

**IWEA response to the SEM Committee's consultation on Imperfections Charge
October 2017 - September 2018 and Incentive Outturn October 2015 - September 2016**

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IWEA welcome the opportunity to respond to the SEM Committee's consultation on Imperfections Charge October 2017 – September 2018 and Incentive Outturn October 2015 - September 2016.

IWEA welcome the measures introduced by the SEM Committee to increase transparency around Dispatch Balancing Costs. Furthermore, we acknowledge that the Dispatch Balancing Cost Incentive Mechanism has led to reduced Imperfections Costs. However, we wish to highlight that we fundamentally disagree with the process whereby the TSOs are incentivised to beat their own forecast of Dispatch Balancing Costs. We note that over the last number of years, the TSOs have been rewarded for the performance and no penalties have been paid to date.

Following on from the implementation of transparency measures relating to Dispatch Balancing costs, IWEA recommend that further transparency measures are prioritised going forward. In particular, information flow to market participants needs to improve and provision of accessible and usable information in a timely manner needs to be prioritised, especially given the introduction of I-SEM in May 2018.

Currently information provided to the market is inconsistent, intermittent or unreliable. Market participants require an improved breakdown of expected constraints and curtailments on the system, relevant information on the state of the network and planned actions by the TSOs (i.e. ongoing updates on Voluntary and Forced Outages). Information flows are currently insufficient to address the requirements of market participants under I-SEM for the most accurate view of the market to mitigate commercial exposures arising from energy imbalances. Without up to date information, participants cannot accurately assess the risk that they are exposed to which will lead to inefficient market outcomes and increased costs to the electricity consumer.

Notifications published for REMIT are often inconsistent, unstructured and late making it difficult to forecast available generation capacity. The TSOs also need to inform market participants of Forced Outages as they occur.

Market participants have no means of accessing up to date network conditions and outages making it extremely difficult to forecast network capability, constraints and non-energy actions. Furthermore, a current list of Voluntary Outages (ongoing and scheduled) also needs to be provided. The TSOs need to inform market

participants of levels of expected generation in a timely manner and of expected constraints and curtailments arising from scheduled outages as they occur.

IWEA note that dispatch Instructions previously differentiated between constraints and curtailment but these are no longer distinguishable in the data supplied by the TSO. Much greater transparency is required in these areas. Participants need to have visibility on inputs to the scheduling and dispatch process, as close to real time as possible, in order to understand how these influence actual outturns. This is of particular significance for non-firm generators who will be liable to pay for any energy imbalance arising from curtailment so must be able to predict curtailment as accurately as possible prior to trading their position.

IWEA are of the opinion that an incentive mechanism should be introduced for the TSOs to provide current, accurate and consistent information relating to energy imbalances, constraints, curtailments, and other system charges to market participants. This data flow will be imperative to facilitate efficient market operation in I-SEM and to minimise the cost of electricity for consumers. We believe that this incentive should be dependent on the adequate provision of relevant data and that a penalty should be imposed on the TSO if relevant information is not shared in a suitable manner.

IWEA would like to thank the SEM Committee for the opportunity to respond to this consultation on Imperfections Charge October 2017 – September 2018 and Incentive Outturn October 2015 - September 2016. If you would like to discuss further please do not hesitate to contact IWEA.