



Response to Joint NI TSO Consultation

'EU Balancing Regulation

EU 312/2014

Interim Measures Report'

on behalf of

AES Ballylumford Power Ltd and AES Kilroot Power Ltd

5 December 2014

Queries to

Commercial Department
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1.0 Introduction

As a major stakeholder within the Northern Ireland gas market, AES Ballylumford Limited and AES Kilroot Power Limited (collectively “AES”) welcome the opportunity to respond to the joint NI TSO consultation paper ‘EU Balancing Regulation EU 312/2014 - Interim Measures Report’ (the Paper).

2.0 Response to Consultation Questions

1) Do you support the adoption of Interim Measures in NI?

Based on the current non availability of short term standard products at NI exit and the current and perceived lack of liquidity at any future conceptual NI Trading Platform, the option of tendering for balancing services seem to be a pragmatic approach to dealing with residual balancing in the short term. AES understand that the delivery of such a trading platform for October 2015 is probably not feasible but would like to see the requirements of the Balancing code fulfilled with the provision of short term standard products as soon as possible to enable participants perform flexibly and to effectively balance their positions. If a full trading platform is not feasible then the lesser option of a TSO balancing platform is should be explored as this also has the benefit of a delayed implementation timescale.

It appears from the code that balancing services do not fulfil the long term compliance requirements of the Balancing code and are an interim measure towards developing a trading platform in due course (5 years). This should not prevent the development of short term standard products and the introduction of interim measures also has the requirements to foster the development of the short term markets and promote competition and liquidity over the five year period.

AES agrees with the incremental approach to the development of a balancing platform and would like to understand in more detail the TSOs/RAs proposals for transitioning over the period to a more trading platform based process.

2) Do you agree that imbalance tolerances would be beneficial to help Shippers manage the introduction of entry capacity, CAM, separate nominations for entry and exit, and the rules for nominations at IPs?

AES agrees that imbalance tolerances would be beneficial to help shipper manage their positions on the introduction of entry capacity and nomination rules.

3) Do you have views on how long balancing tolerances may remain appropriate?

Balancing tolerances would be required until a balancing platform with sufficient liquidity has been established with the ability to buy short term products to effectively manage balance positions. This is particularly important given the increasing levels on intermittent renewable generation in Northern Ireland which place significant day ahead and in-day demands on gas fired generation. In addition with significant change to the market structure tolerances would provide a degree of leeway during the transition and implementation period as users come to terms with the new arrangements.

4) Do you have any views on how to improve the competitiveness of the current tender process for balancing gas?

AES has no comments on this.

5) Do you have any views on how the trading market in NI may develop over time?

Without significant change in trading activities, it seems unlikely that there will be sufficient liquidity or demand to justify a full blown NI balancing platform, certainly in a two to three year timeframe. AES believes sufficient liquidity will only happen if NI and RoI gas markets (or NI GB markets) are fully coupled. However, with the further Market expansion of Gas to the West, the evolution of a more dynamic electricity market with iSEM and the continued growth in intermittent renewable generation, it is possible that the Market will develop sufficiently within a five year timeframe to support a limited balancing platform.

6) Are there any other aspects of balancing or market development that you think the TSOs should consider in their next Annual Report on Interim Measures?

AES has no comments on this.