

Response to the Proposed Scope of the 2020 and 2021 Terms of Reference for the Annual Audit of the Scheduling and Dispatch Process

12th February 2021

Bord Gáis Energy (**BGE**) has reviewed the Proposed Scope of the 2020 and 2021 Terms of Reference for the Annual Audit of the Scheduling and Dispatch Process, and we welcome the opportunity offered by the TSOs to provide views and comments on the document.

In principle, BGE welcomes that the proposed scope for the 2020 and 2021 Audits will mirror the scope used in the previous Audit for the period 1 October 2018 to 31 December 2019 as set out in the PWC Assurance report¹. Consistency of approach and reporting is important to ensure the operation of the Scheduling and Dispatch Process is within its scope and in line with requirements.

BGE requests that the upcoming audits examine the correctness of the process flow of actions being taken by the TSOs in the scheduling and dispatch process. We believe that an **“actions for energy-first” principle** should be included in the scope for the reviews. Actions by the TSOs should be taken for energy reasons in the first instance and only if these do not solve the constraint problems should additional actions then be taken. This would often include reversing the initial actions taken for energy reasons but this would better support more-reflective balance market pricing creation as both the initial action for energy and the opposite action for constraints would all be in the actions stack for pricing. Using the **“actions for energy-first” principle** would in our opinion, reduce the volatility of the balancing market and significantly reduce the situations where constraint-driven actions, but which are not currently being flagged, can set (often unnecessarily high) balancing market prices.

When constraint considerations drive the initial actions by the TSOs with further actions only taken if energy requirements are not solved by the initial constraint-driven action, then the resultant stack for pricing in the balancing market only reflects “net” actions taken by the TSOs. The “net” actions outcome deprives the balancing pricing stack of a number of actions (that could properly feed into balancing pricing) that would result from applying the “actions for energy-first” principle. This is not in line with the intended market design in our view.

We believe that a review of whether there is an “actions for energy-first” consideration by the TSOs in their actions taken could be incorporated in the forthcoming audits under:

- the “*....enabling the Ex-Ante Market to resolve energy imbalances*” application of EirGrid TSO Licence Condition 10A – Para. 3 (b),
- the “*....minimising the cost of non-energy actions by the Licensee*” application of EirGrid TSO Licence Condition 10A – Para. 3 (c), and
- the effective use of Flagging of Accepted Bids and Offers under the Trading and Settlement Code Part B (Section E.3.3.1 and Appendix N), assessments

Finally, we ask that potential investment needs in the IT systems are identified across the scheduling and dispatch process to ensure the application of the “actions for energy-first” principle in process operations occurs at all times if not occurring already.

¹ PWC “Independent Assurance Report on compliance with specified elements of the Scheduling and Dispatch process for the 15-month period ended 31 December 2019” – Section 2, pgs 2-3

In conclusion, BGE appreciates the opportunity to provide views on the Proposed Scope of the 2020 and 2021 Terms of Reference for the Annual Audit of the Scheduling and Dispatch Process. We ask that the comments we have made on applying the “actions for energy-first” principle to the scheduling and dispatch actions taken by the TSO are included within the scope of the forth-coming audits.

We hope that you find our feedback and views as set out above to be helpful. If there are any queries thereon please do not hesitate to contact us.