

Principles of Dispatch and Market Schedule Design

Industry Forum
12th October 2010

Agenda

- Welcome 9.30 - 9.40
- Overview of Position Paper 9.40 -10.30
- Stakeholder Presentations 10.30 -11.30
 - SOs/MO
 - IWEA
 - NOW Ireland/Meitheal na Gaoithe
- Coffee 11.30 -11.45
- Discussion 11.45 -12.55
- Next Steps 12.55 -13.00

Position Paper - Overview

1. Background and Context
2. Stakeholders' Responses
3. The Twelve Specific Issues
4. Next Steps

Background Context

- July 2009 Consultation Paper covered complex and far reaching issues
- Economic, technical and legal aspects of SEM
- RAs acknowledge delay
- Let's try to prioritise issues

In a Nutshell

- Scale of wind penetration will cause major strains on current SEM design
- Strains will be more acute if network rollout lags generation rollout
- Examples of strains:
 - escalating constraints payments
 - efficiency considerations
 - potential SoS concerns
 - jeopardising RES targets
- Strains may arise
 - between generators and end customers
 - between different categories of generators.
- Likely scale and timing of these strains not clear

Background Documents

- SEM 2007 – ‘Day 1’ and ‘Day 2’ issues
- All Island Grid Study – January 2008
- SEM Wind Discussion Document – Feb. 2008
- RA 2020 Modelling – January 2009
- Consultation Document – July 2009
- Responses - September 2009
- SOs Facilitation of Renewables Studies – June 2010

SEM Statutory Objectives

The principal objective is the protection of the interest of consumers of electricity on the island of Ireland via promotion of effective competition where appropriate, having due regard to:

- security of supply;
- sustainability, and
- in pursuing its principal objective and duties the SEMC will endeavour to be consistent

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Stakeholder Responses -Main Themes

- Need to recognise mandatory RES targets
- External market uncertainties – beware of ‘tying down the future’
- Timely and efficient delivery of infrastructure
- Regulatory stability – don’t play around with SEM
- Need for holistic approach (link to other work streams – e.g. CPM review, ancillary services etc.)

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Issue 1 - Principle Underlying the MS

Consultation Proposal:

“The RAs should seek to ensure that the construction of the market schedule is such that infra marginal rents are allocated to generating units that are of value to the real-time operation of the system and, where deemed appropriate, the RAs will make the necessary changes.....Materiality will be taken into account.”

SEMC Position on Issue 1

- The SOs have advised that the current inbuilt difference between physical dispatch and market schedule is manageable and not “material” for next couple of years.
- But SEMC reserves right to intervene with significant revision to market design rules if/when warranted by “material level of harm to end customers”
- Framework for measuring and monitoring “material level of harm” being developed
- Likely to cover
 - costs to end customer
 - security of supply concerns
 - facilitating renewable targets

Issue 2 -Allocation of IMRS behind Constraints

- Consultation Paper:

Welcome views on how access to the market schedule for plant situated behind export constraints should be limited, if necessary, e.g.

- *Option 1: ignore concept of firm access as it currently operates and model export constraints in the market schedule*
- *Options 2: Respect concept of firm access and allocate IRMs to generators only to the extent that they enjoy firm access*
- *Option 2A: As in Option 2 plus trading of access rights*
- *Option 3: Respect concept of firm access but reallocate any “residual capacity” to non firm generation on the day.*
- *Other?*

SEMC Position on Issue 2

- Need to pursue any of these options only arises if “material level of harm” arises
- Current SEMC thinking favours Option 1 (disregard firm access)
- Proportionality principle, as always

Issue 3 - Principle Underlying Dispatch: Least Cost

- Consultation Proposal

TSOs should continue to dispatch to minimise production costs of generation taking account of system security, no account of firmness

- SEMC Position

As per Consultation Paper

Issue 4 – Applying Priority Dispatch

- **Consultation Proposal**

- *Option 1: Dispatch irrespective of cost*
- *Option 2 (a): Dispatch purely on economic merit*
- *Option 2 (b): Priority dispatch in tie breaking situations only*
- *Option 2 (c): Dispatch taking subsidies into account*
- *Option 2 (d): Dispatch at some effective price (minus VoLL/other)*

SEMC Position on Issue 4

- PD is key policy instrument in progressively achieving 2020 targets in Directive 2009/28/EC
- SEMC will apply P.D. in both letter and spirit of Directive
- Secure operation of system is only qualification
- SEMC drawn to “absolute” rather than “qualified” end of spectrum in July 2009 Paper
- Cost consideration only in very exceptional situations
- On priority *between* different qualifying generators, be guided by -
 - transposing legislation
 - mandatory or optional status
 - current TSO practice

Issues 5/6 - Grid Code Information Compliance

- Consultation Proposal

TSOs continue to make available relevant information relating to their understanding of what changes to dispatch and scheduling of renewable generation are being contemplated in light of increasing RES , including where there may be technical limitations on the quantity of certain types of plant that can be accommodated on the system, and their view of how technical issues will be resolved.

Additional emphasis on enforcing GC should continue and TSOs keep GC under review

SEMC Position on Issues 5/6

- As per Consultation Proposal

The policy in Northern Ireland of employing special protection schemes will be examined further

Issue 7 - Deemed Firm Access

- **Consultation Proposal**

No introduction of deemed firm access

- **SEMC Position**

As per Consultation Proposal. Inefficiency and cost implications.

Issue 8 - Priority Dispatch: Hybrid Plant

- Consultation Proposal

Rules for hybrid plant should depend on which option is chosen re priority dispatch. Views sought on extension of P.D. to hybrids.

- SEMC Position

Legal uncertainty over status of hybrids. Transposition of Directive 2009/28/EC may help clarify.

Issue 9 - Determination of SMP when Demand met by Price Takers

- Consultation Proposal

The RAs propose that PFLOOR remain as a lower limit to SMP and continue to be consulted upon annually under the T&SC Code.

- SEMC Position

As per Consultation Proposal

Issue 10 - Quantity of Generation Paid PFLOOR

- Consultation Proposal

In Excess Generation Event quantity of generation charged PFLOOR should not exceed System Demand. MSQs of PTs should be pro rated down so that total quantity is equal to System Demand

- SEMC Position

As per Consultation Proposal

Issue 11 - Tie Breaks

- Consultation Proposal

De-loading should be instructed on pro-rata basis in a manner determined by the TSOs in tie break

- SEMC Position

As per Consultation Proposal, in principle. Seems fair and pragmatic.

However, comments requested in particular on case for favoring earlier applicants (the “grandfathering issue”)

Issue 12 - Treatment of VPTs in MS

- Consultation Proposal

Amend the TSC to reflect the intentions of the SEM HLD that Price Takers receive constraint payments only to extent they are firm

- SEMC Proposal

As per Consultation Proposal. Revised rules will now be progressed.

Stakeholder Presentations

Coffee



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Discussion



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Next Steps



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Next Steps

- Responses by 17.00 Friday, October 29th
- Publication of consultation on framework for assessment of material harm by year end
- Development of Proposed Modification to TSC re VPTs
- Decision paper publication January 2011

Thank You



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