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RE: SEM Committee Proposed Decision on Treatment of New Renewable Units in the SEM – SEM-21-027 ('paper')

Dear Gina and Gary,

Bord Gáis Energy (**BGE**) welcomes the opportunity to respond to the Proposed Decision on Treatment of New Renewable Units in the SEM (the 'paper'). BGE supports the proposed positions in the paper relating to:

- Categorisation of units without priority dispatch. This includes non-dispatchable but controllable units (Category 2) being considered as dispatchable units.
- Requirement for Category 2 units to register as dispatchable units and submit PNs, Commercial and Technical Offer Data to operate on this basis in the market.
- The dispatch of units without priority dispatch away from their ex-ante position being on an economic basis in the same merit-order as non-RES units (energy actions). Use of the same merit order will facilitate a level playing field in the operation of renewable (RES) and non-RES units while encouraging balancing responsibility and flexibility.
- The application of constraints on all non-priority dispatch units based on a market-based single merit order based on bids and offers of such units accounting for operational constraints and system security.

The above proposed decisions in our view align with the intent of the Clean Energy Package (**CEP**) and the Regulation (EU) 2019/943 ('EU Electricity Regulation'). The CEP and EU Electricity Regulation aim to facilitate the integration of renewables into systems and markets while simultaneously ensuring that competitive wholesale markets operate as efficiently as possible.

BGE's position deviates from the Regulatory Authorities' (RAs') proposals in some areas, however. In finalising our position, we take account of the developing proposals in the parallel consultation paper SEM-21-026. At a high level, the areas where our position deviates from the RAs are:

1. **The application of constraints to RES units with priority dispatch (PD) status and application of curtailment to RES units with non-priority dispatch (non-PD) status:** BGE's view is that all redispatch for constraint actions on all RES units should be taken as market-based economic decisions before redispatch for curtailment reasons is considered. Constraining all 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 legislation¹. We expect however that given the nature of priority dispatch, and how it is applied in systems by the TSO, when constraints (i.e. locally driven redispatch) arise in a particular area all non-priority-dispatch units would be constrained down based on their decs before a priority dispatch unit is constrained down. The concept of priority dispatch would thus continue to be respected when constraints apply.

Under Article 13(3) of the EU Electricity Regulation all market-based redispatch actions must be maximised before non-market-based redispatch can occur. As non-priority dispatch RES will submit commercial offer data, that data will provide an economic “market based” method of redispatching these non-priority dispatch units for curtailment reasons too. In effect, redispatching non-priority dispatch RES for curtailment reasons should be considered as a market-based constraint for non-priority dispatch RES units. The incs and decs of all non-priority dispatch RES units are therefore utilised for constraints within the same merit order as conventional units on a market-based economic basis. Any remaining requirement for RES curtailment after all RES constraint actions on priority and non-priority dispatch units have been exhausted is then applied solely to the RES units with priority dispatch status. Priority dispatch units should in theory be the only RES units remaining on the system after all market-based ‘constraint’ actions have been taken. Applying pure curtailment solely to RES with priority dispatch is logical in our view given that the need for curtailment only really arises due to the concept of priority dispatch existing at all. The concept of priority dispatch would thus continue to be respected when curtailment applies too.

The above proposed approach to constraints and curtailment is compliant with articles 12 and 13 of the EU Regulation 2019/943 in our view and is the optimum approach to minimise the costs of curtailment for consumers. Our proposed approach simultaneously respects the concept of priority dispatch and facilitates the integration of RES on as level a playing field as possible with non-RES as intended by the Clean Energy Package.

2. **The application of complex Commercial Offer Data (COD) bids to RES units:** It is unclear how RES units are expected to bid into the market in line with bidding rules and the applicable rules need to be determined to ensure optimum treatment of RES participation in the market. We would welcome early determination of the rules so they can be applied immediately from when systems can take incs, decs from non-priority dispatch RES units.
3. **Forecast active power availability:** We request clarity on the process and responsibilities for Category 2 units who will be required to submit and maintain forecast active power availability. This is a new responsibility for the owner operators of these units and clear criteria and guidance needs to be provided to participants.

We expand on each of these points in more detail below.

1. [The redispatch treatment of RES units with priority dispatch \(PD\) status and non-priority dispatch \(non-PD\) status:](#)

BGE believes that curtailment on RES units should in effect apply only to priority dispatch units as the need for curtailment is a result of excess priority dispatch RES generation remaining on the system². We believe a contextual interpretation of Articles 12 and 13 of the EU electricity regulation allows for curtailment to apply only to priority dispatch units. When curtailment arises, the first units redispatched should be non-priority dispatch RES units on an economic market-based decs basis. In effect a curtailment driven action is also treated and settled as a constraint action on a non-priority-dispatch unit. We recognise that this interpretation

¹ EU Electricity Regulation 2019/943 – Article 13 (b)

² Curtailment is not an issue of energy supply v demand. It is a function of the System Non-Synchronous Penetration (SNSP) limit on the system. Curtailment for RES generation for oversupply occurs only when SNSP >100%. Where SNSP ≤ 100%, curtailment is then a signal of limitations within the grid system which requires grid build/ reinforcement.

of the legislation is not in line with the preference expressed by the RAs in the paper which is that the application of curtailment should continue to be applied on a pro-rata basis where required to all non-synchronous units, regardless of their priority dispatch status.

In our view, the RAs' proposed application of curtailment on a pro-rata basis to all non-synchronous units undermines:

- i. the intent of the original EU legislation³ to give priority to generating installations using renewable energy sources. The blanket application of curtailment to both priority and non-priority RES units as proposed in this paper undermines the intent of that 2009 legislation, and
- ii. the intent of the Clean Energy Package to start integrating RES with no priority dispatch status into the market such that non-priority dispatch RES is on a level playing field with non-RES units.

The proposed application of pro-rata curtailment to all non-synchronous units, regardless of their priority dispatch status, should therefore not be progressed.

Furthermore, the continued application of pro-rata curtailment would raise the unnecessary risk of a complex three-tier RES market which would see:

- 1) RES with priority dispatch subjected to pro rata curtailment.
- 2) RES with no priority dispatch subjected to pro rata curtailment.
- 3) RES with no priority dispatch treated on a market-basis over time if the intent of the Clean Energy Package (**CEP**) legislation is to be complied with.

The operational complexity of having a three-tier market as outlined above will impact investor confidence and lower investment in new RES units as a result.

Applying curtailment to just RES units with priority dispatch (route 1 above) and applying market-based treatment for RES units with non-priority dispatch (route 3 above) would instead offer a simpler two-tier RES market that will evolve to just one-tier in time as priority dispatch units disappear in SEM, in line with legislative intentions.

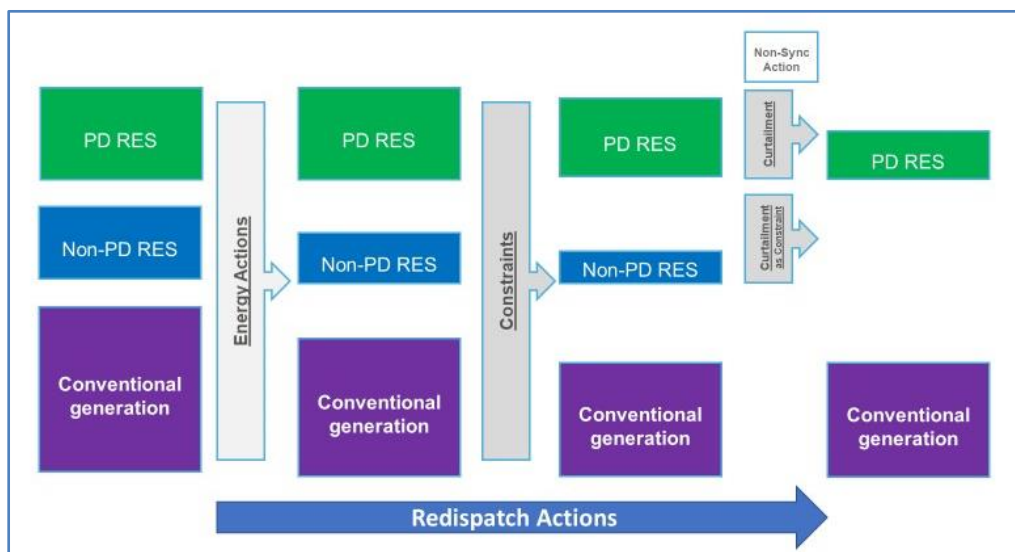


Figure 1: Output volume blocks from redispatch actions

³ 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.

To help illustrate our position the above Figure 1 represents BGE's view on the CEP compliant order of actions, and impacts on volumes of those actions, respectively for priority dispatch RES (PD RES), non-priority dispatch RES (Non-PD RES) and conventional units. In the above figure after energy balancing actions, all market-based approaches to redispatch are maximised in line with the CEP⁴ before non-market-based redispatch, as follows:

- Applying incs and decs of non-priority dispatch RES units and all non-RES units for constraints on a level playing field, followed by,
- Constraining units (including priority dispatch RES units) for local grid reasons followed by,
- Applying incs and decs of non-priority dispatch RES for the purpose of treating "curtailment as a constraint" for these units,

In effect market-based redispatch covers constraints for priority dispatch RES as well as constraints and curtailment for non-priority dispatch (non-PD) RES units. Non-market-based redispatch is only 'curtailment' and only for priority dispatch RES units. We believe our proposed approach to constraints and curtailment best complies with Article 13 as Article 13(3) requires that all market-based approaches to redispatching should be exhausted before non-market based redispatch applies. Integrating non-priority dispatch RES in the above proposed manner will help level their playing field with non-RES units and give these non-priority dispatch RES units more control over their running. Our above proposed approach would also encourage current priority dispatch units to surrender their status in return for competitive market-based inc/ dec participation. When it comes to curtailment, non-market based redispatch applies as priority dispatch RES units have no incs, decs and system wide reduction of RES volumes are required.

Our proposal that constraint actions on all types of RES must necessarily occur before any curtailment action is required 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.

As the proportion of economically controllable RES units increases going forward, units start coming out of priority dispatch status by choice, the rate of SNSP increases, and there is enough interconnection, the need for and impact of curtailment will reduce. The future reduction in curtailment volumes will increasingly facilitate more market-based redispatch and reduce curtailment costs for the consumer further.

System analysis and evolution will be required so as not to limit the integration of RES into the market. The increasing numbers of non-priority RES units exposed to market-based redispatch actions in the period up to 2030 and beyond brings an added urgency for efficient and effective system tools. Initial steps in this system analysis could start with the current unit registration process (to identify if units are priority dispatch or not for example) and the Wind Dispatch Tool (WDT). The WDT already applies a level of unit categorisation which could be further developed in this regard pending analysis. We also see a need to improving the systems 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. We encourage the TSOs to begin an enduring system evolution program with the necessary resources to support the full engagement of non-priority RES units into the market to meet the aims of the CEP.

2. The application of complex Commercial Offer Data (COD) bids by RES units:

⁴ 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;"

The change to how RES units will interact in the market will require a review and possible revision of the bidding code(s) of practice for the balancing market to ensure optimum treatment of non-priority dispatch RES units' complex bids. We understand that clarity on how RES units will be permitted to treat foregone revenues in complex COD will not be forthcoming until at least Q2 2022. Depending on how the benefit foregone of foregone revenues will be permitted under the bidding rules for RES, it could become very important 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 which can then be further amended as required. As part of the consideration of how bidding rules apply to RES units we ask that the consideration is given to how the submission and amendment of complex COD bids can be made under the current system to avoid a highly manual and involved process. We ask that the TSO considers a simple interface for RES units to submit a forecast of distinct complex COD bids to cover each settlement period which can then be simply and easily individually updated by the RES unit.

3. Clarity on the process and responsibilities for Category 2 units who will be required to submit and maintain forecast active power availability.

We do not understand the proposal regarding the provision of power forecasts by new Category 2 renewable units as outlined in the paper and request more guidance,. The proposal is that “*Category 2 units will also be required to submit and maintain forecast active power (MW) availability with real time updates as information changes, along with real-time availability declarations as set out in SDC1 of the Grid Codes*”⁵. The implication is that the owners and operators of RES units in this category will carry a new responsibility to provide a power forecast for their units. We ask that clarity is provided to market participants and especially to owners/ operators of these units as to:

- the time horizon of these forecasts (e.g. real-time forecasts or one-hour ahead?),
- the level of accuracy that is expected of these forecasts, and
- the submission process and system to be used for the active power availability forecasts.

This additional clarity will help these new Category 2 renewable units to meet their requirements.

I hope that you find the suggestions and reasoning laid out in this response 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,

Ian Mullins
Regulatory Affairs – Commercial
Bord Gáis Energy

{By email}

⁵ pg 17