



AUGHINISH ALUMINA LIMITED

(Registered in Ireland No.59982)

Capacity Remuneration Mechanism 2023/24 T-4 Locational Capacity Constraint Areas

Aughinish Alumina Ltd Response 24/10/2019

Aughinish Alumina Limited, Aughinish Island, Askeaton, Co Limerick, V94 V8F7 – Ireland

Tel. +353 (0)61 604000 – Fax +353(0)61 604242 – www.rusal.com

DIRECTORS: D A Clancy, S Garland, M Samoylov, A Shylak, O. Smirnova, O Stasev, K Strunnikov, I Usacheva

Reg. in Ireland No.59982. Reg. Office: Aughinish Island, Askeaton, Co Limerick, Ireland

Introduction

Aughinish Alumina Limited (Aughinish) since 1983 has operated a large alumina refinery based in West Limerick. The alumina plant is one of the most energy efficient in the world and produces 30% of EU alumina requirements. In 2003, Aughinish invested over US \$130M in a 160MW High Efficiency Combined Heat and Power (HE CHP) plant to meet the power and heat needs of the refinery, thus becoming an exporter of power and no longer only a consumer. Since commercial operation in 2006, the HE CHP plant has played a major role in Ireland reaching its energy efficiency targets and reducing emissions, accounting for an average saving of approximately 330,000 tonnes of CO₂ per annum. Aughinish as a Large Energy User (LEUs) and the owner/operator of a High Efficient CHP (CHP) plant are strong supporters of reliable energy delivery and of the long term security of the Irish energy system. AAL recognise the importance to Ireland in retaining existing industry and attracting further foreign direct investment by having a world class energy supply system.

General comments

Aughinish welcomes the opportunity to respond to the Capacity Remuneration Mechanism 2023/24 T-4 Locational Capacity Constraint Areas. The consultation setting out the parameters for the 2023/24 T-4 auction (SEM-19-023) proposed auction format D (Enduring Auction Solution Methodology) if possible, with the decision paper published on 10 Sept 2019 (SEM-19-043). The key decision by the SEMC around constraints being to retain Option 1 to deal with constraints in the auction. Option D was not used due to concern expressed by participant responses with the level of complexity required.

The impact of this delay will have an impact on the Locational Capacity Constraint volume calculation, and with the Consultation proposing to introduce a new Level 2 “Rest of Ireland” LCCA (“L2-2”). It is difficult to assess the impact that L2-2 may have on the non-constrained CRM capacity. Aughinish seek assurance that the introduction of this new Level 2 region will not result in any loss of capacity from the unconstrained capacity required by the system.

The TSO Rationale is that this additional level is required due to anticipated demand growth in the greater Dublin area and the impact of excessive new generation in the Dublin LCCA could create technical and connection challenges as well as increase the possibility of excessive plant exit in the Rest of Ireland.

In our opinion, this is a connection and system design issue and not an existing constraint capacity market issue. In addition, the I-SEM Balancing Market has the capability to address non-energy requirements and as the CRM rules require generators to give 3 years notice of any exit. This requirement may not be required if there is excessive generation exit notices given as part of the auction process. It is incumbent on the network operator to address the system design requirements as necessary – the CRM mechanism is not the appropriate solution to this issue.

Q1. Do you agree in principle with the need for a Level 2 Rest of Ireland LCCA within the T-4 CY2023/24 capacity auction (being proposed by the TSOs in the T-4 CY2023/24 Initial Auction Information Pack and referenced in the RAs T-4 Parameters decision paper published 10 September 2019 (SEM-19-043)? Please provide rationale.

It is not possible for Aughinish to comment that there is a need for the new level, however the rationale proposed by the TSOs is not unreasonable. The issue around constraints being incorporated in the CRM without the solution being an “enduring” solution needs to be urgently addressed. Aughinish concurs with the

SEMC that Option D complexities should be resolved asap and thus raises the question why introduce this new L2-2 level before the TSO proposals for Option D results are published?

It is important however, that cheap, efficient, reliable generators which are not lucky enough to be based in Dublin, are not adversely treated in future capacity auctions. While a L2-2 will help ensure that we do not have an overshoot of new generators in Dublin, it is important to consider how constraints in the Rest of Ireland will fit into the future auctions.

Q2. Do you have any views as to the proposed calculation of the Level 2 Rest of Ireland LCCA minimum MW level?

Are the TSOs confident that the scenarios of increasing generation in the Greater Dublin LCCA to determine a maximum de-rated MW which, when deducted from the minimum Level 1 Ireland MW, will result in the correct level of de-rated MW for the Rest of Ireland? Aughinish suggest a more prudent approach in which to deduct the minimum Dublin MW and risk over capacity than a shortfall.

The proposed calculation of the L2-2 Rest of Ireland LCCA minimum MW level gives an inherent priority to the Dublin constraint area. AAL feel that there is not enough being done to encourage decentralisation of power demand away from Dublin. AAL believe that the introduction of a 'Demand Loss Factor', similar to how National Grid charges for losses, may encourage large energy users to either build near existing generation, or self-supply. End users of power should be charged this loss factor in a similar way to that of generators are charged TLAfs. The current Generator/Demand Split in the UK is 45/55. 45% of the losses are deducted from the metered volumes of generators, and the remaining 55% of the losses are added to the metered volumes of demand users.

Q3. Do respondents view the addition of a Level 2 Rest of Ireland LCCA as being appropriate within the methodology set out in SEM-17-040a? Please explain.

Aughinish would like clarification on the methodology used to calculate the L2-2 MW. The methodology set out in SEM-17-040a calculates the minimum MW requirement, yet the proposal from the TSOs for the calculation of L2-2 minimum MW level is to deduct the maximum L2-1 MW from Level 1 MW minimum. We believe this is inconsistent.

In conclusion, Aughinish does not believe that the CRM is the appropriate place to solve a constraint. AAL believes this is a network design and connection issue, and should be resolved as such.

Vivion Grisewood
Aughinish Alumina