

## Industry Call Minutes: Mod\_18\_22 Mitigating risks of settlement of units running on secondary fuel in security of supply scenarios - Industry Call

12<sup>th</sup> January 2023

Attendees:

Eoghan Cudmore	Sandra Linnane	Martin McCarthy
Peter Wibberley	Karen Shiels	Harry Molloy
Guneet Kaur	David Morrow	Katia Compagnoni
Therese Murphy	Kylie McMahon	Barry McGrath
Mary Farrelly	Gavin O'Brien	Robbie Pratt
James White	Ian Mullins	

BGE opened the meeting and took the attendees through the slide pack for the call, noting that the slide pack was altered from the pre-read version due to last minute feedback from SEMO the previous evening. It was explained:

- the basis for the issue,
- the feedback from the Mods Committee call in December 2022,
- the BGE proposal to address the mod now in two separate Mods (Part A and Part B),
- the triggers and application times for Part A and Part Band
- the late feedback received from SEMO on the proposal.

The call was then opened to questions and views.

A participant referred to the Part A proposal covering the compensation for generators at the point of switching to firing on secondary fuel, and he queried how this interacts with the Fuel Switching Arrangements in Northern Ireland (NI). BGE offered that their understanding was that to date one generator had signed up to the Fuel Switching Arrangements in NI. If, however NI-based units wanted to participate in the arrangements being proposed by these mods, then they will need to sign the necessary arrangements for their jurisdiction.

The participant then queried if it was possible to be doubly compensated in NI if these mods were approved (once via the Fuel Switching Arrangements in Northern Ireland (NI), and once under these mods). BGE commented that there would need to be more engagement on this scenario to understand the potential consequences of the mods proposed.

The RAs followed up to advise that the Fuel Switching Arrangements in NI are different to those in the Republic in that they extend beyond testing compensation to also cover the compensation for units directed the switch to secondary fuel.

It was confirmed that only one plant in NI had signed up to the Fuel Switching Arrangements.

The RAs queried if these proposed mods applied only in times of a gas emergency or would they also apply for units running on secondary fuel to achieve higher output levels. BGE offered that their Whitegate unit has a lower output capacity when running on secondary fuel so the intent is not to increase output levels. There should not be unintended consequences that testing on secondary fuel

will cause a gas emergency. BGE will consider if there is any way to establish if the switching of units to secondary fuel running outside of testing periods occurred.

### **Review of proposed Part A mod:**

Part (A) of the mod covers all periods for which auctions have already run.

Looking at the scenario of the Part A mod, SEMO discussed the previously suggested process for units switching to secondary fuel to use the Notification of Under Test process. The “Under Test” process already exists and was proposed at the Mods Committee as a process to use to compensate units at the point of switching to run on secondary fuels. SEMO’s follow-on review of the “Under Test” process suggests there are challenges to this being the best option for units when directed to switch to secondary fuel running. The “Under Test” process is established to follow certain steps for the situation of a unit going under test, and this process includes a noticeable degree of manual interventions by SEMO operators. The use of this process in a gas emergency and across a number of gas-fired units at the same time will be complex to achieve and could be prone to error. There may be unintended impacts to the Scheduling and Dispatch operations.

SEMO queried if instead a repricing process could be used. BGE queried if this meant being settled on an ad-hoc, out-of-market process which SEMO confirmed as a viable solution given the uniqueness of the situation being suggested. SEMO’s position was that it is better to keep the “Under Test” process clean for the operators and not to fudge its application as it may not be adequate or feasible on the day of a gas emergency for NCC operators to implement it as potentially amended. SEMO’s view is that all situations of units switching to running on secondary fuel should be settled on an ad-hoc resettlement using an out-of-market process. BGE commented that repricing would be a long process, and that units would still be exposed to strike events. The solution in the event of strike prices occurring due to secondary fuel running would be to have the difference charges removed from units running on secondary fuel.

### **Review of Part B mod:**

Part B covers open periods during the gas emergency. Generator Units running on secondary Fuel must bid for open periods cost reflectively in terms of BM Complex and will do the same for DA to ensure they cover their costs. However, there is a high risk that a cost reflective bid on secondary fuel will exceed the Strike Price.

BGE advised that further feedback on this proposal has just been received from SEMO which made the approach initially proposed by BGE in the pre-read slide pack (of recalculating the Strike Price for the days of the Gas Emergency to include a Theoretical Gasoil Peaker €/MWh cost) unimplementable. BGE offered the floor to SEMO to outline the feedback they had provided to BGE the previous evening. SEMO advised that the proposal for changes to the Strike Price calculation was an issue as interventions on the Strike Price calculation were too complex for SEMO to implement effectively. Mid-month changes on the Strike Price calculation causes manual changes to settlement and resettlement calculations and processes for the whole period. These manual changes are prone to error and so the proposed increased frequency to the calculation of the Strike Price is not advised as it has a risk to overload the Settlements Team in SEMO. SEMO’s guidance was that a better solution would be to include the required processes in Ancillary Settlements on the system.

Another alternative had been suggested by SEMO which was that instead of adjusting the Strike Price, it may be better to remove difference charges and charges that occur for the duration of the 'Gas Emergency'. There was precedent to this approach in September 2021. SEMO advised however that the Difference variable changes needed (CDIFFCWD) were different to the Difference variable changed in 2021 (CDIFFCNP) and it is not feasible to change this Difference variable. CDIFFCWD cannot be edited in the system and even forcing an edit would impact other calculations such as CPremium, therefore SEMO no longer consider this as a viable solution. This would suggest that settlement for this scenario (Part B) would be best achieved also via an Ancillary Settlement using an out-of-market process, on the assumed basis that it would be possible for the MMU to carry out a review process similar to those in the "Under Test" scenario.

A participant queried as to next steps and timelines. BGE advised that given the latest feedback by SEMO then the modification would need to be re-drawn on the basis of an out-of-market settlement process. BGE is keen to close out the proposed mod(s) asap and will seek to bring an update to the next Mods Committee meeting in February. The participant queried that if the solutions to both Part A and Part B mods are out-of-market settlement processes then are mods needed. SEMO confirmed that the impacts now would be outside the TSC (SONI approved NI agreement and the EirGrid Process), and so it is for changes to be agreed with the RAs. SEMO advised that there is no need for a mod on the issue unless the occurrence of a Gas Emergency needed to be captured in the TSC. BGE advised they will reach out to the Participant to discuss.

BGE closed the meeting and advised they will keep participants advised on developments.