



Energy for
generations

esb.ie

Giniúint agus Trádála
Two Gateway, Bóthar An Phoirt Thoir
Baile Átha Cliath 3, D03 A995, Éire
Fón +353 1 676 5831

Generation and Trading
Two Gateway, East Wall Road
Dublin 3, D03 A995, Ireland
Phone +353 1 676 5831

ESB Generation and Trading Response:

Consultation on Aggregation (SEM-20-042)

5th August 2020



Energy for
generations

esb.ie

Giniúint agus Trádála
Two Gateway, Bóthar An Phoirt Thoir
Baile Átha Cliath 3, D03 A995, Éire
Fón +353 1 676 5831

Generation and Trading
Two Gateway, East Wall Road
Dublin 3, D03 A995, Ireland
Phone +353 1 676 5831

Contents

1. Introduction.....	1
2. Executive Summary.....	1
3. Response to Consultation Questions.....	2

1. INTRODUCTION

At ESB Generation and Trading (GT), we believe that electricity is an enabler of societal and economic well-being and that every citizen should have access to secure, sustainable and affordable electricity supplies. Since our establishment in 1927, we have worked to bring light and energy to the people of Ireland, allowing individuals and communities to fulfil their potential in whatever walk of life they are in. Today, we continue to drive progress and change, constantly innovating and evolving to stay relevant and reliable for the many people who depend on us in a dynamic and competitive market.

For us, it's not about short-term gains. We are driven by a desire to put in place solutions today that will leave a positive legacy for generations to come. We are harnessing all our resources for a brighter future, investing in our people and working collaboratively with partners to enhance the lives of our customers, drive economic progress and bring about a more sustainable future. We strive to be a safety leader in our industry, a world-class operator, a good corporate citizen and an employer of a smart, committed and healthy workforce. Through our diverse businesses across Ireland, Northern Ireland and Great Britain, we aim to meet the customer energy needs by bringing the best of our capabilities together to deliver innovative and value-driven solutions for a low-carbon world.

Over the past two years we have seen the market evolve faster than it ever has through the National Climate Action Plan, the new market rules, the increased technological shift and speed of adoption. The need for market designs to reflect this technology, scale and entry contestability is key to ensuring that the consumer benefits from the services of existing assets as well as incentivising new entry and investors. When looking to the future, as this consultation is, ESB GT is proud of its role in bringing the market to this point and hopes to continue to contribute to regulatory decisions that will underpin this new world of renewables and resilience.

ESB GT welcomes the opportunity to respond to the Consultation on Aggregation (SEM-20-042). The purpose of this Consultation Paper is to consult on the aggregation arrangements in the SEM. ESB GT's response is broken into two sections; the first is an executive summary of ESB GT's response to the Consultation Paper and the second section lists ESB GT's response to the consultation question.

2. EXECUTIVE SUMMARY

ESB GT agrees that the current market structure and rules allow for aggregation functionality through Demand Side Units (DSUs) and Suppliers, however, the intermediaries arrangements are not in line with the Clean Energy Package (CEP) requirements. Therefore, ESB GT believes a consultation on the facilitation of aggregation, via an Aggregator Generator/Supplier Unit, and rules upon which an Aggregating Unit could operate in the market while complying with the CEP is required.

If the SEM Committee (SEMC) decide that the current intermediaries arrangements, with a change to the ex-ante rules, fulfil the obligation of the CEP then ESB GT suggests that any potential new ex-ante RA requirements for intermediary arrangements should be on a voluntary basis in order to limit any negative impact on market participants with existing commercial contracts. A voluntary basis would provide access to all participants, be CEP compliant as per the RAs view whilst not unduly impacting existing participants with additional administrative burden.

3. RESPONSE TO CONSULTATION QUESTIONS

In this section ESB GT has listed its response to the questions in the Consultation Paper.

Question 1: Do the existing Intermediary arrangements in the SEM meet the criteria for Aggregators outlined in the CEP?

ESB GT does not consider that the intermediary arrangements in the SEM meet the criteria for Aggregators as outlined in the CEP. As highlighted in the Consultation Paper, aggregation under the context of the CEP means 'a function performed by a natural or legal person who combines multiple customer loads or generated electricity for sale, purchase or auction in any electricity market'. ESB GT acknowledges that these functions can be performed by an existing market participant, such as a supplier or DSU, however, an Intermediary cannot perform this function in the unit based structure of SEM. A participant could take on multiple intermediary arrangements with different units but this does not mean that the intermediary can combine multiple loads or generated electricity in the electricity markets. Outside of a supplier and a DSU the only other form of aggregation is an Aggregator Generating Unit in the Balancing Market and an Assetless unit in the ex-ante markets (Day-Ahead Market and Intra-Day Markets).

Question 2: Do the existing DSU arrangements in the SEM meet the criteria for Aggregators outlined in the CEP?

Please response to Question 1.

Question 3: Should a formal definition of an Aggregator be developed which may or may not encapsulate these existing market participants for the purpose of developing an entity to fulfil aggregation functions which meets the criteria of an Independent Aggregator as defined in the CEP?

ESB GT believes a consultation on the facilitation of aggregation, via an Aggregator Unit, and rules upon which an Aggregating Unit could operate in the market, as per the CEP, is required.

Question 4: Do Intermediaries have non-discriminatory access to participate in the SEM?

There is an on-going consultation that may address some of the discriminatory issues for intermediaries when participating in the SEM. ESB GT believes that the intermediary arrangements should be both technology neutral (open to all technologies not just clean) and participant neutral (open to suppliers).

In addition to the above, ESB GT questions the necessity of introducing intermediary arrangements in the ex-ante markets. The introduction of such requirements would appear to only increase the administrative burden on participants operating as intermediaries as a participant would still need to aggregate the different units through an assetless unit in order to achieve the aggregation functionality. Considering participants already have existing contracts in place to perform intermediary arrangements in the ex-ante markets, any future changes to the intermediary arrangements should operate in conjunction with the existing arrangements (aggregation through an assetless unit). Any potential new RA requirements for intermediary arrangements on a voluntary basis could meet the CEP requirements, as per the RAs view, while limiting the impact on market participants.

Question 5: Do DSUs have non-discriminatory access to participate in the SEM?

It was unclear from the paper what the conditions are in the suppliers licence that may not be fit for purpose for DSUs. Therefore, ESB GT has no comment on this question at this time.

Question 6: Are there updates which could be made to the existing market structure which would facilitate participation by Aggregators in a non-discriminatory manner?

The current treatment of aggregators could be viewed as not facilitating participation in a non-discriminatory manner. ESB GT believes the requirements for Combining Candidate Units into a Capacity Market Unit as defined in the Capacity Market Code (E.7.6) could be a starting point for discussions on how the market structure could facilitate aggregation in a non-discriminatory manner in the Balancing Market and Ex-Ante Markets. Further consultation on the unit MW size that can avail of aggregation is recommended.

Question 7: What form of regulatory oversight of Aggregators is most likely to ensure the protection of small-scale market participants involved in aggregation (e.g. Contractual Arrangements, Aggregator Licences, updated Forms of Authority, etc.

Any regulatory oversight needs to be proportional considering the extra administrative burden and the perceived benefits to participants, and justified via an evidenced based approach.

Question 8: Do you feel that the current framework for Intermediaries could be applied in future aggregation frameworks and is compliant with Article 17 of the Electricity?

Please see response to Question 1.

Question 9: Are there changes that could be made to the existing DSU framework that facilitates future frameworks for aggregation for demand-side response?

Please see response to Question 2.

Question 10: What other considerations should the RAs focus on prior to the implementation of Article 17 of the Directive?

This would need to be reassessed if the SEMC decide to consult on facilitating aggregation through another means other than the proposed intermediary approach.