



TYNAGH ENERGY
L I M I T E D

Andrew Kelly,
Gas Networks Ireland,
P.O. Box 51,
Gasworks Road,
Cork.

Ref: TEL/KD/18/132

31st July 2018.

RE: Response to Code Modification Proposal A094 & A095.

Dear Andrew,

Tynagh Energy Limited (Tynagh) welcome the opportunity to respond to Code Modification Proposals A094 & A095 – *Regulation EU 312/2014 'Balancing Network Code' – Final steps to compliance.*

This response has been answered in line with the questions set out in the Questionnaire paper.

Q1. What do you believe is the appropriate tolerance level for each category of customer (LDM, DM and NDM)?

As Tynagh are only operational in the LDM sector, this response will apply primarily to the LDM sector.

As a CCGT, Tynagh are instructed to generate from Eirgrid, the electricity TSO, and subsequently manage our gas position appropriately. Tynagh submit accurate nominations, in so far as possible, based on future indicative schedules received from Eirgrid combined with cumulative consumed gas at that point of the day.

The proposal put forward under A094 and A095 will further compound the disparity between different market sectors within the Irish gas market. This is most notable when comparing the NDM sector with the LDM sector, particularly the gas-fired power gen participants. As the *'Balancing Arrangements Consultation Paper'* states, "The methodology for calculating NDM tolerances will remain unchanged, per the existing provisions in the Code, whereby a 2.5% tolerance will apply to NDM exit allocations or in circumstances where the shipper has followed Transporter NDM nomination advices, an NDM forecast tolerance would cover the absolute difference between the Final NDM exit allocation and the final NDM nominations advice for a shipper." Tynagh request that a similar methodology to the one that applies to the NDM sector, apply to the power gen participants, namely the absence of tolerances and associated costs if the participant follows TSO nomination advice. Tynagh appreciate the TSO issuing dispatch instructions to the power gen sector is not GNI, however the indicative operating schedules for all plants are currently being made available to GNI and will also be publicly available under I-SEM arrangements.

If a generator does not nominate in line with their indicative schedules (i.e. negligence, plant trip), the application of tolerances should be applied. Tynagh would advocate that no imbalance

TYNAGH ENERGY LIMITED

Block A, The Crescent Building, Northwood Park, Santry, Dublin 9, D09 X8W3, IRELAND

TEL: +353 (0) 1 857 8700 • FAX: +353 (0) 1 857 8701



charges apply to the power generation sector after the final Indicative Schedule is received from Eirgrid (usually between 00:00 and 00:30), if their Final Nomination is accurate according to the latest Indicative Schedule from Eirgrid (i.e. the Shipper has endeavoured to nominate accurately with the best available information).

With this in mind, Tynagh believe the criteria outlined in 50.1 are met and as such tolerances should not apply. This is particularly true for 50.1(b) and (c), where a plant will have nominated gas based on an indicative schedule however Eirgrid dispatch a plant higher after the indicative schedule was published and the plant doesn't have the ability to procure additional gas or gas capacity. An example of how the current and proposed arrangements are unreasonable for the power gen sector is outlined in Appendix 1. **Please treat Appendix 1 as confidential and do not publish publicly.**

Article 50.2 (b) of the Regulation states that "Tolerances shall be applied on a transparent and non-discriminatory basis". The proposed modifications to the Code seem to be non-compliant with this Article by having a different set of rules applying to different market sectors.

Q2. What are your views as to the appropriate dates for the two-step reduction proposed?

Tynagh do not believe that the proposed methodology is appropriate as outlined in response to Q1. That said, if it is to be implemented a phased approach with as long a lead in time as possible would be preferred.

Q3. What is your view as to the magnitude of the small adjustment to be used in the calculation of the marginal sell price and the marginal buy price?

Tynagh are unclear as to where this 'small adjustment' of 3.5% is calculated from. It seems to have been selected somewhat randomly without an appropriate explanation as to the origins of this figure. As outlined in response to Q1, Tynagh believe imbalance charges are unjust for prudently behaving participants, however Tynagh would suggest a tolerance of approximately 2% to be applied. No market participant should have any reason to be out of balance and applying an unduly high tolerance level is unlikely to change a participant's behaviour positively if they are already trying to balance as accurately as they can.

Q4. Do you believe the liquidity threshold criteria provided are appropriate?

Tynagh would question the methodology behind the threshold criteria provided. What have these threshold criteria been based off? Are they based on a recognised liquidity threshold methodology?

Q5. What is the appropriate date for the implementation of the new methodology for calculation of the cashout prices?

Tynagh would suggest implementing these changes from 01 April 2019. The market is going through a monumental change with the introduction of I-SEM from 01 October 2018 and it is currently unclear what the impact of these changes will have on the end customer. Due to the absence of a Bidding Code of Practice (BCOP) in the I-SEM market participants may choose to include the potential cost exposure of these tolerances into market bids to fully cover their exposure, which will increase market prices. Has an electricity market impact assessment of these changes been conducted to quantify the impact on market prices for the end customer? Tynagh would suggest that such an assessment is carried out so that the full impact of these proposed changes is captured.

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If you have any questions in relation to the above, or wish to discuss this further, please don't hesitate to contact me.

Yours sincerely,

A handwritten signature in blue ink that reads "Keith Deacon". The signature is fluid and cursive, with a horizontal line underneath the name.

Keith Deacon
Operations Analyst