



Energy for  
generations

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## **ESB Generation and Trading Response:**

### **Annual Audit of the Scheduling and Dispatch Process 2020 and 2021 Terms of Reference (Consultation on the Proposed Scope)**

**12<sup>th</sup> February 2021**



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## 1. INTRODUCTION

ESB Generation and Trading (GT) welcomes the opportunity to respond to the Annual Audit of the Scheduling and Dispatch Process 2020 and 2021 Terms of Reference (Consultation on the Proposed Scope). The purpose of this Consultation Paper is to consult on the terms of reference for both the 2020 and 2021 audits of the scheduling and dispatch process including the proposed scope. Below are ESB GT's comments on the proposed Terms of Reference.

## 2. MAIN COMMENTS ON TERMS OF REFERENCE

In this section ESB GT has listed its response to the proposed Terms of Reference for the 2020 and 2021 Audit of the Scheduling and Dispatch process.

### 2.1 Materiality

In the published 2019 Audit it was noted;

*“In one instance where the TSOs were not able to provide detail of the reason for deviating from the Merit Order and a more expensive unit was dispatched while a cheaper unit was available, we undertook an assessment which confirmed that the cheaper unit would have been able to respond to the same dispatch instruction based on its technical capability. We then assessed the materiality of this instance and its impact and concluded that it was not material.”*

While ESB GT acknowledges that this audit is separate to that of the T&SC audit, ESB GT would like to point to the T&SC for a defined methodology for reviewing and applying a materiality threshold value when performing repricing and resettlement. Having a published methodology and materiality threshold value provides transparency to all participants. Considering the materiality to one participant might be different to another, ESB GT believes a publicly defined materiality threshold should be applied to the Scheduling and Dispatch Audit when determining the materiality of non-compliance issues.

### 2.2 Constraint Flagging – Appendix N

The proposed Terms of Reference only identifies Paragraphs 1 to 3 in Appendix N of the T&SC Part B in scope for the criteria on EirGrid and SONI. ESB GT questions why paragraphs 4 and 5, which require the System Operators to publish a “Methodology for determining System Operator and Non-Marginal Flags” and any updates would not be included in this Audit's Terms of Reference. ESB GT is of the view that the requirement of Paragraph 4 and 5 is just as important as the first three paragraphs as it provides transparency to market participants as to how the System Operators have complied with creation of the System Operator Flag, System Service Flag and Non-Marginal Flag. The requirement of paragraph 5, to publish updates, is critical for transparency in the market so that participants are aware of any changes to the creation and existence of flags.

### 2.3 Merit Order

ESB GT believes it is unclear as to what is included in the auditor checks for Merit Orders section. For example, the 2019 audit identified the following;

*For a sample of dispatch instructions:*

a. Checked that dispatch instructions were issued in line with the Merit Order (taking into account acceptable deviations from the Merit Order as outlined in the Grid Code); and

b. Checked that dispatch instructions were issued by the TSOs after market gate closure. For those noted as Long Notice actions, inspected that dispatch instructions were issued by the TSOs in line with the generator's Technical Offer Data and heat state.

There were a number of events over November 2020 and January 2021 where a number of SO-SO trades were applied by the System Operator. It is unclear how these SO-SO trades were treated in the Merit Order. Does the Merit Order section of the Audit include a check on the SO-SO trades or is just for units based in the SEM? Additional, is there any further audit review required for SO-SO trades taken before the market gate closure as the current wording would appear to only apply to a generator.

Additionally, ESB GT suggests greater clarity is provided as to what is and out of scope in relation to EirGrid TSO Licence Condition 10A – Para. 3<sup>1</sup>. The 2019 audit identifies that the auditor checks whether the “dispatch instructions were issued in line with the Merit Order”. This would appear to only assess the first element of the Condition 10A – Para 3 on whether the merit order minimises the cost of diverging from PNs. ESB GT believes the audit terms of reference should also include an audit on part B and C of Condition 10A – Para 3.

## 2.4 Clarity on Excluded Items

ESB GT is unclear on why the following items are to be excluded from the Audit Terms of Reference and what these actions / decisions could be and how far the excluded items could extend.

- “Actions taken with market participants by the Transmission System Operators to resolve performance issues during the scheduling and dispatch process”
  - Are the performance issues related to the scheduling and dispatch process, IT system issues or system security issues?
- “engineering decisions that The Transmission System Operators make when actioning internal operating procedures relevant to the specified elements of the scheduling and dispatch process”
  - Are these IT engineering decisions for operating the scheduling and dispatch systems or are these engineering decisions for selecting specific units?

## 2.5 Excluded Item – Algorithm associated with the optimisation engine

Considering Condition 10A Para 3 (c) relates to minimising the cost of non-energy actions and this is what the algorithm is meant to achieve, it is unclear why the algorithm associated with the optimisation engines are not part of the audit. This is an area of ambiguity for market participants (mainly because of the complexity) and one that an audit review could provide comfort to market participants that the costs being imposed on customers are being minimised. ESB GT believes the most efficient means to do this would be for the audit to assess any changes to the algorithm as this would highlight the alignment of the optimisation engine to the objectives.

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<sup>1</sup> “...The merit order so established shall take account of the following objectives: (a) minimising the cost of diverging from physical notifications; (b) as far as practical, enabling the Ex-Ante Market to resolve energy imbalances and (c) as far as practical, minimising the cost of non-energy actions by the Licensee

## 2.6 **Priority Dispatch – Constraint/Curtailment application to Wind Units**

As per SEM-13-010, the TSOs are required to implement the pro rata treatment of all windfarms in dispatch (firm and non-firm) for the purpose of curtailment. ESB GT welcomes the assurance from the 2019 Scheduling and Dispatch report that for the sampled dispatch instructions were applied in line with this decision. ESB GT would welcome if in the 2020 and 2021 reports a quantitative analysis could be undertaken to demonstrate that the cumulative impact of the TSO scheduling and dispatch processes with regards to constraints and curtailment application resulted in the even distribution of constraints and curtailment both across a set of constraint groups for constraint application and a set of geographically diverse windfarms for curtailment application.