ISEA
Irish Solar Energy Association

By e-mail: Leigh Greer (Leigh.Greer@uregni.gov.uk) and Guneet Kaur (gkaur@cru.ie)

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RE: SEM-22-036 Enduring Solution to Enable Energy Payments in the Balancing Market for DSUs.

Dear Leigh and Guneet,

I am writing on behalf of the membership of the Irish Solar Energy Association (ISEA) to endorse the consultation submission of the Demand Response Association of Ireland (DRAI), and to draw out several important points in relation to the consultation itself.

ISEA was established in 2013 to advance a policy and regulatory landscape promoting solar as a leading renewable energy technology that will decarbonise Ireland's electricity system and contribute to a successful and strong clean economy. As the leading voice for the Irish solar industry, ISEA works closely with stakeholders to advance the solar agenda on behalf of our members. ISEA is committed to delivering at least 20% of electricity from solar by 2030, contributing to energy targets and achieving a diverse and clean electricity network. As the trade association for the solar industry in Ireland, ISEA is responding on behalf of our membership of 191 parties currently active in the Irish solar market.

Comments

A key constraint on demand response has been the limited potential compensation for a valuable wider system service. During periods of system scarcity, as the recent sequence of amber alerts shows, a capacity to moderate demand is extremely helpful. In addition, as the largest element of the denominator in the System Non Synchronous Penetration (SNSP) formula, a greater ability to manage demand at the margins should mean one more tool to manage SNSP and thus contribute to more volumes of zero carbon electricity on the system.

However, to date, the structure of the market rules mean that Demand Side Units (DSUs) are effectively disincentivised from providing service when energy prices are below the strike price. This situation arises as the DSU incurs some dispatch costs around customer opportunity costs, but don't receive revenues to offset it at certain times. This market signal encourages DSU providers to contract with customers with specific load profiles that reflects a subset of the potential of demand response.

Strengthening the market signal for demand response across the course of a day should therefore benefit the system by enabling more flexibility in the response from DSUs. ISEA would also suggest that by strengthening the provision of the demand response service, it is likely that the DSU availability statistics would substantially improve and proffer a fairer reflection of the capabilities of DSUs.

ISEA would also seek to emphasise the following key principles:

- Enabling some system and rule change on the foundation of the existing "interim solution" is a pragmatic approach. Phase 1 permits remuneration of the DSUs for dispatch, and probably offers the quickest route for participants to develop the demand response that the system needs.

- The existing socialisation of costs via the Imperfections Charge appears to be functioning reasonably well for the current interim solution. In advance of the phase 2 enduring solution, and while the performance monitoring is ongoing, it would seem unnecessary to generate a new interim funding mechanism for DSUs.
- The proposed 12 month monitoring period of impact on the Balancing Market seems a reasonable approach. It should be a relatively simple bolt on to existing TSO performance monitoring and is sufficient a period for learnings to emerge and be incorporated into practice.
- It is reasonable to consider risk of non-delivery from DSUs on dispatch through a Generator Performance Incentive (GPI). The 12 month window should provide enough time to assess whether a GPI is required if Phase 1 continues beyond the first year and to gauge the effectiveness of dispatched quantity as a proxy for metered quantity. Given that the apparent rationale for such an incentive is to drive an actual demand response, ISEA would be of the view that a key metric for such an instrument is the provision of the response post a dispatch instruction.
- ISEA would note that the complexity of the system and rule change for Phase 2 should not be underestimated. To avoid unintended consequences on retail markets, wholesale markets and data flows, the relationships between demand sites, suppliers and DSU aggregators would need careful consideration. Ultimately an error in design could impact customers, so a thorough review and implementation process would be needed for an enduring solution.

Conclusion

ISEA is grateful or the opportunity to comment upon this consultation. In principle, the move to enable energy payments is extremely welcome. It will provide a greater incentive for demand response and inserts a missing piece in the decarbonisation jigsaw, ISEA strongly endorses the DRAI submission to this consultation and supports the SEM Committee moving to implement their stated recommendations.

Yours sincerely,

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