

NORTHERN IRELAND ELECTRICITY plc

**PRINCIPLES OF DISPATCH AND THE
DESIGN OF THE MARKET SCHEDULE IN
THE TRADING & SETTLEMENT CODE**

**NIE's RESPONSE TO REGULATORY AUTHORITIES'
CONSULTATION PAPER SEM-09-073 (8 JULY 2009)**

28 SEPTEMBER 2009



Consultation Response

NIE believes that the consultation on “Principles of dispatch and the design of the market schedule in the Trading & Settlement Code” is largely a matter of concern amongst TSOs, market managers and market participants. It is however correct that the objectives should be to ensure that:

- Generation costs are minimized for customers;
- Generation mix is adequate in a changing world to maintain security of supply for customers; and
- Any system adopted assists in taking forward Government’s energy policy.

This is a set of objectives which it is not easy to meet through any one system of dispatch rules and access allocation principles. It is therefore inevitable that compromise between the objectives is required. Importantly, Government’s renewable targets are specified in energy terms and not as installed capacity. It is therefore of no benefit to the achievement of the target to locate renewable generation behind a network constraint if that means that the generation is constrained off, no matter whether it is financially compensated or not. Compensation payment reflects a transfer of risk between developers and customers at large.

NIE notes that the paper correctly reflects the future technical issues. We would suggest that the TSOs and DSOs consider minimum levels of technical requirements to be incorporated within Grid Codes and D-Codes and that these would then represent the minimum requirements for generators’ entry to the dispatch schedule. Additional contributions to the technical parameters could then be factored through the dispatch schedule as need arises. This avoids the over-egging argument of excessive codified requirements.

In relation to the issues raised in section 4.5 of the consultation, we understand the options as fundamentally allocating network capacity to incumbents is a long term capacity allocation, whereas competing for capacity is a short term or real time capacity allocation. Logically, there could be a middle position to consider in which access is allocated or sold for various time blocks and is transferable between applicants. This could have an advantage in that it offers some comfort to generators while allowing flexibility as conditions change on the system. Under changed conditions it would become more or less attractive for a type of generator to hold firm access either for their own use or as an access capacity broker. This approach would represent a compromise between the best use of network (allocating access capacity in the same time frame as energy) and certainty for generators (allocating capacity for the life of the plant).

In relation to section 2.8 of the consultation, NIE would ask the RA's to note that it has already offered non-firm wind connections to approximately 300 MW of wind generators. The majority of this is however only non-firm for circuit outage conditions, but recent connections have been non-firm in the sense that generators are constrained off at certain times of the year and certain generation profiles in case a fault occurs. This block of generators therefore falls well within the scope of the commercial considerations in the consultation paper. Wind farm developers have repeatedly told us that for project financing risk profiles they prefer a first come first served approach to capacity.

The maximum export capacity of some wind farms connected to the distribution system exceeds the standard rating of the distribution circuit but the rating of that circuit is varied dynamically, for example with ambient temperature or incident wind. It is our view that the market systems established need to reflect that connection assets and distribution systems can be sweated by advanced controls to achieve government objectives, otherwise there is a disincentive to develop smarter grids. We also have been sweating transmission assets to connect more generators but we view this as a temporary arrangement, until more transmission can be permitted. We further hold the view that any application of firmness in the market should be designed not to compensate generators for a failure to generate resulting from incapacity or outage of their connection assets. Generators pay for these assets (and for deep reinforcement on the distribution system) and they have choices as to the capacity and level of security which they pay for. In exercising these choices they are balancing risk with the cost of connection. Reallocation of the risk to the mass of customers (as happens when generators are paid constraint payments for the outage of their connection assets) will result in generators always tending to choose a minimalist connection arrangement. The consultation notes that the distribution system is not built to offer the same level of security as the transmission system so compensation would be inappropriate for incapacity either during outages on the distribution system or in circumstances where the generator has agreed only to fund a distribution arrangement which cannot deliver full capacity under all circumstances.

We accept that depending upon the arrangements adopted, different stakeholders will have greater interest in the timely completion of deep reinforcements. However, we believe that with competent stakeholder organisations in place the pressure to complete work will remain approximately the same and thus this should not be a material consideration in market design.