will provide market participants with clarity on the frameworks within which the TSOs operate.

3. Description of the data processes in the dispatch process

The SEM Committee decision is that this section will describe what is contained in each dataset that is used in scheduling and dispatch and how that dataset is

calculated. This will include information on where available data can be accessed by participants.

The SEM Committee is cognisant that in deciding upon the BMPS Terms of Reference it is not determining the detailed content of the document. The SEM Committee believes that market participants will have an important role to play in formulating the scope of data provided by the BMPS, and the TSOs' liaison with participants in the process of developing the first BMPS will be important in this regard. However, the SEM Committee considers that the type of data included in this section would include, but not be limited to:

- how the transmission constraint groups are derived and the approach to reviewing them;
- the TSOs' approach to identifying and managing constraints on the system needs to be set out;
- a description of the Long-Notice Adjustment Factor (LNAF) and System Imbalance Flattening Factor (SIFF); and,
- methodologies and data used to create wind forecasts.

4. A Step-by-step description of the scheduling and dispatch process

The SEM Committee has decided that this section needs to set out the principles, processes, methodologies and systems used in scheduling and dispatch. This will include describing standard processes and how the TSOs meet individual security constraints. With regard to the imbalance pricing methodology, this will be set out in the T&SC. However, the SEM Committee has decided that the TSOs should further consider what additional information can be provided in the BMPS to provide transparency to the inputs to the flagging and tagging process, and the process itself.

While the detailed content of this section is to be determined by the TSOs, with appropriate industry input, when developing the first BMPS, the SEM Committee

envisages that it would include some of the information identified by participants in their responses, for example:

- How interconnectors are scheduled;
- How energy and non-energy actions are determined from SCUC and SCED²;
- The treatment of DS3 contracted units;
- The application of the LNAF and SIFF.

5. Exceptions

The SEM Committee has decided that a robust reporting mechanism for instances where the TSOs have to act in exception to processes set out in Section 4 of the BMPS should be put in place. If the step-by-step process is comprehensive, exceptions should be limited, and if it is clear, they should be readily identifiable. The SEM Committee recognise the EirGrid & SONI point that it already has a number of routes to report on events that may be counted as exceptions. It is appropriate that continued reporting of such events through existing routes continues.

The SEM Committee have decided that there should be event-driven reporting, subject to a de-minimis materiality threshold, which the TSOs should propose in their first draft of the BMPS which goes for consultation with industry.

The SEM Committee have also decided that the TSOs should be subject to an annual audit of compliance with their statutory and code obligations related to the scheduling and dispatch process. This requirement will be contained in a proposed modification to the TSOs' licences as part of the licence condition relating to the BMPS.

² Security Constrained Unit Commitment and Security Constrained Economic Dispatch

6. Publication of information

In line with the SEM Committee decision that the BMPS does not contain new obligations on the TSOs, the BMPS will also not require any standalone information publication requirements, but will be a reference point for other information publications.

The requirements to publish data and to publish the BMPS itself will be set out elsewhere. For example, the T&SC will set out in Appendix E the information that is to be published, and the timing of such publication. In some cases, statutory requirements, dispatch objectives and regulatory decisions may require additional information publication.

Governance

The BMPS will be a live document and its development will be a requirement of the TSOs' licences. The specific contents of the licence condition will be contained in a future consultation on licence obligations, but are likely to include:

- a requirement on the TSOs to jointly prepare the BMPS in accordance with the published Terms of Reference before I-SEM go-live;
- following approval by the SEM Committee, the TSOs making the BMPS publicly available;
- the TSOs ensuring that the BMPS is kept accurate, up to date and be a complete statement of the scheduling and dispatch process, while recognising that updates to the BMPS will follow after modifications to the Grid Codes, Trading & Settlement Code or changes to operational processes and parameters; and
- the process for reviewing and amending the BMPS, both from time to time and following a request by the RAs.

NEXT STEPS

On the basis of the decision set out in this document, and in line with the ToR set out in Appendix A, the TSOs will commence work on producing the first BMPS. The TSOs will, in consultation with the RAs, set out a timescale for the industry forum on the BMPS content.

The BMPS will be submitted to the RAs in July 2017, for approval by the SEM Committee in August 2017.

APPENDIX A: Terms of Reference

1. Statement of the objective of the BMPS

The objective of the BMPS is to set out in a clear and comprehensible manner the data inputs into the scheduling and dispatch process, and the methodologies and processes used by the TSOs when scheduling and dispatching the system. The TSOs' objectives in dispatching the system are captured in Statute, under their Licences and other obligations, not by the BMPS.

2. Statement of TSO statutory duties and how these are implemented

In this section, the TSOs must describe all of their statutory duties under legislation in both jurisdictions relating to the decisions made in the scheduling and dispatch process in the I-SEM and how these objectives interact. This section should also describe how the requirements that arise under these obligations impact upon the TSOs' scheduling and dispatch processes, and how the TSOs resolve or manage competing objectives.

3. Description of the data processes in the dispatch process

This section will describe what data inputs are used in the scheduling and dispatch process, where the data comes from and how the data is used.

For example, the TSOs will include a description of the implementation of the Long-Notice Adjustment Factor (LNAF) and System Imbalance Flattening Factor (SIFF). The TSOs' approach to identifying and managing constraints should also be described.

The TSOs should also describe other relevant data processes.

4. A Step-by-step description of the scheduling and dispatch process

This section must describe the general and specific processes and methodologies that determine scheduling and dispatch decisions, and the balancing actions taken by the TSOs.

While this section will not need to describe the imbalance pricing methodology and how imbalance prices are derived, the TSOs should provide transparency in relation to the TSO inputs to the algorithm undertaking the flagging and tagging of balancing actions, and of the process itself.

5. Exceptions

This section of the BMPS should describe the reporting regime that will be put in place to report on instances where the TSOs have to act in exception to the processes described in the step-by-step description of the scheduling and dispatch process.

6. Publication of Information

The BMPS should be a reference point for other publications. The BMPS should describe all relevant data publications and where these can be accessed.