



Gaelectric Holdings Plc.

Response Paper to:

I-SEM Scheduling and Dispatch Parameters Consultation

Gaelectric Holdings Plc. Response

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Public

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Document Details

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1 INTRODUCTION

Gaelectric Trading and Marketing and Services (“GTAMS”) welcome this opportunity to engage with the SEM Committee on I-SEM Scheduling and pricing parameters. These parameter values will have a potentially significant impact on TSO dispatch decisions and subsequent price formation in both the Intraday and Balancing Market. Gaelectric have been consistently of the view that flexibility should be incentivised and rewarded. This has multiple benefits through increasing system flexibility and encouraging greater levels of intraday liquidity. Notwithstanding incentivising system flexibility, GTAMS believe that stable price formation must be a feature of I-SEM and should not subject wind participants to penal imbalance prices without facilitating management of their imbalance exposure through liquid intraday markets. In this context, we have provided the feedback below regarding the specific parameter values consulted on.

De-Minimis Acceptance Threshold (DMAT)

GTAMS are comfortable with a DMAT acceptance threshold of .4MWh for the purposes of inclusion in the imbalance price calculation methodology. Considering the constrained nature of the Irish grid and the potential for a significant portion of imbalance volumes to be flagged out of the imbalance pricing stack. We believe that setting a DMAT threshold too high would further contribute to what may be a shortage of price making acceptances.

Price Average Reference (PAR)

GTAMS believe that SEMO should adopt a phased approach progressing towards a PAR value of 1MWh. Despite the analysis presented in the document; as part of the implementation of P315, Elexon decided on a phased approach with a 24 months’ period of PAR 50MWh with subsequent progression to a PAR 1MWh. While there may be merit in a PAR 1 MWh providing a clearer signal to market, not all participants can respond to this signal, particularly windfarms. This problem is particularly acute considering the uncertainty around Intraday Market liquidity. GTAMS therefore believe that a more prudent and less penal approach should be with a larger PAR value being introduced for I-SEM go-live subject to subsequent review.

Long Notice Adjustment Factor (LNAF)

GTAMS have consistently advocated for appropriate incentives to increase flexibility on the system. While we agree that, given the risks outlined in the document, the prudent approach will be to set the LNAF to zero in year one, we believe that this should be revised no longer than a year after I-SEM go live. Such a revision should be informed by detailed empirical analysis to establish the practical implications of a non-zero LNAF. Plant flexibility will be fundamental to managing the increasing penetration of wind energy on the island and promoting intraday market liquidity. Therefore, appropriate incentives should be in place to reward power stations capable of fast response and reduce TSO tendencies for pre-gate closure dispatch instructions.

System Imbalance Flattening Factor (SIFF)

GTAMS support the recommendations contained within the paper and the setting of a binary SIFF of 1 or 0. Establishing a continuous function dependant on system conditions introduces significant complexity and difficulty in forecasting the impact of a non-zero LNAF.

System Shortfall Imbalance Index (SSII)

GTAMS support the formulation and publication of a dataset indicative of system margin. In GB, Elexon release the system De-Rated Margin which is an extremely useful indicator of system tightness. This data set is released at midday with rolling forecasts every 8, 4, 2 and 1 hour before delivery¹. These updated values increase market transparency through reflecting updated forecasts and PN submissions. GTAMS believe that the SSII should be recalculated in advance of each scheduling run. For each scheduling run that takes place before gate closure, the updated SSII should be published and included in the new scheduling run. This would increase transparency and participants would reward flexible generators that can respond within the necessary timeframes.

¹ <https://www.bmreports.com/bmrs/?q=transmission/lossloadProbDerateMargin>

2 CONCLUSION

GTAMS would like to thank the SEM Committee for consulting on these parameter values. They will play an important party in the effective functioning of the market a striking the appropriate balance between incentivising and awarding flexibility vs avoiding inappropriately penal and volatile imbalance prices on those participants in conditions where sufficient intraday liquidity may not exist to manage these risks.