Date: 02/10/2020

By email to Dylan Ashe(dashe@cru.ie) and Bronagh McKeown(Bronagh.McKeown@uregni.gov.uk)

Re: EAI Response to the SEM Committee Scoping Paper on the System Services Future Arrangements

Dear Dylan, Bronagh,

EAI welcomes the opportunity to respond to the SEM Committee Scoping Document on the Future Arrangements for System Services. The system services framework introduced under the DS3 project based around regulated tariffs has been successful in attracting investment from new and existing services providers across an expanded range of services. The range of technologies engaged in the provision of system services has increased, with a significant number of wind generators and demand side aggregators providing services and the operational characteristics of conventional generation has been modified to allow for reduced minimum generation levels and start times. This investment has in turn supported the TSOs in increasing the level of non-synchronous generation that can be integrated into the system and delivered significant benefit to end users through reducing the overall system costs in leading up to the 2020 40% RES-E target.

In short, to date, DS3 has helped in the delivery of the Decarbonisation agenda. It is now incumbent to ensure that future plans for DS3 continue to support and do not hinder in the pathway towards achieving 70% renewable electricity by 2030.

Under the DS3 framework system services have become closely integrated in the market dynamics of the SEM, in the development of future arrangements and the introduction of competitive procurement. EAI calls on the SEM Committee to be mindful of the interactions between energy, capacity and services in the SEM and to take particular care to protect against the risk of a disorderly exit from the market.

Scale of the Challenge

The success that has been seen to date does not belie the scale of the challenge facing the system in turning towards the 2030 targets that have been set for Ireland and that are under development in Northern Ireland. The scale of the challenge is highlighted by the extent of works highlighted by the DSOs in their recent Workshop 1 presentations, so as to avoid economically inefficient outcomes within the distribution network. It is also highlighted by the recent publication of the 2019 Dispatch Down by the TSOs. Despite SEM being at the forefront on the integration of renewable non-synchronous generation at a system level, the level of dispatch down in 2019 grew to 7.7% of the available generation from 6% in 2018. In the context of competitive auction-based allocation of renewable support as seen in the recent RESS-1 auction, increases in the expected levels of dispatch down translate into higher bid prices for future renewable generation projects, increasing the cost faced by end users in achieving the 2030 target. In order to ensure the economic transition to a low carbon system and deliver on the potential for electricity to be a vector to support the decarbonisation of the wider economy it is imperative that the future system services arrangements deliver the services required by the SOs to secure the system at very high levels of non-synchronous generation in a timely manner. Given the scale of the challenge outlined, the determination of a solution must give due consideration to all the markets and service providers, technologies and idiosyncrasies of the

electricity system on the island to ensure that the result is an economic solution that can provide the investment and creativity required to best meet the 2030 targets.

Investor Certainty

Industry stands ready to adapt to changes the decarbonisation agenda will bring and will deliver the services required by the TSOs. In order to do this there is a need to maintain a strong degree of investor certainty in the development and transition to the future arrangements. The elements to be considered in maintaining investor certainty are transparency of the evolving service requirements and the underlying system conditions that are driving them. The stability and success of the enduring future market arrangements are dependent on appropriate price signals being allowed to emerge from those market arrangements. The RAs must ensure that the mechanisms adopted will allow for a properly functioning market, which will yield value to the consumer. EAI believes that maintaining investor certainty should be a key consideration for the assessment of both the appropriate process to determine future arrangements and the detail of those arrangements.

Future Arrangements

EAI welcomes the proposal to develop a market based, transparent and non-discriminatory approach to system service procurement. The procurement approach should result in economic, cost-effective, equitable, efficient, and predictable outcomes that will enable the 2030 targets to be achieved in a manner which factors against the risk of disorderly or inefficient exit. However, developing and implementing the processes and systems to potentially operate up to 14 daily auctions in a way that integrates with the SEM energy trading arrangements represents a significant change programme and has the potential to result in significant projects costs and time for both the TSOs/DSOs and the Market Participants.

EAI looks forward to the proposed further detailed consultation on the future arrangements in 2021 and believes a comprehensive industry inclusive process is likely to require a considerable timeframe. Additionally, once the detailed design of the future arrangements has been decided, there will be further time required for the implementation and robust testing of systems and processes involved before go-live.

To enable proper investigation and design of the new DS3 solutions we suggest that a detailed roadmap and timetable is put in place which allows for adequate stakeholder engagement, detailed consideration of complex design issues and rigorous testing and quality assurance in the implementation phase. Early communication of the decision on the timeline of changes from current arrangements must be given to market participants to provide clarity and certainty.

Conclusion

The path towards Decarbonisation for the electricity sector needs to be ably supported by the timely development of the future arrangements for system services. . In developing and reaching the future arrangements to deliver efficient outcomes, EAI believes we should build, in a structured manner using workshops and consultations, on the success of the existing DS3 system services arrangements.

Yours sincerely,
William Carr
Chair, EAI Working Group on System Services