

Integrated Single Electricity Market (I-SEM)

Offers in the I-SEM Balancing Market Consultation Paper SEM-16-059

Aughinish Alumina Ltd Response

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This response is non-confidential

Background

Aughinish Alumina Ltd (Aughinish) as a Large Energy User (LEU) and the owner/operator of a High Efficient CHP plant operating within a Trading Site in the SEM, welcomes this opportunity to comment on the options outlined in the Consultation Paper (SEM-16-059) to determine the offer arrangements that will be applied to actions deemed to be non-energy in the I-SEM Balancing Market only

Aughinish operate an alumina plant in West Limerick with a 45MW baseload electrical demand and a continuous 24hour demand for high pressure/temperature steam. The two generating units Sealrock 3 and Sealrock 4 were built following the deregulation of the electricity market in Ireland. The CHP plant operate as a Predictable Price Taker Generator within a Trading Site to satisfy the onsite power needs and provide some of the steam requirements of the alumina plant. The CHP operates at 80% efficiency and generates 240MW of steam and 160MW of electricity of which around 115MW is exported to the market. The current BCOP has a clause recognising the specific requirements for a CHP plant providing heat and power to an associated process.

Non-Energy market concerns

Aughinish runs as a baseload generator because it always need the steam produced from the CHP units. We have some flexibility down to Min-Gen because our gas boilers have some spare capacity to compensate. Below Min-Gen we need to start our 500MW heavy fuel oil boilers which is a very expensive 8-hour procedure. We have previously pointed out that the complex offers to the BM should incorporate shut-down costs to more accurately reflect the true cost of TSO actions and to assign them to the correct period.

In the absence of a shut-down cost the bidding rules must allow real opportunity costs to be recovered.

Preferred controls on offers

Aughinish supports the proposed approaches to offer controls in the Balancing Market and the need to impose offer controls. (Question 1)

Aughinish believes that Option 1, subject to our comments below, provides a more appropriate approach for the submission of offers into the BM. (Question 2)

Below cost selling: When considering bidding restrictions to protect against market manipulation Aughinish agrees that the RAs must be cognisant of 'must run' units inside a constrained location. In addition to this Aughinish suggest the MMU should be given powers to protect small independent generators in the ISEM from the potential risk of vertically integrated participants undermining the

wholesale market price. Option 2 gives no accommodation to the MMU on this front by not having a floor price for INC offers. Below cost selling should not be allowed.

In addition, there is uncertainty around the advantages of option 2 and considering the Balancing Market Offer Principles (BMOP) would still need to be generated Aughinish believe option1 more appropriate.

Irrespective of which option the RAs decide upon Aughinish require the Co-generation clause to be updated to give better clarity to the Market Monitor on permissible Eligible Costs for co-generation.

Response to Consultation

Co-Generation

Whatever the Option the RAs decide to implement, it must recognise the specific costs relating to the operation of co-generation and the associated costs of heat production. Therefore, the main changes to the BMOP (Appendix A of the Consultation Paper) relative to the existing BCOP for the construction of offers is to take into account the full opportunity cost of Decremental deviations from a physical notification whilst maintaining continuity of steam supply to the associated process. This opportunity cost would not only include the saving in fuel costs but would reflect

- 1)the cost of producing steam from alternative hot boilers
- 2)the cost of starting up additional ancillary boiler and/or
- 3)the value of lost production

Eligible Cost Items

These cost items must reflect the actual costs directly associated with process heat and continuity of heat supply. Aughinish would wish to see specific referral to this requirement included in the Cogeneration clause of the BCOP.

Redefinition of SRMC

Aughinish supports this redefinition of SRMC on a more granular basis i.e. corresponding to the settlement period

As always Aughinish is at your disposal if further clarification is needed.

Best Regards,

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