

SEM Committee Response to Complaints

The Regulatory Authorities have received formal complaints from Viridian Power and Energy and Premier Power Limited (the operator of Ballylumford power station) about the Commercial Offer Data of

- Dublin Bay Power Station
- Coolkeeragh Power Station
- Tynagh Power Station
- Moneypoint Power Station

These complaints allege that Commercial Offer data do not reflect a reasonable interpretation of the Bidding Code of Practice to which all generators are required to adhere to under their licences.

These formal complaints are in addition to concerns expressed informally by other market participants.

The complaints maintain that non-adherence to the Bidding Code of Practice has the effect of distorting the choice in both the Market and Dispatch schedules as to which plants should be shut-down and restarted during the optimisation period (i.e. causing inappropriate two shifting). This, it is felt by the complainants, imposes additional maintenance costs on their plant. It may also have the effect of artificially depressing SMP during the night time period of low demand.

After preliminary investigation by the Market Monitoring Unit, the SEM Committee is of the opinion that the complaints satisfy the requirements set out in Annex A of the 18 October Market Monitoring Information Paper. Furthermore we are satisfied that the issues warrant proper inquiry by the SEM Committee through the Market Monitoring Unit.

Our preliminary investigation identified two aspects of the Bidding Code of Practice relevant in relation to the complaints:

1. What constitutes good cause for not valuing cost items underlying Commercial Offer Data by reference to prevailing prices on generally accessible trading markets; and
2. How the cost of risks and increased maintenance associated with repeated re-starts should be factored into both the Start Up costs and the Price-Quantity pairs submitted to the Market Operator.

In relation to Point 1 above, the issues raised are particular to the operation of Dublin Bay Power station (Synergen), and will be given full consideration by the SEM Committee.

In relation to Point 2, it is clear that interpretation of this aspect of the opportunity cost by reference to the most valuable realisable alternative use of that cost-item is markedly different across the market.

The relevant paragraphs of the Bidding Code are

1. Paragraph 8 (iii), “reasonable provision for increased risks to plant and equipment as a result of the operation of a generation set or unit may be included”; and
2. Paragraph 10 “Start-up and no load costs should reflect the actual start-up and no load costs of the generation set or unit unless it can be demonstrated to the satisfaction of the Authority or the Commission (as appropriate) that the scheduling algorithm and associated software operates in such a way that the bidding of actual start-up and no load costs would distort the true economics of the generation set or unit.”

The Bidding Code of Practice aims to facilitate the efficient operation of the Single Electricity Market by ensuring that:

- in combination with the Capacity Payment Mechanism established under the Single Electricity Market Trading and Settlement Code, generators are appropriately compensated for making available their generation sets or units (as appropriate) and for generating electricity in the Single Electricity Market;
- generators cannot exercise market power in the generation of electricity on the island of Ireland or any part thereof; and the Power Procurement Business cannot exercise market power by virtue of generation sets or units contracted to it under long term power purchases agreements in Northern Ireland, in respect of which it has been appointed an Intermediary.

Our inquiry into whether the Bidding Behaviour is in breach of the Bidding Code of Practice will be judged against its effect on the achievement of these aims.

Until such time as we have concluded our inquiry, the varying interpretations of the code in relation to the costs of repeated starts are presumptively acceptable. The justification for a bidding strategy, however, must be to ensure that the costs and risks associated with repeated starting are captured in Commercial Offer Data, not that shutdown is avoided irrespective of cost.

The SEM Committee will consider the outcome of the MMU inquiry as soon as possible

The full content of the Complaints can be found [\[here\]](#)

