

# BWEA



Delivering the UK's wind, wave and tidal energy

**DRAFT BWEA Response to “Principles of Dispatch  
and the Design of the Market Schedule in the  
Trading and Settlement Code”**

SEM-09-073

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## 1.0 Introduction

BWEA welcomes the Single Electricity Market (SEM) Committee's consultation paper *Principles of Dispatch and the Design of the Market Schedule in the Trading and Settlement Code*. BWEA was established in 1978 and is the representative body for companies active in the UK wind, wave and tidal energy market. We provide this submission on behalf of the Northern Ireland renewable energy industry.

This paper deals with a wide variety of issues and outlines a number of options and proposals. Many of these proposals have created significant concerns for our members. We are aware that the Irish Wind Energy Association (IWEA) has commissioned significant legal and economic reviews of these proposals and that IWEA will be separately responding with many comments on the detail of these proposals.

BWEA believes that the following pillars should underpin any decision by the SEM committee on the matters raised in this consultation:

- National Energy Policy in both jurisdictions must be respected.
- The proposals must comply with relevant national and EU law.
- The regulators should have regard to the degree of risk proposals and changes may create.
- The SEM Committee should have regard to the interfaces between SEM and BETTA.

In this response BWEA will expand on these key points and also identify a number of more detailed points that we believe need attention.

## 2.0 Detailed comments

### 2.1 National energy policy

We believe that this consultation should give due regard to existing national energy policy in the UK. The UK has a target to generate 15% of all energy from renewable sources by 2020. A significant contribution from wind generation will be required to enable the achievement of this target. Northern Ireland enjoys one of the strongest wind resources in the United Kingdom and has attracted significant investor interest in developments. The draft Strategic Energy Framework proposes a 40% target for renewable electricity in Northern Ireland by 2020. It is essential that efforts to achieve these targets are not jeopardised by regulations that may be perceived to be inconsistent with national policy.

### 2.2 Allocation of Access Rights

With regard to the allocation of transmission access rights, we believe that it is wrong to prioritise incumbents over new renewable generation simply because they hold firm access rights, when the energy market is requiring that renewables replace conventional plant. Similar issues have dominated the Transmission Access Review in Great Britain and we would very much caution against this approach.

BWEA would prefer option one of the three set out in this section. We do not agree with the arguments in the consultation which seem to say that the renewable lobby, through being denied what is now essentially firm access in all but name, will thus be a strong voice in lobbying for new infrastructure. We cannot imagine how prioritising incumbent generators with firm access rights over new entrants can result in our sector being any more vocal on this point than it has in the past, given the vital nature of this capacity to our members' business.

### **2.3. Priority Dispatch**

BWEA has read the consultation's discussion on the interpretation of Directive 2009/28/EC's provisions on priority dispatch, and while we believe the characterisation of the issue in the consultation is extreme, we agree that absolute priority needs to be tempered to some extent by operational reality. We believe that there should still be a very broad assumption that renewables should run in preference to other plant, however, except in very limited circumstances. We note that unless priority is clear for renewables, and especially wind, then investment is deterred and the many benefits of that investment are not gained. Care must be taken to ensure the arrangements decided on support high-level policy objectives rather than stymie them.

Consequently, BWEA would support a system that either accepts the power produced when wind is available, or if for any reason that power is not accepted, compensates the wind generator at a rate equivalent to the payment it would otherwise have earned. This is analogous to what currently occurs in Scotland for wind plant that is 'constrained off' due to lack of grid capacity.

If 'Qualified Priority' is chosen over an absolute priority, then BWEA believes Option 2c to be the best proposal of the four put forward, as it offers a reasonable dispatch option which respects the carbon abatement reasons for putting wind high on the merit order for all but some qualified circumstances. If economic mechanisms have been implemented correctly, the consultation is correct in that renewable energy sources would be dispatched first based on the Merit Order.

### **2.4 Regulatory Stability**

The current SEM market has been in operation for less than two years. It was introduced following a prolonged period of consultation and deliberations with stakeholders. It has been successful in attracting new investors to the market (although external factors have limited the pace of entry). Due to the capital intensive nature of energy investments much of the financing arrangements involve international banks and investors. These investors greatly value a stable regulatory framework where large scale changes to markets are anticipated and managed in a clearly defined process.

The current consultation has raised many issues, notably the allocation of transmission rights, in a more fundamental manner than anticipated by the investment community. This has increased the perceived risk of investments in SEM and we would strongly urge the SEM Committee to restrict changes in the market design to those necessary to deal with current issues.

### **2.5 Introduce more flexible trading with BETTA**

We note that the EU has promoted the concept of regional markets. However, this consultation proposes major alterations to SEM without considering the impacts on adjacent markets or the current restrictions around trade between these markets. Many of the issues raised in this paper relate to situations where there are excessive generation events. One of the most effective measures to deal with these would be to export the additional generation. While it is recognised that this may not always be commercially or technically

feasible the market arrangements should not in of themselves prevent additional trade. In particular, the ability to execute short term trades between SEM and the BETTA market should be introduced.