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9th July 2021

**RE: SEM Committee Consultation on Dispatch, Redispatch and Compensation Pursuant to Regulation (EU) 2019/943 – SEM-21-026 ('paper')**

Dear Gina and Gary,

Bord Gáis Energy (**BGE**) welcomes the opportunity to respond to the above noted paper regarding the definition of dispatch, redispatch and non-market based redispatch in the SEM and the arrangements for compensation, all pursuant to the EU Electricity Regulation 2019/943.

BGE supports the minded to position of the Regulatory Authorities (**RAs**) that in the SEM:

- Dispatch is the scheduling and dispatch of units to meet the energy requirements of the market, inclusive of priority dispatch units, and
- Redispatch relates to deviations from the market schedule for generation for both local network issues (constraints) and broader system issues such as System non-Synchronous Penetration levels (curtailment) instructed by the TSO as currently exist in SEM.

BGE is not aligned with the RAs' view on what is market-based and non-market-based redispatch. BGE does not support the application of curtailment to non-priority dispatch renewable (RES) units on a pro-rata basis with priority dispatch RES units. BGE believes that once all constraint actions are taken on a market-basis then it is only priority dispatch RES that would be subject to curtailment. We believe the proposed application of pro-rata curtailment across all RES units undermines the original concept of priority dispatch under 2009 EU legislation<sup>1</sup>, and the intent of the Clean Energy Package (**CEP**) to integrate non-priority dispatch RES units into the market on a level playing field with non-RES units.

Similarly, we do not believe that constraints as applied to priority dispatch units are a form of non-market based redispatch. BGE's view is that redispatch for constraint actions on all RES units should be taken as market-based economic decisions before redispatch for curtailment reasons is considered. Constraining RES units regardless of their priority dispatch status on an economic basis maximises the use of market-based economic actions first as is required under legislation<sup>2</sup>. Redispatching all RES units in this manner continues to respect the concept of priority dispatch and would minimise costs for consumers.

BGE's view is that that the dispatch down of priority units can include energy balancing (e.g. where RES generation is greater than demand), and redispatch for constraints due to local network issues. Any further dispatch down of priority dispatch units beyond these situations should be solely non-market based redispatch for curtailment after all other market-based mechanisms have been exhausted. We expand on these points below.

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<sup>1</sup> Renewable Energy Directive 2009/28/EC, Article 16

<sup>2</sup> Electricity Regulation 2019/943, Article 13

## 1. Application of market-based mechanisms for Redispatch

BGE supports the original view of the RAs<sup>3</sup> that redispatch for constraint actions on all units, including priority dispatch units, should be taken as market-based redispatch. Decisions relating to constraints need to be interpreted as market-based economic decisions on price to ensure that market-based mechanisms for redispatch are maximised in support of the requirements of Article 13 of EU Electricity Regulation 2019/943<sup>4</sup>. The prices used would be as follows:

- A merit order from the commercial offer data submitted by all non-priority dispatch RES and non-RES units, and
- The TSO determined constraint price for priority dispatch units.

Constraining all units on an economic basis maximises the use of the market-based economic actions first which is in our view more compliant with the legislation. In order to maintain and protect the concept of priority dispatch when it comes to constraints however, when constraints (i.e. locally driven redispatch) arise in a particular area then the market-based merit order that contains RES with no priority dispatch as well as non-RES units should be utilised first to maximise constraints on these non-priority dispatch units in that area. Once constraints from the market-based merit order for non-priority dispatch units are maximised only then should constraints on units not offering COD (i.e. priority dispatch units) apply.

BGE does not support the suggestion in the paper of applying redispatch driven by curtailment on a pro-rata basis to all non-synchronous units regardless of their priority dispatch status. We believe the application of pro-rata curtailment to all non-synchronous generation equally, undermines the original priority dispatch concept applicable to RES generation under EU legislation<sup>5</sup>. The application of pro-rata curtailment to all non-synchronous generation equally, also undermines the intent of the Clean Energy Package to start integrating RES with no priority dispatch status into the market on a level playing field with non-RES units<sup>6</sup>. We propose that to meet curtailment requirements across the system non-priority dispatch RES units should be first constrained off on a market economic basis (i.e. any redispatch required for a curtailment driven reason for these units should be applied in dispatch and settlement as a constraint). Any residual curtailment needed after applying market-based curtailment as if it is a constraint on non-priority dispatch units, should apply only to the priority dispatch RES units that may remain on the system. The curtailment of the priority dispatch RES units that may remain on the system should occur on a pro-rata basis.

Please see BGE's response to the parallel consultation on SEM-21-027 for a diagrammatic representation<sup>7</sup> of how we envisage the order of constraints and curtailment working in future.

Finally, a recent TSO proposal<sup>8</sup> to use two different prices for the output from non-priority dispatch RES units but for two different redispatch reasons (i.e. constraints using COD bids and pro-rata curtailment to the DAM price at the point of curtailment) is in our view infeasible. Even if an optimisation problem could be formulated around the two prices, it is unclear that the problem as formulated would be solvable or that

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<sup>3</sup> "Consultation Proposals" in Section 2.2 (pg20) of Consultation on Dispatch, Redispatch and Compensation Pursuant to Regulation (EU) 2019/943 (SEM-21-026)

<sup>4</sup> REGULATION (EU) 2019/943 - Article 13(2) of the EU Electricity Regulation 2019/943 identifies that resources that are to be redispatched are to be selected using market-based mechanisms. Article 13(3) of the same regulation requires all available market-based resources must be used before considering a non-market-based alternative (Article 13(3)(a) and (b) non-market based redispatch may only be used where ".....no market-based alternative is available;" and where ".....all available market-based resources have been used;")

<sup>5</sup> Art 16(2)(c), DIRECTIVE 2009/28/EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 23rd April 2009 on the promotion of the use of energy from renewable sources.

<sup>6</sup> Article 12 REGULATION (EU) 2019/943

<sup>7</sup> Figure 1, Section 1 of BGE's response to SEM-21-027, dated 9<sup>th</sup> July 2021.

<sup>8</sup> TSO virtual workshop on the application of Articles 12 and 13 to SEM on 1<sup>st</sup> July, 2021

any output would be optimal, transparent, and provable. Our proposal above would see the application of COD bids to non-priority dispatch RES units for both constraints and curtailment as constraints and will in our view support a workable solution for optimisation.

## 2. Compensation for curtailment

BGE sees market-based redispatch as encompassing constraints for priority dispatch RES as well as constraints and curtailment for non-priority dispatch RES units. The maximisation of these market-based mechanisms should leave non-market based redispatch as only for curtailment to priority dispatch units. The curtailment action would then be subject to compensation<sup>9</sup> under Article 13(7). Our proposal is that constraint actions on all types of RES must necessarily occur before any curtailment action is required and it will in effect limit curtailment actions to volumes from RES units with priority dispatch. Our proposal would incidentally minimise the curtailment compensation to 'firm' RES units with priority dispatch to the level of additional operating costs caused by curtailment. This will keep costs down for consumers and better integrate RES units into the market as is the aim of the CEP. We believe these curtailment costs to consumers should reduce in future years as the need and impact of non-market based curtailment to priority units on the system should drop off.

## 3. The inclusion of support payments by non-priority dispatch units within bids and offers under BCOP / BMPCOP

We understand that the decision by the RAs on this consultation will inform any review and possible revision of the bidding code(s) of practice for the market. Clarity on the treatment of complex bids for new RES units with no priority dispatch should be forthcoming as early as possible. The potential review should aim to ensure the optimum treatment of complex bids by the units (RES and non-RES) that must comply with the code(s). Depending on this decision under the paper and any subsequent bidding code review, it may become very important as to how RES units submit a forecast of distinct and potentially differing complex commercial offer data (COD) bids to cover each settlement period in the day.

In BGE's view the CEP is looking to better facilitate decarbonisation by balancing the objective of increasing renewables to meet EU targets with the need for ensuring an efficient, competitive market by levelling the playing field as far as possible among all market participants<sup>10</sup>. As advised above, Article 13(3) of the EU Electricity Regulation is clear that "*...all available market-based resources [must] have been used...*" before non-market-based alternatives are considered. The requirements of Article 13(3) increase the importance of understanding what type of complex commercial offer data RES units with no priority dispatch can submit under bidding rules.

## 4. Decremental actions on priority dispatch units as redispatch (energy and non-energy actions)

Decremental actions on priority dispatch units do apply to dispatch and redispatch for energy purposes and non-energy/ constraint actions. Priority dispatch RES units can be used in energy balancing where for example the amount of RES generation on the system is greater than a lower demand load such as a windy, sunny summer's day. This event may need priority dispatch units to be dispatched down for energy balancing purposes. Equally, priority dispatch RES units may need to be constrained for local network reasons where the dispatch down of other local non-priority dispatch units using market-based mechanisms has not fully met the constraint requirement. Finally, redispatch for curtailment (due to too much non-synchronous generation remaining on the system) should be considered non-market based redispatch only for priority dispatch units (as we have previously outlined above). Priority dispatch units should be the only

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<sup>9</sup> The requirement for financial compensation by the System operator for non-market based redispatch on a connection agreement that guarantees firm delivery of energy is set out in Article 13(7) of the EU Electricity Regulation 2019/943

<sup>10</sup> Our response to SEM-20-028 ([SEM-20-059\(3\)](#), dated 22<sup>nd</sup> June 2020) examines the legislative and regulatory considerations on the implementation of Articles 12 and 13 in relation to Dispatch and Redispatch

RES units left on the system to be curtailed after the market-based mechanisms applied to non-priority dispatch RES units have been maximised and exhausted.

#### 5. Zero price for priority dispatch units in BM to avoid setting Imbalance Price

The application of zero price substitution to dispatchable priority dispatch units for their imbalance price does not fully implement the letter of the decision of the SEM Committee in SEM-15-064 related to applying the priority dispatch hierarchy<sup>11</sup> for TSOs when dispatching down priority dispatch units. However, it does implement a solution that is a step closer to the SEM Committee decision that dispatchable units with priority dispatch should not set the imbalance price<sup>12</sup>. A purer solution would be that the dispatch down action is removed from the pricing calculation rather than substituting zeros. This would provide transparency to the price formation and minimise any impact to Imperfections Costs, and so to the consumer.

We are not in favour of increasing the complexity of the flagging and tagging process at the moment to identify the energy and non-energy actions on priority dispatch units. The current flag and tag process is not yet operating to the level that it should be. Increasing the complexity of flagging and tagging risks an increase in the quantum of errors in flagging and tagging for priority dispatch units. We ask that consideration is given to improving the process for identifying what actions on RES units are energy and non-energy and when actions are non-energy whether they were taken for constraint or curtailment reasons. An improved process would likely be ex-post with a much simpler and transparent process than that which exists today. Depending on the configuration of the current systems, the existing systems may need replacement and an early decision on this is required.

#### 6. Only compensate firm generators for non-market based redispatch curtailment.

Article 13(7) of the EU Electricity Regulation is clear that financial compensation for non-market based redispatch does not apply where there is no guarantee of firm delivery of energy under the connection agreement (i.e. firmness). By corollary, compensation for non-market based redispatch should only cover the firm access generation affected.

#### 7. Ex-post compensation – use option 1 (TSO compile information)

BGE believe that the ex-post compensation for non-market based redispatch associated with curtailment from January 2020 should be carried out by the TSOs as they are best placed to compile the information required to make this calculation on a one-off basis. Curtailment of units is compensated by the market but there is no certainty that individual generators have the level of data from the market with regards to non-market based redispatch associated with curtailment. We propose that once the ex-post calculation is completed by the TSO that the TSO ensures the relevant information after the period of the calculation is supplied to market participants for their reference and records. The TSO should advise participants on the schedule and scope of the information that will be shared with them.

I hope that you find the suggestions and comments above clear and helpful. Please do not hesitate to contact me should you wish to discuss any of the above or related issues in further detail.

Yours sincerely,

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<sup>11</sup> SEM Committee decision paper “Principles of Dispatch and the Design of the Market Schedule in the Trading and Settlement Code” (SEM-11-062)

<sup>12</sup> Sections 5.2.2 and 5.2.3 - SEM-15-064 ETA Detailed Design Building Blocks Decision Paper

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*{By email}*