



GridBeyond™

Lesley Robinson – Utility Regulator

Mo Cloonan – Commission for Regulation of Utilities

3015 Lake Drive
Citywest Business Park
Dublin 24
Ireland

T: +353 1 524 0736
E: service@endeco-technologies.com

www.endeco-technologies.com/gridbeyond

2nd May 2019

Reference: *GridBeyond Response to SEM Committee Consultation on Capacity Remuneration Mechanism (CRM) DSU Compliance with State Aid*

Dear Sir / Madam

GridBeyond welcomes the opportunity to respond to the recent open consultation on the SEM Committee's proposal for Capacity Remuneration Mechanism (CRM) DSU Compliance with State Aid and trust that you will consider it in your deliberations.

Introduction

We would therefore like to begin our response by discussing the benefits of demand responsive technologies and why they are important.

Demand responsive technologies are capable of producing rapid response to signals from the system operator, in many cases near instantaneous response, and can therefore be utilised to increase demand flexibility and improve overall system stability. This capability delivers a number of system benefits, including:

- improved system balancing through adjusting demand in response to variations in renewable energy generation, and therefore reducing the need to constrain renewable energy output;
- provision of reliable distributed capacity to the system and ultimately avoided investment in peaking plant by delivering peak load reduction;
- mitigation of transmission and distribution network constraints¹;

¹ Single Electricity Market (SEM) (2011), Demand side Vision for 2020 Decision Paper, SEM/11/022.



Transform energy demand
into opportunity

GridBeyond is the trading name of Endeco Technologies a private company limited by shares and registered in Ireland.
Registered number: IE443138.
Registered office: 3015 Lake Drive, Citywest Business Park, Dublin 24.
Directors: Michael Phelan, Michael Ryan, Padraig Curran, Richard O'Loughlin, Brendan Barry, Paul O'Donnell.



GridBeyond™

GridBeyond believes that the services and flexibility we can provide to the system have an important role to play in achieving the EU 2020 and 2030 energy targets and it is vital that the market rules that are in place deliver the correct market signals to encourage demand side response participation.

Background

GridBeyond recognise that the State Aid approval decision from the European Commission was granted following a commitment by both the Commission for Regulation of Utilities and the Utility Regulator “to end the exemption from payback obligations for DSUs as of the delivery period starting in October 2020”. We also recognise that a change to the rules are required to ensure that the ISEM market is in compliance with the State Aid Approval Decision. We would like to also note that the European Commission indicated support for the Regulatory Authorities exempting DSUs from Difference Payments in para 130:

“The Commission concludes that the exemption of DSUs is acceptable as a temporary solution, in view of the potentially prohibitive effects that full application of the payback clause would have on DSUs and therewith on the participation of demand response as a whole in the CRM.”

We would like to reiterate this point and state that changes to the market rules, or design need to be cognisant of market signals to demand response providers, and not be a barrier to new entrants or continued participation in the Irish Capacity Mechanism. .

Our response to this consultation covers four key areas; timing of the consultation, engagement, the interim solution and the enduring solution.

Timing of the Consultation

We would like to reference a letter that issued to both Regulators from the Demand Response Authority of Ireland (DRAI) dated 28th March 2019, included as an appendix here.

GridBeyond agree with the sentiments of this letter and believe it is wholly unreasonable to ask market participants to account for how unknown decisions arising from a consultation paper will impact on said participants in a T-4 auction. We refer specifically to para. 1.2.4:



Transform energy demand
into opportunity

GridBeyond is the trading name of Endeco Technologies a private company limited by shares and registered in Ireland.
Registered number: IE443138.
Registered office: 3015 Lake Drive, Citywest Business Park, Dublin 24.
Directors: Michael Phelan, Michael Ryan, Padraig Curran, Richard O’Loughlin, Brendan Barry, Paul O’Donnell.



GridBeyond™

“Compliance with the State aid decision is required for the delivery period starting in October 2020. It is important to note that the outcome of this consultation will impact on DSUs participating in the March T-4 auction for capacity period 2022/23 and each subsequent capacity auction.”

and also para. 2.1.11:

“The proposals set out below will impact on DSUs operating in the market from October 2020 onwards. As the first T-4 CY2022/23 Auction is due to take place on 28 March 2019 DSUs seeking to participate in this auction must be cognisant of the impact of these proposals on their operations.”

We recognise the importance of this consultation and recognise that the demand response industry have been aware that changes were required by October 2020. However, we agree with the DRAI that it is entirely unreasonable to ask market participants to factor in regulatory uncertainty through a consultation published so close to a T-4 capacity auction. It would be difficult for any industry participant to factor an open consultation into any commercial strategic decisions, and it is unreasonable for the RAs to have included these sentences in their consultations.

Engagement

GridBeyond were disappointed that this consultation issued from the SEM Committee without any prior engagement with the DSU industry as a whole but especially without any engagement, consideration or notification to the Demand Response industry body – the Demand Response Authority of Ireland.

We would like to note the significant engagement that took place during market design, between participants, including DSUs, the regulatory authorities, the TSO and the market operator. These working groups were extensive and time consuming but they were fundamentally vital and useful tools to ensure the satisfactory design and implementation of the new market. We believe that fundamental changes to the market design for example those within this consultation should be afforded the same importance regarding industry engagement.

We would like to acknowledge a meeting held with representatives from the SEM Committee on the 11th of April, where we discussed future engagement. We welcome the SEM Committee assurances that this consultation will not finalise the enduring solution and that there will be extensive engagement including workshops held between



Transform energy demand
into opportunity

GridBeyond is the trading name of Endeco Technologies a private company limited by shares and registered in Ireland.
Registered number: IE443138.
Registered office: 3015 Lake Drive, Citywest Business Park, Dublin 24.
Directors: Michael Phelan, Michael Ryan, Padraig Curran, Richard O'Loughlin, Brendan Barry, Paul O'Donnell.



GridBeyond™

impacted parties and the regulatory authorities to devise a suitable enduring solution that serves the market, the participants and end customers appropriately.

Interim Solution

We believe that the interim solution is an appropriate solution in the interim period. Whilst we think there are better solutions that could be implemented to integrate demand response into the market, we understand that the interim solution needs to be simple in application to ensure the state aid approval rules, can be complied with by October 2020.

We would like to oppose the suggestion that DSUs would only get paid at times of scarcity as that would undermine the intent of the change, that DSUs would now receive energy payments and could therefore pay difference charges from the energy payments during peak prices as with other market participants. The terminology used in the state aid approval decision indicates this intent in para 127:

“The Commission agrees with the authorities that applying the payback clause to DSUs that do not receive an energy payment would indeed place them at a disadvantage compared to other capacity providers, notably generators, who can fully finance the payback from the energy payments during peak prices.”

We feel that the initial proposed interim solution, where DSUs are paid for all energy delivered across the year, is an appropriate, reasonable and consistent solution in line with how other market participants can afford to pay back difference charges.

We would like to ensure suppliers are also brought into this conversation as this is a change to supplier rules in the market as well as DSUs. There is a cooperative relationship between suppliers and demand response providers given the nature of our different relationships with individual customer sites, which we would like to maintain by working together.

With the Clean Energy Package, Balancing Network Code and Project Terre, there are significant changes happening across Europe, GridBeyond would also like to recognise that this interim solution is how other markets are ensuring energy payments for DSUs for example RTE in France,

Enduring Solution

As discussed in our engagement point above, we understand that the SEM Committee will not be finalising the enduring solution as an outcome of this consultation paper.



Transform energy demand
into opportunity

GridBeyond is the trading name of Endeco Technologies a private company limited by shares and registered in Ireland.
Registered number: IE443138.
Registered office: 3015 Lake Drive, Citywest Business Park, Dublin 24.
Directors: Michael Phelan, Michael Ryan, Padraig Curran, Richard O'Loughlin, Brendan Barry, Paul O'Donnell.



GridBeyond™

We welcome this decision by the SEM Committee as we oppose in the strongest terms any indication or decision on the enduring solution at this stage. We strongly believe that any enduring solution proposed by the RAs needs significant engagement with the demand industry, including and not limited to workshops and working groups. We are open to all forms of engagement and welcome the opportunity to feed into any enduring solutions in this regard.

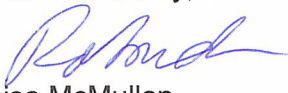
We have significant concerns that the enduring solution as written could result in a reduction in demand response participation and could be seen as a barrier to entry and a barrier to participation be that through issues we have identified already or through unintended consequences of this solution. We would like the opportunity to fully work through any enduring solution.

We also welcome the chance for both the demand response industry and the regulatory authorities to fully understand the Clean Energy Package and Electricity Regulation decisions prior to a final enduring solution being approved.

Conclusion

Across Europe demand-side is expected to play an increasingly important role in the transition towards a low carbon economy, and within Ireland GridBeyond considers that the services we can provide have the potential to make a significant contribution towards this vision in the period to 2030 and beyond. We also recognise that substantive change within the power system will be necessary in order to accommodate the increase in demand flexibility required to facilitate more generation from variable renewable generation and maintain system stability. We would like to work with the SEM Committee to design a set of rules for demand side response integration into the ISEM market that allows alignment of rules for all participants, compliance with the Irish Capacity Mechanism State aid approval and also ensures increased participation of demand response in the market.

Yours sincerely,


Lisa McMullan

Head of Strategy and Regulatory Affairs, GridBeyond Ltd



Transform energy demand
into opportunity

GridBeyond is the trading name of Endeco Technologies a private company limited by shares and registered in Ireland.
Registered number: IE443138.
Registered office: 3015 Lake Drive, Citywest Business Park, Dublin 24.
Directors: Michael Phelan, Michael Ryan, Padraig Curran, Richard O'Loughlin, Brendan Barry, Paul O'Donnell.

