

# Bord na Móna

---

## BnM response to Applicability of Non- Performance Difference Charges Consultation

---

31 August 2022



## Response

We preface our response by indicating that all contents of our response are provided without prejudice or effect to whatever proposals or planned changes are outlined relating to the Administered Scarcity Price or the protections afforded by existing modifications.

Bord na Móna welcomes the opportunity to engage in this important consultation – having been directly financially penalised when a peaker unit was in merit and available in the past. Since then the introduction of a number of modifications, one of which Mod 09-19 *‘Removal of Locational Constraints from Imbalance Pricing Calculation’* have addressed this constraint in the imbalance pricing process, which today would avoid this unfair penalty.

### **1. Discussion on Mods**

Mod 02\_21, *‘Setting a flag for Specific Interconnector actions’* has recognised the merit of flagging Cross Zonal Actions by setting the System Operator Flag to zero for Interconnector Residual Capacity Units when an Interconnector Trade Quantity and Price is submitted.

Our view is that modifications which are currently in place are working effectively to introduce some element of fairness for a unit which is in merit and available –which should not be exposed to pricing being set by Cross Zonal Actions.

As the paper describes other modifications have been considered – most notably proposal Mod 14\_21, *‘Expansion of the System Service flag to include units providing Replacement Reserve in line with the detailed design’*, proposed to extend the System Service Flag (FSS) to cover units that are listed by the TSOs in their latest published Operational Constraints Update as a resource providing Replacement Reserve. This was approved by the Mods Committee in December 2021 but is still awaiting an impact assessment before being put to the RAs.

Mod 01\_21 *‘Removal of difference charges where operational constraints are binding’* proposed removing exposure for generators whose scheduled output cannot be increased due to any Operational Constraint that limits an increase in a unit’s output. Although accepted by the Mods Committee this was rejected by the RAs on the basis that it was too broad. It is unclear to BnM why this modification was rejected. The explanation appears to centre on wanting to avoid low utilisation plants entering the Balancing Market with no ex-ante position. The reality is that this is the only choice available to a non-firm plant to avoid exposure to the balancing market if it had traded ex-ante. The other exposure to the generator arises where the unit (either firm or non-firm) bids legitimately into the ex-ante markets but fails to get a position. We note that initial concerns around the impact of this modification on socialisation funds were subsequently allayed. For clarity, the point of outlining our position above is to highlight that BnM fails to see anything inherently wrong with Mods 09-19 and Mod 02-21, and that there appears to be very little wrong with Mod 01\_21.

The paper communicates SEMC’s concerns around Mod 02\_21 *‘Setting a flag for Specific Interconnector actions’* *‘that it may be appropriate to consider refining this modification such that only certain Interconnector actions are removed from pricing’* – without describing what these potential actions to be removed will be. In the absence of this information we believe that there is insufficient information to make informed comments.

BnM are strongly unsupportive of any narrowing of existing modifications that are providing important remedies in the function of Non-Performance Difference Charges.

Taking all the Mods into account, the only approach that makes sense is the fourth and broadest approach that is discussed in the paper, ie., Mod 14\_21. This would support the view that Non-Performance Difference Charges should be targeted to those circumstances where units can have direct control in influencing their delivery.

## **2. Definitions of 'Availability' and 'In Merit' – in interests of Fair treatment**

At a fundamental level there needs to be an absolute common understanding in the context of this consultation as to what is understood by 'availability' and 'in merit'. This will be important to avoid ambiguity over rule changes which would automatically expose units which were non-firm and hence were not in a position to bid into the ex-Ante market, as well as units which legitimately bid into the ex-Ante markets but which failed to secure a position.

## **3. Administered Scarcity Pricing**

The paper suggests the re-examination of the operation of Administered Scarcity Pricing (ASP). We are concerned that this revisit to ASP will be conducted based on the historical premise that the ASP has not been triggered, and that there is an implied decision to alter it so as to trigger. One would have to ask whether now is the right time to do this given that the Island of Ireland looks to be heading into a perfect reserve market storm over the coming months and consequently it would not be surprising if the ASP was actively triggered perhaps multiple times with its current design.

The interaction between 'Availability' and Administered Scarcity Pricing is obviously extremely important owing to the potential increased exposure to the ASP for units unfairly deemed to be unavailable and out of merit.

## **4. In relation to the Query as to 'Under what circumstances, if any, beyond being flagged for providing Replacement Reserve, should units be exempt from Non-performance Difference Charges that would otherwise apply?'**

SEM 15-103 Critical Design Document refers to:

*'Next steps*

*3.3.97 The SEM Committee also recognises that work needs to be done to determine appropriate arrangements to ensure that capacity providers directed to provide operating reserve or other DS3 System Services are not inappropriately disadvantaged when acting on instruction of the TSO'.*

On that basis it is clear that it is appropriate for due consideration to be given to crediting capacity providers who are providing system services other than operating reserves. This due consideration would involve crediting them against the volume exposure to non-performance difference payments where this volume is associated with the provision of such additional System Services.

## **5. Locational Signal**

The paper in Question 5 mentions a potential concern about introducing a detrimental locational signal into the Capacity Market. Locational signals are already clearly articulated in the market via CRM auction parameters, constraints and curtailment faced in certain constrained regions, and firm access limitations related to delayed network development in a particular region. Exposure to RO difference charges should not be used as a locational signal and therefore BnM consider Question 5

to be an inappropriate question when considering the signal relating to non-performance and associated Non-Performance Difference Charges.

**6. Need for Better Communication – Sharing of Information – Access to Information which Only the SOs have**

In our very high-level responses to the questions we have indicated that we were unable to provide a critical view on many aspects as insufficient information held by the SOs was provided to industry.

## Conclusion

In conclusion, BnM appreciates that this is an important consultation which will have an impact on the financial exposure of both new and existing assets, across a range of technologies. Prior to any decision being issued, meaningful engagement with industry supported by SO data is needed. There is a need for transparent discussion and a thorough impact assessment at a minimum, in conjunction with an Industry Workshop.

Our current high-level positions, without prejudice to existing mods as well as mods in transition, are that we support the view that Non-Performance Difference Charges should be targeted to those circumstances where units can have direct control in influencing their delivery.

Given the substantial impact of the ASP on the exposure of units, we are disappointed with the lack of context and detail on potential development of the ASP not being shared.