



***Response to Integrated Single Electricity Market (I-SEM)
Consultation on
Capacity Remuneration Mechanism
Reserves
SEM-18-159***

**On behalf of
AES Kilroot Power Ltd and AES Ballylumford Ltd**

2nd November 2018

Capacity Remuneration Mechanism

Introduction

AES welcomes the publication of the consultation document on I-SEM Capacity Remuneration Mechanism Reserves (CRM) (SEM-18-159) and the opportunity to provide comments on the questions asked.

AES is a global energy company with assets in the all island market consisting of coal and gas fired conventional and CCGT plant with additional distillate fired peaking gas turbine plant and a Battery Energy Storage Array (BESA). AES is a non-vertically integrated independent generator which owns and operates Kilroot and Ballylumford power stations in Northern Ireland with a combination of merchant and contracted base load, mid merit and peaking plant. The responses to this consultation are therefore conditioned by the nature of our current position and portfolio of assets operating in the SEM.

CRM RESERVES

This response is submitted with reference to the specific questions raised in the consultation paper and based on our current understanding of I-SEM CRM design.

Question 1: Do you agree with the proposal to include reserves in Locational Capacity Constraint Area minimum MWs for the T-4 CY2022/23 capacity auction? Please explain.

AES supports the proposal to include reserves in the locational capacity constraint area minimum MWs for the T-4 CY2022/23 capacity auction.

The following factor influenced AES support for inclusion of reserves.

- The 8 hour LOLE security standard has been retained which is below the level of adjacent systems and would recommend moving to a 3 hour LOLE. AES has concern over the ability to maintain this level without reserve procurement.
- a locational capacity requirement below the anticipated locational system peak was procured in the initial T-1 auction
- the EU State Aid direction of travel preventing the ability to procure additional capacity above the capacity requirement resulting in the displacement of cleared capacity in other locational areas.
- A portion of the demand curve to be held back for the T-1 top up auction
- The lack of evidence of proven ability of demand response at times of system stress.
- Compliance with wider EU practice to include reserves.

Question 2: If reserves are to be included across the Locational Capacity Constraint Areas, which of the above approaches (or other approaches do you favour and why)

AES Supports the bottom up approach with a minimum all island requirement as this would ensure that the target security standard is achieved in each locational area and also covers the all island largest infeed reserve requirement i.e. with a minimum requirement of 500 MWs on an all island basis.

Question 3: Do you agree with the proposal to include reserves in the forthcoming T-1 capacity auction for CY2019/20? Please explain.

As per question 1 above AES supports the proposal to include reserves in the locational capacity constraint area minimum MWs for the T-1 CY2019/20 capacity auction.

The following factors influenced AES support for inclusion of reserves.

- The 8 hour LOLE security standard has been retained which is below the level of adjacent systems and AES has concern over the ability to maintain this level without reserve procurement.
- A locational capacity requirement below the anticipated locational system peak was procured in the initial T-1 auction and this has been retained for the 2019/20 T-1.
- the EU State Aid direction of travel preventing the ability to procure additional capacity above the capacity requirement resulting in the displacement of cleared capacity in other locational areas.
- There is a requirement to manage exit ?
- The proven ability of demand response at times of system stress.
- Compliance with wider EU practice to include reserves.

Question 4: Do you agree with the view that the case for including significant reserves in the all-island demand curve is relatively weak?

As stated in the response to Question 2 - AES supports the view that a bottom up approach is used to procure sufficient reserve to support the system security standard in each locational capacity area in conjunction with a minimum All island requirement of 500 MWs of reserve procured to cover the largest infeed.

Question 5: If reserves are to be included across the Locational Capacity Constraint Areas, which of the above approaches (or other approaches do you favour and why)?

AES Supports the bottom up approach with a minimum all island requirement in the T-1 also as this would ensure that the target security standard is achieved in each locational area and also cover the all island largest infeed reserve requirement i.e. with a minimum requirement of 500 MWs on an all island basis

Question 6: Are there reasons to use different approaches for the CY2019/20 T-1 auction and the CY2022/23 T-4 auction? If yes, please explain.

AES supports using the same, consistent and transparent approach for both auctions.