



AUGHINISH ALUMINA LIMITED

(Registered in Ireland No.59982)

Attention: Dylan Ashe (CRU) & Owen Kearns (UREGNI)

Submission to the SEM committee relating to the Consultation on System Services Future Arrangements High Level Design Consultation SEM-21-069

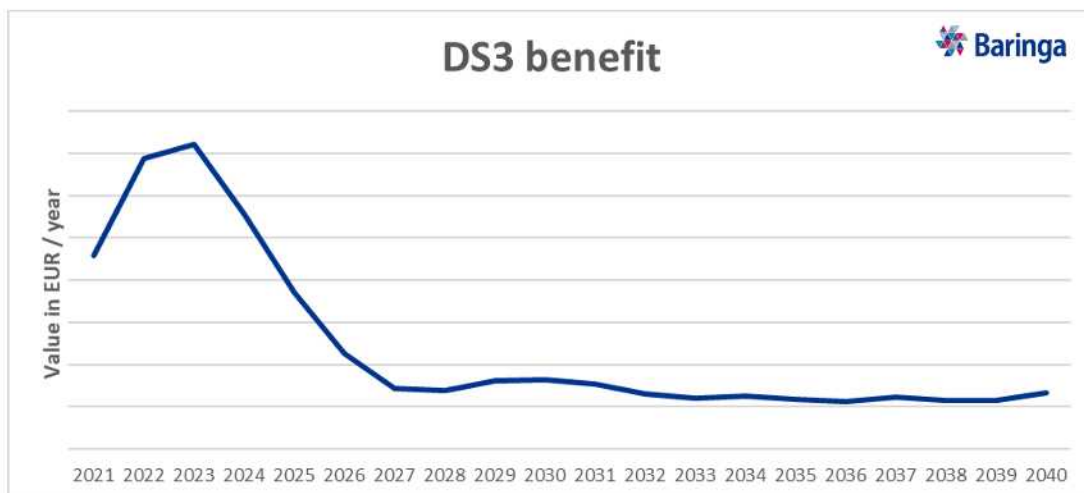
This response is non-confidential.

Aughinish Alumina Limited (“Aughinish”) welcome this opportunity to respond to the SEMC’s consultation on the high-level design of future system services.

Aughinish welcome the all island commitment to net zero carbon future. To achieve this our island will further invest in our best energy resource, wind generation, along with other low carbon technologies. The 2030 plan for wind generation integration is unprecedented anywhere else in the world, especially on a small island with poor interconnection and a generation fleet which is ‘blocky’ compared with our demand, thus putting SONI and Eirgrid in a pioneering position. Without mitigation measures in place this wind fleet will suffer a damaging amount of dispatch down. The incremental cost of delivering wind turbines will increase and the citizens of Ireland will end up paying more than is necessary for decarbonisation. In addition, we run the risk of not reaching our 2030 targets despite having adequate zero carbon generation capacity built but underutilised.

Investor confidence:

Aughinish believe the future System Services need to ensure incentives are in place to encourage investment in services to support renewable generation in Ireland. Recent modelling carried out by Baringa for Aughinish in relation to an innovative project indicate DS3 revenue will diminish hugely in the early to middle part of this decade. This type of signalling will make the business case for technology solely designed to deliver DS3 products very difficult. This consultation has been eagerly anticipated by potential investors and it has done little to offer any optimism.





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The current expenditure cap was put in place to deliver 2020 target and the investment needed in modifying the existing fleet to reach 70% SNSP was small in comparison to what is needed to approach 100% SNSP for 2030. The providers of the system services needed for 2030 do not yet exist on the system. The services currently provided by fossil fuel generators will have to be met by new zero carbon technology. The investors in these technologies need long term certainty. Daily or annual auctions will offer little comfort or incentive for investment.

The future System Services arrangements need to build an environment which can move towards a zero-carbon future. Short term saving today, in limiting investment in system services, will ultimately lead to higher consumer costs in the medium and long term. Adequate procurement of System Services in the early to mid-2020s will represent good value for money for the island of Ireland and will help set the foundation for a net zero carbon. **Aughinish suggest future System Services arrangements need to provide long term investor confidence.**

Question 7: What are stakeholders views on the funding arrangement proposals?

Aughinish do not support Option 3: Trading Period Supplier Based Charge or 3a. This would increase system service charges on consumption during time of high RES-E penetration which would discourage 'active' consumption (or 'dispatchable' consumption) of RES-E power and result in increase dispatch down of renewable generation. This would increase the PSO levy for consumers. This would increase the carbon intensity of the electricity grid. If the SEMC wanted to allocate costs in this manner it would be more transparent to fund the service provision directly from the PSO levy and thereby allow active consumers to support RES-E integration by consuming more power before the generators are dispatched down.

Yours sincerely

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