Energy for generations

ESB Generation and Trading's Response to Seasonal Multiplier Factors for Gas Transmission Consultation

09/06/2023

Contents

`

Energy for generations

1. EXECUTIVE SUMMARY

ESB Generation and Trading (GT) welcomes the opportunity to respond to the consultation on Seasonal Multiplier Factors for Gas Transmission.

ESB GT does not support the proposal to smoothen the seasonal multiplier factors. This is on the basis that smoothening the seasonal multiplier factors will remove a signal to shippers to utilise the system more during lower demand periods at a time when the NI GMO has stated that the system is approaching capacity. Also, while the running of gas fired generation is increasingly a function of available renewable resources it is important for the efficiency of unit commitment decision making that the electricity system operator be signalled through the applicable capacity price of the relative scarcity of gas transmission capacity in winter months. The proposed smoothening of the seasonal multiplier factors will also introduce a distortion of competition within the SEM; which may result in increased costs being faced by the electricity system operator to maintain electricity system security.

2. ANSWERS TO CONSULTATION QUESTIONS

Do respondents agree with our proposal to smooth the seasonal multiplier factors?

No, ESB GT does not support the proposal to smoothen the seasonal multiplier factors. As noted in the consultation the NI Gas Capacity Statement states that:

“As the system reaches capacity, the level of flexibility that can be offered is reduced and therefore more accurate and timely nominations within day will become more important to allow TSOs to better operate the system in order to benefit all users of the NI gas system.”

In the context of the system reaching capacity ESB GT does not support the removal of a measure that is designed to incentivise shippers to utilise the system more during lower demand periods.

The consultation finds that the use of non-annual entry capacity products is influenced more by wind conditions than by seasonal multiplier factors. ESB GT largely agrees with this assessment and believes that the role of conventional generation will increasingly be to support the integration of renewable by providing reliable back up when the availability of renewable resources is low.

However, in addition to this role conventional generators also act as resources for the electricity system operators to resolve electricity system constraints and to maintain operational security. Under the electricity market rules, generators are required to submit complex offers to the Balancing Market that are reflective of short term marginal costs.

ESB GT believes that it is important that current seasonal multiplier factors be retained so that the scheduling and dispatch processes of electricity system operator receives a signal that capacity on the gas transmission system is relatively scarce in winter months. On the margins that may influence the outcome of the electricity system operator's scheduling and dispatch process; such as whether to keep a conventional generation unit on load over night or to decommit the unit overnight and start up again the following morning.

As noted in the consultation the smoothening of the seasonal multiplier factors in Northern Ireland would have a distorting effect on competition in the SEM where the current seasonal multiplier factors are retained in Ireland. This would have the effect of making generation in Northern Ireland appear more competitive in winter periods and less competitive in summer periods.

In turn this will have the effect of increasing unit running over winter, thereby increasing usage of the gas transmission system, and conversely in summer reducing the in-merit running of generation but with the potential of increased constraints on running where generation units are required to be on load to maintain system security. Such as, the current operational requirements for at least 3 generation units to be on-load at all times in Northern Ireland for dynamic stability or the requirement for Coolkeeragh C30 to be on load when the Northern Ireland system load is above 1,550MW and Coolkeeragh GT8 is unavailable and wind generation is less than 450MW.

Implementing smoothened seasonal multiplier factors will push the gas transmission system closer to capacity in the winter period and may increase the cost for the electricity system operator in maintaining system security in summer periods.

To what extent do respondents consider that smoothed seasonal multipliers might alter how shippers' book annual and non-annual capacity and please provide evidence.

Shippers will look to meet their capacity booking requirements in the most cost-effective manner, one of the most valuable aspects of having short term capacity products available to the market is the ability for shippers to reflect the value to the system of customers whose usage profiles are more stable and therefore forecastable.

Conversely for parties whose usage profile is less forecastable, such as gas fired generation responding to dispatch instructions from the electricity system operators, there is a premium to be paid for the flexibility to be able to book capacity closer to real time. Smoothening the seasonal multiplier is not likely to push parties who usage is less forecastable towards booking a higher level of annual capacity particularly in the case of gas fired generators as long-term gas transmission capacity costs cannot be reflected in their complex Balancing Market offers.

Do respondents have any views on how to better manage the forecasting accuracy of non-annual capacity bookings?

ESB GT believes that given the targets for 80% RES-E by 2030 the challenges faced in managing increasing levels of intermittent renewable generation will continue to grow. Forecast accuracy of non-annual capacity booking will be one of those challenges and the year-to-year variation in the load factor of a growing wind generation portfolio will be a key driver of non-annual capacity booking volatility. ESB GT does not believe that this a reason to discourage the use of non-annual capacity booking instead, the development of a mechanism akin to the socialisation fund under the SEM Capacity Market could act as an effective mechanism to manage issues relating to year end reconciliation payments

How do respondents consider the smoothing of seasonal multiplier factors might affect the year end reconciliation amount and what mitigations are available?

As noted above ESB GT believes a mechanism akin to the socialisation fund under the SEM Capacity Fund could act as an effective mechanism to manage year end reconciliation payments

Do Respondents consider there are any further elements that should be considered? Is there any other evidence that UR should consider?

ESB GT would ask that in advance of any decision on Seasonal Multiplier Factors that SONI be consulted on whether they would foresee and increase in the cost of securing the electricity system where the effects of smoothened seasonal multiplier factors. SONI are best placed to understand whether their costs in maintaining operational security would be significantly affected. ESB GT believes that increasingly the gas and electricity system will need to be considered as a single energy system as the interactions and dependencies between the two system grow, it is understood that this is being explicitly considered in the UK through the development of the Future System Operator (FSO), who will take on responsibility for the development of both the gas and electricity systems in the UK