EP UK Investments

A member of the EPH Group

07_24 Introduction of TEG Activation Compensation Payment
Mods Committee Meeting 125

Explanation of Modification

- This modification proposes to introduce a compensation payment for instances where Temporary Emergency Generation (**TEG**) is dispatched ahead of TSC-registered generation.
- 820MW of TEG has been procured in ROI (including retention of existing generation).
- This payment will be based on the imbalance price at the time of TEG dispatch and the volume of market generation which is available but not dispatched.
- This modification aims to minimise market distortion and to ensure that TEG is implemented and dispatched in accordance with the relevant EU legislation.
    - The European Commission's Guidelines on State Aid for Climate, Environmental Protection, and Energy 2022 ('**the Guidelines**') states that "*For strategic reserves and any other measures for resource adequacy, including interruptibility schemes, where capacity is held outside the market* […] *the resources are to be dispatched only if the transmission system operators are likely to exhaust their balancing resources to establish an equilibrium between demand and supply".*
    - Article 16 (2) of Regulation EU 2019/941 states that "*non-market-based measures shall be activated in an electricity crisis only as a last resort if all options provided by the market have been exhausted".*
- This modification will ensure that TEG is treated as set out in line with the above legislation and will mitigate against discrimination within the SEM.

Modification Justification

- Dispatching TEG units to respond to scarcity events ahead of Northern Irish generation would represent discrimination between market Participants based in different jurisdictions. It is noted that TEG was procured in ROI only, which means that Northern Irish participants are at a competitive disadvantage if required to compete against TEG units in the market.
- The potential dispatch of TEG ahead of market-based generation undermines the business case for generation in the SEM. The identification of scarcity in a market is an investment signal for generation. If scarcity is addressed by externally-procured TEG, the investment signal for new generation is diluted. Additionally, existing generation which has already made an investment decision based on scarcity is impacted.
- The Guidelines state that during imbalance periods where strategic reserves, or any other measure for resource adequacy where capacity is held outside the market, "*imbalances in the market are to be settled at least at VOLL or at a higher value than the intraday technical price limit, whichever is higher".* This requirement represents a significant risk to generation which is not dispatched ahead of TEG despite being available and may jeopardise the financial stability of SEM participants.
- These risks are substantially reduced if the market rules ensure that available units are protected from TEG dispatch events.

Modification Drafting

- The first step in this modification is to define periods within the TSC during which TEG units have been activated (but not Under Test).
- During all periods in which TEG is active, the Market Operator will calculate a TEG Activation Compensation Payment for each unit. This payment is calculated as:

$$CTEGAC_{u\gamma} = \sum_{\gamma \in k} PIMB_{\gamma} \times Max(0, qAA_{u\gamma} - QM_{u\gamma})$$

Sum of imbalance price during each TEG activation period.

Difference between metered generation and available generation floored at zero.

- These payments are summed on a daily basis to calculate a total payment value.
- The total TEG Activation Compensation Payment is included in the total Daily Amounts Calculation (G.4.11.1).
- It is proposed that the majority of this legal drafting is contained within a new section of the Code, F.23.

Modification Impact

- This modification provides important protection to new and existing market generation in the SEM. Additionally, it helps to protect against discrimination within the market by ensuring a level-playing field between Ireland and Northern Ireland.
- Nonetheless, EPUKI expects that this mod (if implemented) should not impact the consumer.
- It is clear from both CRU directions and European legislation that TEG units should not be run unless available market measures are exhausted. This should mean that TEG Activation Compensation Payments should always be zero (i.e., no available generation which has not been dispatched before TEG dispatch).
- This mod has been drafted to exclude periods during which TEG is dispatched for test purposes.