

**TYNAGH ENERGY**  
**L I M I T E D**

Commission for Energy Regulation  
The Exchange  
Belgard Square North  
Tallaght  
Dublin 24

Utility Regulator  
Queens House  
14 Queens Street  
Belfast  
BT1 6ED

Ref: TEL/PH/17/013

24<sup>th</sup> January 2017

**RE: Response to Energy Trading Arrangements Trading and Settlement Code Consultation (SEM-16-075)**

Dear Sirs,

Tynagh Energy Limited (TEL) welcomes the opportunity to respond to the Trading and Settlement Code – Part B Consultation.

TEL have completed the Response Template as requested, but would also like to expand on one of the points we have raised in this template.

TEL have a particular concern regarding the Fixed Cost Payments and Charges (F.11) in the new market. TEL think the current Fixed Cost Payments and Charges wording will unfairly disadvantage plant who are constrained off while benefitting plant that are constrained on and it needs to be addressed. The proposed methodology is contrary to the high level decision. The decision (and subsequent detailed design decisions) reinforces that constraints should not have an impact on the market. The issue with the proposed Fixed Cost Payments and Charges (F.11) is with the payments and recovery of Start-Up Costs (SUC) across billing periods. The following examples highlight TEL's concern with the proposed methodology around payment and recovery of SUC.

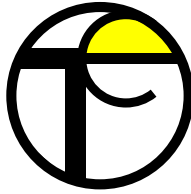
Example 1 highlights F.11 working correctly,  
Example 2 highlights the disadvantage to a constrained off plant, and  
Example 3 highlights the advantage to a constrained on plant.

This point is addressed in point 5 in the template. We believe that a simple change to the wording of the TSC will address this issue.

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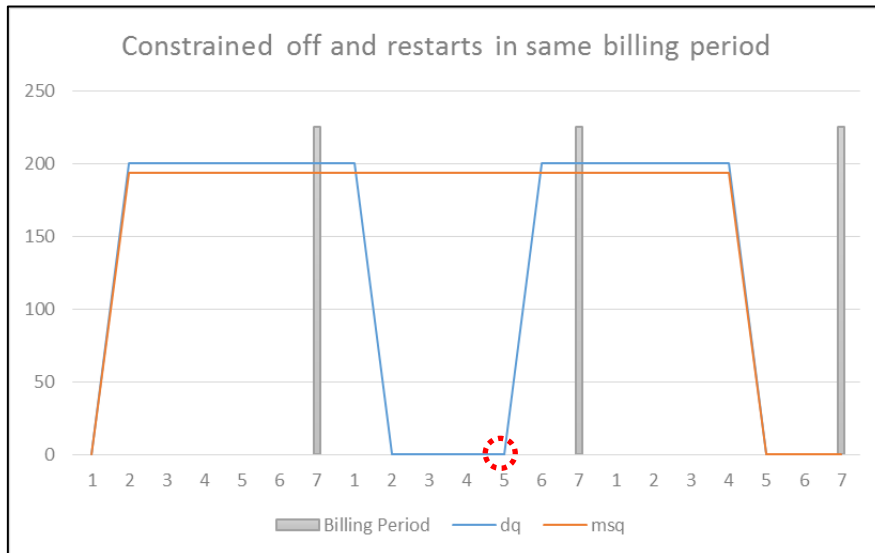
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**REGISTERED NUMBER:** 378735



Example 1: Plant is constrained off and restarts within the same billing period

The dotted red circle in the figure below is the Fixed Cost Payment that is being investigated in this example.



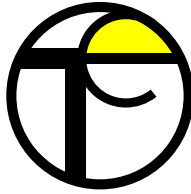
Period start/end	Date
POMO <sup>1</sup> Start	Week 1 Day 7
POMO End	Week 2 Day 7
POPO <sup>2</sup> (1) Start	Week 1 Day 7
POPO (1) End	Week 2 Day 2
POPO (2) Start	Week 2 Day 5
POPO (2) End	Week 2 Day 7

In this case under F.11.2.2. (a) (ii) SUC will be paid to the plant as the POPO (2) Start and POPO (1) End are within the POMO.

In this example the plant will be paid their SUC (via F.11) and is not unfairly disadvantaged in the Day-Ahead Market. Therefore, F.11 is working correctly in this instance.

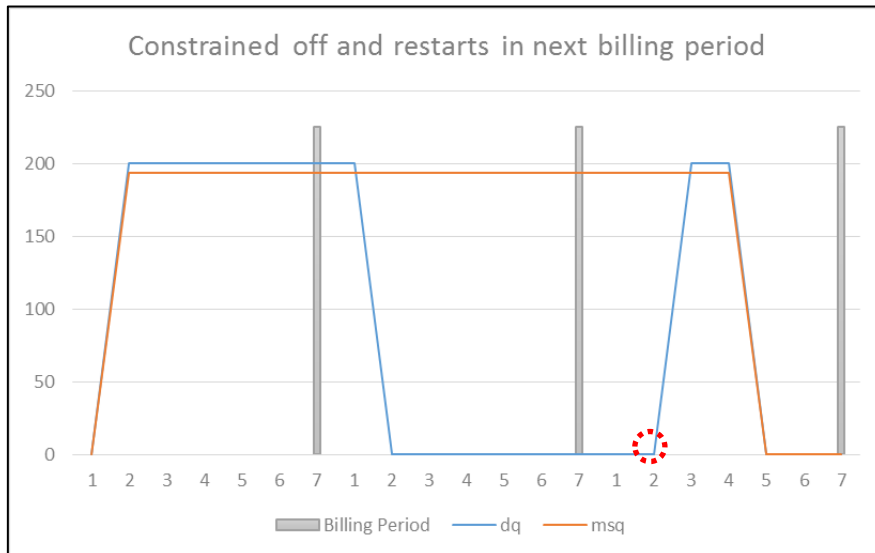
<sup>1</sup> POMO is the Period of Market Operation as defined in F.11.1.3

<sup>2</sup> POPO is the Period of Physical Operation as defined in F.11.1.2



Example 2: Plant is constrained off in one billing period and restarts the next billing period

The dotted red circle in the figure below is the Fixed Cost Payment that is being investigated in this example.

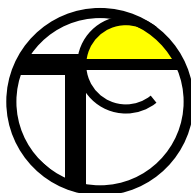


Period start/end	Date
POMO (3) Start	Week 2 Day 7
POMO (3) End	Week 3 Day 5
POPO (2) Start	Week 1 Day 7
POPO (2) End	Week 2 Day 2
POPO (3) Start	Week 3 Day 2
POPO (3) End	Week 3 Day 5

In this case under F.11.2.2. (a) (ii) SUC will **not** be paid to the plant as the POPO (3) Start and POPO (2) End are not within the POMO (3).

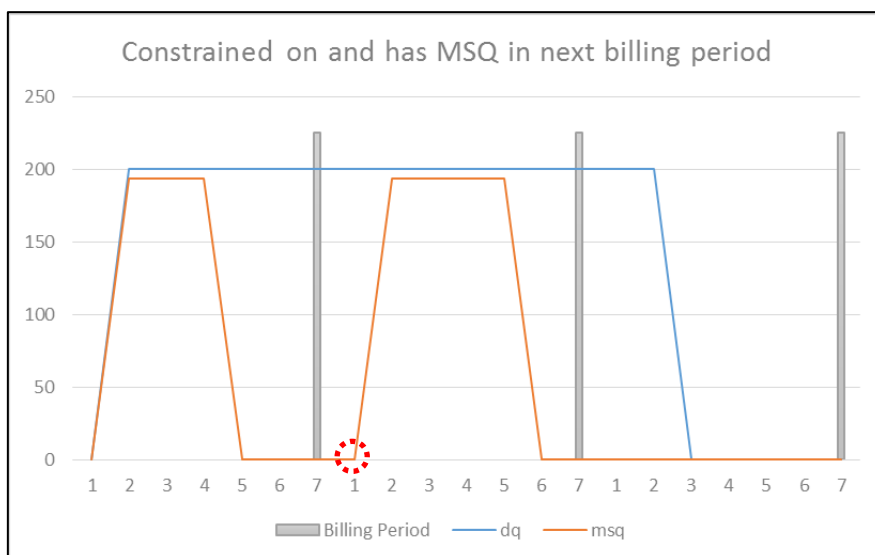
Unlike example 1, in this example the plant will **not** be paid its SUC (via F.11). A TSO action to constrain a plant off in week 2 will now force the plant to recover its SUC in the Day-Ahead Market in week 3 rather than being paid through the BM. This will lead to the plant being forced to bid these costs into the Day Ahead Market. This will see these plant losing Merit Order position purely because of the market change.

Under this scenario, F.11 will result in the constrained off plant (due to TSO actions) being financially disadvantaged in the Day-Ahead Market.



Example 3: Plant is constrained on and has market running in the next billing period

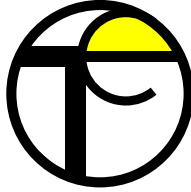
The dotted red circle in the figure below is the Fixed Cost Payment that is being investigated in this example.



Period start/end	Date
POMO (1) Start	Week 1 Day 1
POMO (1) End	Week 1 Day 5
POMO (2) Start	Week 2 Day 1
POMO (2) End	Week 2 Day 6
POPO (2) Start	Week 1 Day 7
POPO (2) End	Week 2 Day 6

In this case under F.11.2.4. (a) (ii) SUC will **not** be recovered from the plant as the POMO (2) Start and POMO (1) End are not within the POPO (2).

This example highlights that the constrained on plant will now have the ability to bid SUC into the Day-Ahead Market in the new billing period and not have to pay the SUC back. Therefore, the TSO action will provide the constrained on plant with a significant financial advantage or improved market position in the Day-Ahead Market.



TEL believes that section F.11 needs to be reworded for the desired logic to work. In order to negate this undesirable market error TEL believe the following wording is necessary:

F.11.2.2 (a) (ii) The start of the Period of Physical Operation and the later of:  
(a) the end of the previous Period of Physical Operation; and  
(b) the end of the previous billing period.  
are within the same period of Market Operation;

F.11.2.4 (a) (ii) The start of the Period of Market Operation and the later of:  
(a) the end of the previous Period of Market Operation; and  
(b) the end of the previous billing period.  
are within the same Period of Physical Operation;

In summary, if the current T&SC F.11 section remains unchanged, plant who are constrained off due to a TSO action will be unfairly disadvantaged whereas plant who are constrained will receive a market advantage. This goes against the High Level Decision and TEL believe that the SEM Committee must address this issue.

Should you have any queries, please do not hesitate to contact me.

Yours sincerely,

**Paraic Higgins**  
**I-SEM Analyst**