

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

GMO NI

**Phased reduction of Imbalance Tolerances,
Alignment of Tolerance Load Bands with DM/NDM
Categories
& Update to Exit Reallocation Rules**

Initial Modification Report No. 8

6 December 2019

Response by Power NI Energy (PPB)

8 January 2020.



Introduction

PPB welcomes the opportunity to respond to the GMO's proposals as set out in Initial Modification Report No 8 relating to the proposal to put in place a phased reduction of Imbalance Tolerances for Shippers.

General Comments

PPB recognises the desire to increase the incentive on shippers to balance their daily inputs and outputs with the intent of reducing residual balancing costs and to support compliance with Balancing Regulation EU 312/2014.

It is claimed in the report that the proposed changes should improve the reliable and efficient operation of the NI Gas Transmission Network. This may be the case where shippers have control of their consumption and hence can balance effectively. However, in the case of power generators, the requirements in the electricity market is that all generators are mandated to participate in the electricity balancing market and have no control over the dispatch of their generating units but must instead comply with all dispatch instructions issued by SONI.

Looking at the wider strategic direction in the energy sector, while there already exists a significant penetration of renewable electricity generation, most of which is intermittent, this is likely to increase much more significantly if decarbonisation targets are to be met. This in turn will increase the volatility in generation by "flexible" conventional generation which will primarily be provided by gas fired generators who, due to the intermittency and forecasting difficulties will be required to change generation levels at short notice. This outcome is a direct consequence of energy policy, which is exacerbated in Ireland by the relative size of the market and the need to also manage security of supply. Proposals to make access to the gas, that is required to deliver this flexibility, more inflexible, conflict with the wider energy decarbonisation policy objective.

This interplay between decarbonisation through electrification (e.g. Electric Vehicles, Heat etc), delivered largely from renewable generation (most of which will be intermittent in Ireland) and the subsequent requirement for increased flexibility from the residual gas fired fleet of conventional generators must be accounted for, as any incompatibility will only increase costs for consumers and create risks to security of supply.

In addition to the EU wide decarbonisation agenda, the ongoing reform of electricity markets continues. The introduction of I-SEM in October 2018 coupled up the Day Ahead Markets across the EU and there is an ongoing project (that was to have been operational by now) to couple up Intraday markets across the EU. The next stage in the plan is to couple up Balancing markets. This will further increase the requirement for flexibility in gas

fired plants which will be the primary source of flexible generation that can increase or decrease output at short notice.

Similarly, while the current balancing market period has a duration of 30 minutes, this is to be reduced to 15 minutes. All of these EU driven market changes increase the flexibility required from gas fired generators which can only be delivered if there is commensurate flexibility within the gas arrangements.

Conclusion

PPB understands and would generally be supportive of the objective of incentivising Shippers to balance their inputs and outputs. However, this is only meaningful where the consumer can exercise control over their usage. Tightening the tolerance bands for Electricity generators, who have no control over realtime dispatch and which, if security of supply for electricity consumers is to be maintained, are obligated to make their units fully available in the electricity balancing market, will not result in any behavioural change due to the dispatch being driven and determined by SONI.

Increasing volumes of intermittent generation commissioned to enable decarbonisation targets to be met will only increase the volatility and requirement for flexibility from gas fired generators. If such energy policies are to be delivered then the electricity and gas interactions must be considered and integrated and, in those circumstances, the tolerance bands for electricity generation may need to be widened over the coming years rather than tightened.

PPB does not therefore support the proposals to tighten the tolerance bands for Power Generation consumers.