

Comments of the Cyprus Wind Energy Association regarding the proposed Trading and Settlement Rules V4.0 within the Public Consultation

Date: April 22, 2016

Cyprus Wind Energy Association

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S/ N	Topic Title	TSR Approach	TSR reference	Proposed Approach and Reasoning	Proposed text Modifications
1	Forecast Deviations and penalties	<p>The following text is copied from a clarification sent by the TSO to the CWA, dated 15.04.2016:</p> <p>1. The Transmission and Distribution Rules (TDR) provide for an obligation on the RES producers to submit a half-hour forecast to the Cyprus TSO by 12:00 D-1 (T16.4.13). The forecast accuracy is defined in paragraph 16.4.13.5 and takes into account the installed capacity of the RES unit and is different from the provisions of the Trading and Settlements Rules (TSR) (see point 3 below).</p> <p>At this point we inform you the Cyprus TSO intention to fully harmonize the TSR and TDR. For this purpose the services of a consultant will be hired and the new TDR will go through the Public Consultation process in accordance to the provisions of legislation.</p> <p>2. The proposed TSR provide that RES Producers and EAC Supply, being the Aggregator and the Balance Responsible Party (BRP) for RES Plants >1 MW under NGP's, will have to submit the</p>	<p>F 5.1 H1 5.2.3 K 9.14 K 8.3.4</p>	<p>Whilst we appreciate the clarification given by the TSO and the assurance that penalties for (systematic) deviations as well as imbalance cost are to be borne by EAC supply as the responsible party for RES under NGP's, we would like to express our concerns and reservations:</p> <p>The current practice and regulation (TDR) provide for the submission to the TSO of an half-hour forecast at 12:00 D-1 which serves as a reasonably good basis for the load management, though higher accuracy is achieved through now-casting and update of the forecast on an hourly basis (from previously every 3 hours). The proposed submission of physical delivery nomination before 9:00 at D-1 for each RES unit (i.e. a total of some 200 MW installed capacity of wind power, PV (without net metering) and biomass) may still contain uncertainties large enough to result in (substantial) need for balancing power, thus create cost for EAC Supply who in return will (probably and as assumed) price it into their retail prices and hence charge</p>	

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		<p>following to the Market Operator per RES Plant > 1 MW:</p> <ul style="list-style-type: none"> a. Participation of the RES units under NGP's is represented by EAC Supply and nominations of bilateral OTC in the FM have to be submitted by 15:30 D-2. b. Physical Delivery Nomination for the FM, submitted to the Market Operator by 09:00 D-1 (Section F 5.1.2) c. Injection forecasts submitted to the Transmission System Operator by 11:00 D-1, during the data collection process of the Integrated Scheduling Process (Section H1, 5.2.3) <p>3. The proposed TSR, in Section K, paragraph 9.14, provide for a non-compliance charge as a consequence of significant systematic deviations in the actual generation of a non-dispatchable RES Unit or a non-dispatchable portfolio of RES Units. Deviation is defined as the difference between the actual metered energy and the Market Schedule of the respective Balance Responsible Entity (BRE), e.g. a RES Plants >1 MW under NGP's, the portfolio of RES Plants < 1 MW under NGP's, a RES Plants >1 MW not</p>		<p>their consumers. This might create a market distortion and unfair burden to the end consumer though it has to be pointed out that we cannot assess the financial implications due to many unknown factors (extend/quantities of need and clearing price for balancing power). We believe that the mechanism and schedule for the submission of physical delivery nominations for RES under NGP's requires more flexibility and should take into consideration the current practice of forecast updates of RES production in order to minimize and mitigate financial burden.</p>	

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		<p>under NGP's.</p> <p>For every RES Plant >1 MW under NGP's the Market Schedule will be the Physical Delivery Nomination submitted by 09:00 D-1 in the FM.</p> <p>The deviations for each BRE will be calculated monthly and will be based on the absolute and root-mean-square (RMS) value deviations within the month, on a trading period basis. The value of the allowable tolerance and the unit charge value will be decided by the Market Operator and approved by the Regulator (Section K, 9.14).</p> <p>Charges will be debited to the relevant Participant Market Account. Thus, for RES plants under NGP's the charges will be carried by EAC Supply.</p> <p>Non-systematic deviations will carry the associated imbalance cost which as explained during the meeting for RES Plants under NGP's will also be carried by EAC Supply.</p> <p>4. Related to production variability, is the cost for the ancillary services aFRR and mFRR. This cost will be allocated to BREs in proportion to their Uninstructed Imbalance Energy (Section K, 8.3.4). Thus, for RES Plants under NGP's this</p>			

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		cost will be carried by EAC Supply.			
2	Ancillary Services	RES Plants under NGP's are not entitled and cannot participate in the provision of ancillary services and hence do not receive any compensation.		<p>Currently and as per TDR, wind farms have to be able to operate (under normal operating conditions) with a power factor of 0.95 leading/lagging (beyond that with reduction of active power). Some wind farms receive and respond (!) to reactive power setpoints from the Energy Control Centre beyond the normal operating range and thus provide ancillary services which otherwise would require the use of other (conventional) sources (STATCOM, capacitors, etc.). The capability of the provision of such services is either enabled through the respective wind farm technology and/or relevant installations at the connection point (e.g. capacitors).</p> <p>It is suggested to recognize and remunerate the contribution of the RES plants under NGP's either within the framework of the FM or the Balancing and Ancillary Service Market.</p>	
3	RES outside NGP as participants	There won't be any priority dispatch (unless traded under bilateral contracts in FM). Remuneration for awarded and delivered energy	various	The following is a general remark regarding the future treatment and policy for the development of RES. We shall also address our concerns to the	

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	in DAM	quantities as per Market Clearing Price. RES Aggregator may represent a portfolio of RES of up to 20MW installed capacity.		<p>relevant authorities, i.e. CERA and Ministry of Energy:</p> <ol style="list-style-type: none"> 1. proposed scheme may not result in further penetration of RES due to uncertainties and non-viability (re. financing and amortization of investment). It is suggested to consider a model similar to the one chosen in Greece whereas new RES participating in the DAM will receive a minimum feed-in-premium. Only such an approach will make a project bankable. 2. The limitation of a RES portfolio represented by a RES Aggregator to 20MW might be justified given the small market of Cyprus, however forecasting, submission of offered quantities for each trading period and subsequent actual delivery might be a difficult undertaking and result in either high balancing needs (hence cost) or curtailment of RES production (if net delivery larger or less nomination/DAM margin, etc.) – it can be seen in other markets or countries, where it is possible to create a portfolio covering a large geographical area, that forecasting errors are minimized and/or 	

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				<p>compensated/leveled out. Cyprus on the other hand with limited geographical extend will automatically face a challenging position.</p> <p>3. Having contacted various financing organizations directly involved in the investments of RES in general but also in Cyprus in particular on the subject matter, we have the strong conviction that they should specifically be requested to express an opinion for the bankability of projects under the new market rules.</p> <p>Alternatively, CERA and/or the Ministry of Energy should solicit expert advice from firms which could carry out sensitivity analysis on the financial repercussions and viability/sustainability of the proposed market rules which ostensibly will lure enterprises in the sector (RES & conventional). A failure to attract enterprises and finance will result to a total failure of the energy market.</p>	