

**Power NI Energy Limited
Power Procurement Business (PPB)**

Balancing Market Principles Statement

Consultation on Revisions

Response by Power NI Energy (PPB)

7 February 2019.



Introduction

PPB welcomes the opportunity to respond to the Eirgrid/SONI consultation on the revisions proposed to the Balancing Market Principles Statement (BMPS).

General Comments

Our primary concern with the proposed amendments to the BMPS related to the cross-zonal trading proposed to be conducted by the TSOs.

There has been no clarity or transparency over energy trading arrangements under the proposed Co-ordinated Third Party Trading (CTPT) or Cross Border Balancing (CBB), to ensure there is clarity over the actions proposed and to describe how it is to be ensured that such actions, being non-energy actions, do not affect pricing in the SEM. There is also a lack of clarity over the pricing of any such trades with merely a vague reference to a “methodology” that is not published. This detail must be consulted upon and discussed with market participants to ensure that the arrangements do not create any market distortion.

Our detailed comments are set out in the table below.

Detailed Comments

Page	Section/Para	Comment
9	Terms and Definitions	<p>The proposed definition of “System Support Services” is confusing as it doesn’t align with the definition of the same term as set out in the SONI Licence, but where there is conflict then the Licence definition would prevail.</p> <p>There should be no conflict and hence the definition should mirror the Licence definition or else adopt the same approach used for other defined terms (e.g. Revised SEM Arrangements) by cross-referring to the Licence definition, i.e. defined as “<i>Has the meaning given to the expression in each of the TSO Licences</i>”</p>
9	Terms and Definitions	<p>DS3 System Services is referenced in the current definition of System Support Services but is not a defined term although the term is used a number of times in the BMPS. Previously DS3 and System Services were individually defined and hence concatenation worked but in the current draft “System Services” is no longer a defined term and hence there is no definition of DS3 System Services.</p>

21	3.2.1	In the penultimate paragraph, it states “ <i>System Support Services data (which incorporate DS3 System Services and other support services and Ancillary Services)</i>”. The definition of System Support Services should already provide a tight definition, yet the introduction of “ <i>other support services</i> ” makes it unclear what these other services could be that are not already covered by the definition of System Support Services. There must be absolute clarity on the services and data requirements.
23	3.2.4	In the penultimate paragraph, it isn’t clear what the “respective service agreement” is referring to. Are these the DS3 System Service Agreements? Or some wider suite of agreements?
24	3.4	The DSO, DNO, ICOs and TSOs are already defined terms and therefore it isn’t clear why they are redefined again?
28	3.4.3	Final paragraph – it isn’t stated where or how the reports are published (or how a participant would be informed of an ad-hoc update). It would be useful to specify the publication process in more detail including any market message arrangements. Also an extraneous “however” which should be deleted.
29	3.4.6	At the end of the first paragraph, “previous market arrangements” is a defined terms and therefore should be capitalised
30	Cross Zonal Actions	There remains a lack of clarity and transparency over energy trading under both CTPT and CBB, including how it is ensured that such actions, being non-energy actions, do not affect pricing in the SEM. There is also a lack of clarity over the pricing of any such trades. The Business Process document (BP_SO_11.1) states it gives the detail on the derivation of Cross Border Balancing trade prices and volumes but there is no information in the document on how the prices are formed and it merely states they are determined “as per the methodology” but no methodology is specified. BP_SO_11.1 also refers to BP_SO_11.2 but we have been unable to locate that Business Process document. Also same comment re “ P revious M arket A rrangements” in changes under CBB.

31	3.4.6	<p>We have major concerns with the statement that SO trading <u>will</u> form an input into the scheduling and dispatch process. It is not clear from that statement what the proposals are for the use of such inputs on the BM pricing. This topic has never been properly discussed, analysed or consulted upon and therefore the impact on market pricing, signals, and RO obligations has not been robustly considered. Pricing in the BM price should not be corrupted by SO-SO trading activities, especially where they are conducted after BM gate closure when no other participant can refine their positions. The position, rights, obligations and consequences of SO trading must be agreed before it is properly documented in the BMPS.</p>
33	4.1	<p>The last paragraph states that “<i>our processes and tools remain under review. These processes are therefore subject to change.</i>” While this may be the case, the BMPS must reflect the current arrangements and the BMPS must be changed to reflect any new processes following any subsequent review.</p>
33	4.2	<p>In the first bullet, it states that negative decremental prices are applied but the statement is vague and doesn’t set out the specifics or range of such prices.</p>
34	4.2	<p>In the bullet relating to selection of COD, it states that the LTS and RTC runs use complex commercial offer data. However surely for units that have submitted PNs for the period covered by the run, the Simple COD should be used as that will reflect what will be applied later in the RTD and in settlement.</p>
36	4.3.2	<p>It is stated that the “<i>LTS is initiated manually and the exact timing of each run can vary</i>”. The LTS was to be run every 4 hours and hence this should, in normal circumstances, be run to a strict timetable every 4 hours.</p>
39	4.4	<p>It isn’t clear why the words are being deleted as there will be startup and shutdown actions.</p> <p>In the interests of transparency, TSO actions deviating from the IOS should be reported on and monitored for their impact on imbalance pricing.</p>

42	Figure 8	The note after Figure 8 should delete the word “ <i>being</i> ” as SEM is live.
48	5.1	The current level of deviation of actual dispatch relative to the RTD IOS appears high. In the interests of transparency, TSO actions deviating from the RTD IOS should be reported on and monitored for their impact on imbalance pricing.
52	5.3	Given that the market is new it is surprising that the first audit of the scheduling and dispatch processes is not occurring until after 15 months operation of the revised market arrangements when the ongoing plan is for annual audits. Due to the market changes, having the first audit within a tighter timeframe would have been expected rather than extending the time before the first audit.
54	6.1	It would be better to link in with the defined term “Previous Market Arrangements” when referring to the website relating to those arrangement by referring to the “Previous Market Arrangements Website”.
57	6.4	In the first sentence, the methodologies are no longer new.
66	Appendix 2.1	As per the earlier note on page 33, section 4.2, there is a lack of transparency over the process noted and for example the range used and how “tuning” is applied.
73	Appendix 2.1	See earlier concerns raised regarding impact of cross-zonal actions on BM prices. Also no reference to BP_SO_11.2 which is referenced by the other procedures?
76	Appendix 2.1	LTS should be run every 4 hours on an automated basis as planned (bar exceptional circumstances). Under the current proposal, all LTS runs are “manually initiated”.
80, 81	Appendix 2.1	See earlier concerns raised regarding impact of cross-zonal actions on BM prices. Also no reference to BP_SO_11.2 which is referenced by the other procedures?