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I-SEM Balancing Market Principles Code of Practice Consultation Feedback

Gaelectric Holding plc (“Gaelectric”) would like to thank the regulators for seeking further engagement with industry on the Balancing Market Principles Code of Practice design.

Considering the constrained nature of the Irish grid, there are certain units that, in effect, must run at all times. For this reason we agree that Balancing Market bid/offer submission for non-energy actions must be regulated and monitored by the Market Monitoring Unit. It is also important to point out that energy actions and, in particular, simple PQ pair submission should not be subject to the same levels of scrutiny. In the Day Ahead or Intraday Market’s dispatchable thermal generation may offer below cost to avoid cycling costs and may bid above cost to reflect scarcity on the system (a fundamental feature of efficient marketplaces which is compounded by the presence of administered scarcity pricing). Generator and system conditions coupled with RO and DS3 contracts may inform such trading decisions. Similar trading behavior should be allowed in the I-SEM balancing market. With this in mind we have the following feedback on the proposed document regarding the eligible costs to be included in the complex bid/offer data submissions.

Gaelectric welcome the provisions for both the consideration of system service opportunity cost for the provision of system services. DS3 will be a fixed €(£)/MWh/Mvar/MW/s availability payment which should be readily forecastable to be included in balancing market submissions. We also welcome the provision for energy, emission and time limited generators to include opportunity costs associated with future positions.

Gaelectric believe that there has not been adequate consideration given to the recovery of fixed costs for generators that do not clear the capacity auction. The 3 part complex bid/offers as proposed are based on the structures that were designed in the SEM where explicit capacity payments existed to ensure a BNE peaker recovered their fixed costs.

In I-SEM, not all generators will clear the capacity auction and must therefore have the option of recovering their fixed costs through the energy market. In theory, this should make them less competitive in the energy market, thus compounding their losses. *However, regardless of their levels of success, they must be given the opportunity to recover their fixed costs.*

In short, Gaelectric are in agreement that the market must regulate non-energy BM acceptances. However, to ensure the possibility of fixed cost recovery and appropriate covering of opportunity cost of future exposures, Gaelectric believe that subjecting energy actions to the same levels of regulatory scrutiny would not be appropriate.

If you have any further questions on many of the points raised above, do not hesitate to contact us.