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# Integrated Single Electricity Market

## Consultation on Balancing Market Principles Statement - Revisions

Response from



January 2019

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## 1 Context & Recommendations

Bord na Móna welcomes this opportunity to respond to this consultation.

### Issues re Scarcity Event Pricing

Given recent dynamic in the Balancing Market which resulted in extremely high scarcity pricing and much generation being subject to non-performance difference charges – despite being reliable and capable of responding, if called – hence the primary focus of this response is in the context of the scheduling and dispatch of peaking plant.

### Scope of review BMPS & of TSOs

Returning from the specific to the general case, and given the aforementioned, we comment that the scope of both the BMPS and of the TSOs may usefully be expanded.

From the BMPS Terms of Reference Decision<sup>1</sup> we note that the objective of the BMPS is to set out in a clear and comprehensive manner the data inputs into the scheduling and dispatch processes used by the TSOs. We further note that the TSO's objectives in dispatching the system are captured under its Licence and other obligations, and not by the BMPS and believe that there is opportunity for better alignment, ie., for the BMPS to more closely reflect the market 'efficiency' objectives contained within the objectives of the TSO, such that Market Participants fully understand the incentives that drive TSO behaviour. That said, we also note that SEMC has decided that the TSOs should further consider what additional information can be provided in the BMPS to provide transparency to the inputs to the flagging and tagging process, and the process itself. We would be hopeful that SEMC could similarly provide direction for the BMPS to take on this improved alignment of common objectives.

It is apparent that, within the BPMS, that there is a distance between the processes, their *efficiency* – and their financial impacts.

### Key Proposal/Recommendation

It is BnM's contention and proposal that the financial impacts of existing & new arrangements should be brought more closely front and central within the BMPS/TSO objective and responsibility framework.

That said, we note that peak prices in the imbalance market are subject to the attention of a **Working Group** and in this regard we take some solace from the statement in the 'Consultation Report'<sup>2</sup> that:

'It is recognised that the detailed elements of some of our operational processes will always need to remain agile...', but nevertheless need to see remedies implemented.

Also ref 4.1 Process Overview to this consultation, we note that, in relation to the 'scheduling and dispatch process' that 'processes and tools remain under review'.

### Welcome proposals around Utilisation of Available Cross Zonal actions 'Ad Hoc' etc

Lastly, notwithstanding the proposals and hopefully successful solutions from the 'high peak imbalance price' **Working Group**, BnM would be very hopeful that the trials using the Coordinated Third-Party Trading (CTPT) and the Cross Border Balancing (CBB) mechanisms will be able to contribute towards reduced price volatility – especially where the Moyle I/C may be able to help avert scarcity pricing events in Northern Ireland, where many such events have occurred – largely due to restricted flows between Ireland and Northern Ireland. We note that

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<sup>1</sup> SEM 16 058 7<sup>th</sup> October 2016 Balancing Market Principles Statement Terms of Reference Decision

<sup>2</sup> Publication of a Revised BMPS section of the 'Consultation report'

Cross Border Balancing has a provision for Interconnector Emergency Assistance (EA) actions and would welcome a scope review plus trials which would quantify the potential benefit to the consumer in reducing scarcity pricing events from real time pricing – where North/South border flows are congested.

We also pick up on the observation that interconnectors are operationally capable of achieving higher ramping rates than those currently employed, which would lead one to surmise that this capability may have potential to reduce supply volatility during emergency events, such as those already referred to which have arisen in Northern Ireland in the main. We would hope that this potential would be fully explored.

## 2 Response to Proposed Changes

We begin our response to this section by flagging that Consultation Report ‘Revised Balancing Market Principles Statement’ 11<sup>th</sup> April 2018 provides a useful base on which to compare actual revisions to planned revisions. As there are several references in this response we refer to this April paper as ‘Consultation Report’.

Section	BnM Comment
Important Information	We note in the ‘Important Information’ section an apparent missed action in relation to Cross Zonal arrangements and the finalisation of the co-ordinated third party trading (CTPT) option. The Consultation Report <sup>3</sup> (ref above), indicates that aspects of the document which will be considered as part of the next review (ie., this review) ‘The information on cross-zonal actions will be reviewed and if necessary amended in the next BMPS’. We duly note that ‘Interim Cross Zonal TSO Arrangements for GB go-live publication’ doc, which one might think would be the review itself, predates v2.0 April 2018 so it appears that little has been added to address the intended action in April. We flag this in the context that although the I/C flows are largely in the correct direction, the I/C is not being used to balance out the scarcity shortages which are leading to very high imbalance market prices and inefficient market outcomes.
2.2 Maximising Priority Dispatch Generation	We acknowledge provisions in this regard and note that there are no proposed changes.
2.3 Efficient Operation of the SEM	One of the themes of this response are the stated responsibilities of the RAs/TSOs in relation to Scheduling & Dispatch within the context of recent scarcity events. This has led to inefficient outcomes whereby lower priced generators which are available have not been called to run. We understand that aspects of this are being addressed by a <b>Working Group</b> , but nonetheless highlight, in the context of BMPS 2.3:

<sup>3</sup> ‘Revised Balancing Market Principles Statement’ 11th April 2018

	<p><b>2.3. EFFICIENT OPERATION OF THE SEM</b></p> <p><i>We are responsible under Article 12 of the Third Electricity Directive for ensuring a secure, reliable and <u>efficient</u> electricity system.</i></p> <p><i>We are also responsible under Commission Regulation (EU) 2015 / 1222 establishing a guideline on capacity allocation and congestion management (“CACM”) for facilitating access to cross-zonal (cross-border) exchanges of electricity and to avoid any unnecessary restriction of cross-zonal capacities.</i></p> <p>Notwithstanding Condition 10A ‘Scheduling and Dispatch’ of the TSO Licence, this drive for cost efficiency is mirrored by Condition 11 of the TSO Licence ‘Economic Procurement of Assets, Services and Ancillary Services’:</p> <p><i>2. In procuring assets, services and Ancillary Services pursuant to paragraph 1, without prejudice to the Infrastructure Agreement and System Operator Agreement, the Licensee shall procure such assets, services and Ancillary Services <u>from the most economical sources</u> available to it having regard to the quantity and nature of the assets, services and Ancillary Services required to enable it to discharge its obligations....’</i></p> <p>Also, notwithstanding the likely positive contributions from the <b>Working Group</b> we advocate a review of cross-zonal mechanisms capable of contributing towards reduced price volatility – especially where the Moyle I/C may be able to help avert scarcity pricing events in Northern Ireland, where many scarcity events have occurred.</p>
<p>3.1.2 Scheduling and Dispatch Policy Parameters</p>	<p>While not flagged as a change per se, we believe that it is material to comment on the LNAF and SIFF factors.</p> <p>We note that while the purpose of LNAF is to make the market more ‘real time’ by improving the competitive position of short notice units we also note that LNAFs generally lead to increases in the number of periods in which system constraints are binding, particularly on a jurisdictional basis where larger units are required to provide system stability. This will increase the probability of reserve scarcity and load shedding events under abnormal system conditions such as those recently encountered in Northern Ireland. We see no reason to expedite the resetting of the current LNAF value.</p> <p>We note that SSII/SIFF values will be ‘set at a later date’ and, similarly to outlined above, see reasons currently not to expedite their introduction. We note subsequent reference that ‘they may be applicable at a future date’.</p>
<p>3.2.5 Unit Under Test Notification</p>	<p>We query whether the document reference ‘Unit Under Test Guidelines for Market Participants’ should have a reference date;</p>
<p>3.46 Prices and Volumes for Cross - Zonal Actions</p>	<p>The contextual note for the reader is from BMPS 3.4.6:</p>

*PRICES AND VOLUMES FOR CROSS-ZONAL ACTIONS*

*While interconnector (Moyle and EWIC HVDC interconnectors) schedules are determined by the ex-ante markets, they can, under defined circumstances, be adjusted by us through Cross-Zonal Actions. Cross-Zonal Actions is the collective name for a number of services that are available to us to reduce or increase imports or exports on the interconnectors for limited and specific reasons. Among the Cross-Zonal Actions two trading options are being implemented for the revised SEM: Co-ordinated Third Third-Party Trading (CTPT) and Cross Border Balancing (CBB). CBB and a service similar to CTPT existed in SEM the previous market arrangements.*

We re-iterate the points made in reference to ‘Important Information’ above:

We note in the ‘Important Information’ section an apparent missed action in relation to Cross Zonal arrangements and the finalisation of the co-ordinated third party trading (CTPT) option. The Consultation Report<sup>4</sup> (ref above), indicates that aspects of the document which will be considered as part of the next review (ie., this review) ‘The information on cross-zonal actions will be reviewed and if necessary amended in the next BMPS’. We duly note that ‘Interim Cross Zonal TSO Arrangements for GB go-live publication’ doc, which one might think would be the review itself, predates v2.0 April 2018 so it appears that little has been added to address the intended action in April. We flag this in the context that although the I/C flows are largely in the correct direction, the I/C is not being used to balance out the scarcity shortages which are leading to very high imbalance market prices and inefficient market outcomes.

It would appear that the CTPT could contribute towards reducing price volatility around scarcity events and would urge that this option be further explored if has not already been done so.

Second point:

We note the reference to ‘*If trading takes place*’ and question the use of the word ‘*If*’ – it would appear more appropriate to change to ‘*When*’.

Third point:

We also note with optimism from Appendix 2.3 Dispatch and Control Actions that ‘Both CTPT and CBB may be employed to facilitate priority dispatch and system security’ and references to BP SO 11.1, BP SO 11.3 and BP SO 11.4. We are encouraged that Cross Zonal Actions is currently being trialled and believe all of this to be very relevant in avoiding the likes of recent elevated scarcity pricing events of 24<sup>th</sup> January.

<sup>4</sup> ‘Revised Balancing Market Principles Statement’ 11th April 2018

	<p>Fourth point:</p> <p>Regarding the efficiency of market outcomes we have already commented on BPMS 2.3 Efficient Operation of the SEM on the stated importance of an efficient electricity system – as well as Condition 11 of the TSO Licence provision that: ‘the Licensee shall procure such assets, services and Ancillary Services <u>from the most economical sources</u> available to it.....’</p>
4.2 Input Data Processing	<p>With regard to ‘Application of negative decremental prices to priority dispatch units’ I don’t have issue with the addition of: ‘the prices applied replace any decremental prices offered by a unit for the purposes of scheduling and dispatch.’</p>
4.3.1 Unit Commitment and Economic Dispatch	<p>The update/reason for the update indicates that clarification text is added as a result of previous consultation.</p> <p>We highlight that there is no apparent change in the text between v2.0 and v2.1. Given this omission it is not possible to comment on this proposed revision in such a way as to present a view on new text which is not presented.</p>
4.3.2 Scheduling Run Types	<p>The text flags the Long Term Schedule (LTS) working off a shorter period before unit commitment (2 hours vs 4 hours) (and 3 hours for the first day-ahead run) for a schedule up to 30 hours.</p>
4.4.3 Timeframes	<p>-We welcome the reference to Appendix 2.3, providing a reference point for maximisation and interconnector emergency type actions.</p> <p>-We welcome the note explicitly expanding that there is likely a variation between the actual instructions issued by the TSOs and the Indicative Offer Schedule (IOS), as well as inclusion of other causes of variation</p>
4.5.3.2 Cost Minimisation	<p>We welcome this expansion</p>
5.3 Audit	<p>We welcome more information on the timing of audits. Noting the terms of reference for this audit are yet to be determined by the RAs, and mindful of the somewhat restricted terms of reference of the BMPS, we would encourage broad TORS for the Audit as well as consideration of broadening the TORS of the BMPS itself which could perform in parallel with the TSO’s objectives in dispatching the system, captured under their Licence and other obligations.</p>
6. Publications	<p>We welcome the market website, including a page for ‘TSO Responsibilities’</p> <p>Perhaps slightly outside the scope of a BMPS review, we note the topline statement of TSO Responsibilities on the website as being: ‘EirGrid and SONI have a number of reporting and monitoring obligations under EU Regulations. The goal is to increase integrity and transparency of wholesale energy markets. This fosters open and fair</p>

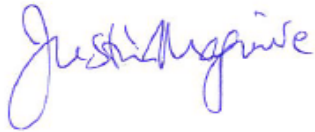
	<p>competition in wholesale energy markets, benefitting final consumers of energy.'</p> <p>While the page refers to a list of sub-topics our view is that 'Operational Processes' and 'Operational Methodologies' should feature more prominently in the topline statement.</p>
6.5 Reports	<p>We note the signalled 'Scheduling and Dispatch Policy Parameter Performance Report' and note that the timing of its delivery is not specified, ie., it is 'To be developed after a period of operation of the new market'. We propose that it would be appropriate to have a specified date.</p> <p>In relation to 'Annual Scheduling and Dispatch Process Audit Report' we refer to our response in '5.3 Audit' above</p>
Appendix 1.3	No issue with addition
Appendix 1.4	No issue with addition
Appendix 2.1 Input Data Processing	<p>It is difficult to respond in relation to the 'Ad-hoc' Scheduling Run Type as the section refers to 'BP_SO_11.4 Coordinated Third Party Trading' which we note has not yet been published (albeit due in March). BnM would be very hopeful that CTPT and/or the Cross Border Balancing (CBB) mechanism may be able to significantly reduce price volatility – especially where the Moyle I/C may be able to help avert scarcity pricing events in Northern Ireland, where many such events have occurred – largely due to restricted flows between Ireland and Northern Ireland.</p>
Ad-hoc	
Per market update	<p>We note reference to Interconnector Emergency Actions and the very speed high ramping capability of the I/Cs (characteristics that appear under-utilised during current operations) in the context of their ability to contribute a solution to very short term scarcity events, such as those recently experienced in Northern Ireland.</p>
Appendix 2.2 Scheduling	No issue with addition
Appendix 2.3 Dispatch and Control Actions	<p>We comment in particular on 'Ad hoc' timelines and 'Utilisation of Available Cross-Zonal Actions'</p> <p>Lastly, notwithstanding the proposals and hopefully successful solutions from the 'high peak imbalance price' workgroup, BnM would be very hopeful that the trials using the Coordinated Third-Party Trading (CTPT) and the Cross Border Balancing (CBB) mechanisms will be able to contribute towards reduced price volatility – especially where the Moyle I/C may be able to help avert scarcity pricing events in Northern Ireland, where many such events have occurred – largely due to restricted flows between Ireland and Northern Ireland. We note that Cross Border Balancing has a provision for Interconnector Emergency Assistance (EA) actions and would welcome a scope review which would quantify the potential benefit in reducing scarcity pricing events from real time pricing – where North/South border flows are congested.</p>

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	<p>We look forward to the publication and to our review of BP_SO_11.4 Coordinated Third Party Trading.</p> <p>As previously flagged we would be hopeful that the very speed high ramping capability of the I/Cs, in the context of their ability to contribute a solution to very short term scarcity events, such as those recently experienced in Northern Ireland, could be explored and fully utilised – notwithstanding the positive outputs from the <b>Working Group</b>.</p>
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We hope that you find these comments of use and submit them for your consideration. We would be pleased of course to discuss any aspect of our responses should you so wish.

For and on behalf of Bord na Móna



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