

IWEA response to the Consultation on the Balancing Market Principles Statement Terms of Reference

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IWEA welcomes the opportunity to respond to the consultation paper on Balancing Market Principles Statement Terms of Reference. Given the importance of flagging and tagging processes to price formation in the balancing market, it is of fundamental importance to provide transparency in relation to how dispatch decisions are made and implemented and to ensure there is appropriate pricing in the market.

It is essential that the Balancing Principles Document outlines the processes which ensure the appropriate actions are taken by the SOs and are correctly flagged and tagged. If the SOs were to use the cheapest actions for non-energy, this would then leave the more expensive actions for energy balancing, which is not reflective of the performance of participants and does not allow the market to resolve any energy imbalances efficiently. It is essential that the Imbalance Price is reflective of the energy imbalance rather than the level of constraints on the system. This is particularly important for wind participants who are more exposed to imbalance pricing due to the error which is inherent in wind forecasting. The market arrangements should not reduce the incentive for efficient trading by introducing excess costs into the imbalance pricing. Therefore it is essential that the Balancing Market Principles Statement takes these incentives into consideration when determining the principles.

IWEA notes that the purpose of this document is to bring together a number of documents such as the Grid Code and operational constraints. It will be essential to ensure that the appropriate governance arrangements are in place to ensure that any changes to the original documents are reflected in the Balancing Market Principles Statement. IWEA also proposes that, in order to ensure transparency and for ease of access to information, all documents underpinning the Balancing Market Principles Statement, along the BMPS itself, should be available on a single platform.

IWEA welcomes the proposed structure of the document. It is important to ensure the processes and steps are appropriately laid out and that there is transparent reporting in relation to any exceptions. The transparency and publication of information is also a core requirement of this process to ensure transparency in the market and to inform participants of the reasons why prices may have deviated from what would have been otherwise expected.

The publication of data from the market also forms a core part of providing transparency. While we note that the detail on the data to be published and the timings of publication are being dealt with through the Rules Working Group, we would like to reiterate the importance of ensuring detailed data is available as close to real time as possible.

The SOs have often indicated that it is not always possible to differentiate between constraint and curtailment in system dispatch. IWEA has serious concerns in relation to the SEM Committee Decision to remove of compensation for curtailment from 2018, in particular where it is clear that curtailment cannot be clearly identified. It is essential to ensure that there is no over-allocation of curtailment to dispatch down events.

In our March 2016 response to the SO consultation on Wind Dispatch Down reports, IWEA highlighted concerns in relation to the approach put forward in the proposed methodology. In the [Annex – System Operator Ruleset distinguishing Constraint and Curtailment](#) the following application of dispatch down is outlined:

“For the avoidance of doubt, if there are multiple control decisions that need to be made, at a given point in time, for curtailment and constraint reasons, the constraint decisions must be dealt with first. When the constraint has been dealt with any remaining wind farms that need to have their output reduced will be curtailed.”

Therefore, IWEA considers that where a constraint is applied, this takes precedent over the curtailment event and should be flagged as such. IWEA is of the view that, where a constraint is applied, even if curtailment has already been applied, the constraint becomes binding and the entire dispatch down should be treated as a constraint. This constraint would still need to be applied even if the curtailment instruction was removed, and therefore it should be flagged as such.

In particular the consultation document stated that “a curtailment removal is limited by the lowest active constraint Dispatch Instruction, therefore this methodology **may calculate a volume of curtailment even though a curtailment has been removed**”. This clearly outlines the potential for over-estimation of curtailment. In the absence of compensation for curtailment, and the System Operator Ruleset distinguishing Constraint and Curtailment, IWEA notes that **this is wholly inappropriate**.

The complete IWEA response to the consultation on wind dispatch down reports can be found [here](#).

In summary, it is essential that the Balancing Market Principles Statement does not allow for over-allocation of curtailment, and that the actions taken by the system operators do not result in higher prices in imbalance settlement than that which reflects the energy imbalance. The rules in relation to flagging and tagging must ensure that cheaper actions which could have been used for energy are included in price formation. This is of particular importance to wind participants in the market who are more exposed to imbalance pricing than other types of generation.