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### **EDF Renewables Ireland Response to the SEM Committee Consultation on System Services Future Arrangements High Level Design**

EDF Renewables is part of one of the world's largest electricity companies and our investment and innovation is bringing down costs for consumers and bringing significant benefits for communities. We operate in more than 20 countries around the world. We develop, construct and operate wind farms (onshore and offshore), solar and battery storage projects, and have more than 25 years' experience in delivering renewable energy generation.

We have recently opened an office in Dublin and are already in advanced discussions for an onshore wind development pipeline of almost 1 GW with aspirations for far greater growth in Ireland across all technologies, as can be seen by our recent acquisition of 50% of the Codling Offshore Wind Farm Development, off the East Coast of Ireland and the acquisition of a solar portfolio which now has projects under construction.

EDF Renewables would like to thank the SEM Committee for the opportunity to respond to the Consultation on System Services Future Arrangements (SSFA) High Level Design (HLD).

In our view, a resilient electricity grid is essential to meeting our 2030 renewable electricity targets and our longer-term decarbonisation goals. The Climate Action Plan<sup>1</sup> sets out a vision of how we can decarbonise Ireland's energy system. This is unlikely to be achievable without parallel development of the transmission system to accommodate the large volumes of renewable generation that will be required. Coupled with increased electricity demand, the existing transmission and distribution grids were not designed for the increased levels of power flows that are predicted. The SSFA project will be key to helping increase and manage the level of non-synchronous generation on the system in this decade. It is positive to see the progression of this project through its phases and we welcome this consultation.

The recently published National Development Plan 2021-2030<sup>2</sup> states that *"The NDP Review commits to increasing the share of renewable electricity up to 80% by 2030... This will require a coordinated programme of investment in: Grid-scale renewable electricity generation and storage;"* The Baringa Endgame Report<sup>3</sup> advises us that we can deliver 85% RES-E in the "Less than 2MtCO<sub>2</sub>" scenario, without

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<sup>1</sup> [gov.ie](http://www.gov.ie) - Climate Action Plan 2019 ([www.gov.ie](http://www.gov.ie))

<sup>2</sup> [gov.ie](http://www.gov.ie) - National Development Plan 2021-2030 ([www.gov.ie](http://www.gov.ie))

<sup>3</sup> <https://www.baringa.com/en/insights-news/points-of-view/endgame-a-zero-carbon-electricity-plan-for-ireland/>

building significantly more capacity and with net saving of 180m Euro to Irish consumers vs 70% by 2030 but with a clear dependency that *“the bulk of the key DS3 limits have been resolved using zero-carbon solutions”*.

We would like to highlight the following points:

- **Certainty of process** - It is important for as much clarity as possible given the move to a brand-new approach to procurement of System Services. Given that the current arrangements are due to expire in 2024, it would be helpful if the new arrangements would remain in place beyond the six-year period as proposed. We would welcome a view on what arrangements will be in place by May 2024 and a clearly defined roadmap thereafter.
- **Price cap** - Investment in services is necessary to meet 2030 targets and therefore, as much clarity as possible would be helpful, in relation to the enduring nature of arrangements.
- **Risk and who is best placed to manage it** - Reducing the investment risk arising from constraints and curtailment should be placed with the entity best placed to manage this risk, i.e., with the TSO in the case of network build out and increasing SNSP.
- **Transitional arrangements** - Given that the move from regulated arrangements to future arrangements is a significant transition we would welcome clarity regarding how this move will be made. We would welcome adequate transparency, early warning, and signals of intended direction, purpose, and needs, so that existing and new entrants can review, prepare and be able to provide suitable products when this project reaches Go-Live.
- **Investment signals and RES-E** - System Services will play an important role over the coming decade and beyond, and it's important that this new market will have sufficient signals to ensure that there is sufficient investment from the full range of parties that are able to provide these services, e.g., storage, wind, and other renewable generators and dedicated System Services providers.

#### Consultation Questions:

**Question 1: Do stakeholders consider that the commitment to putting these arrangements in place on an enduring basis, at least to 2030, represents sufficient certainty of process?**

We do not consider that this is enough time, nor does it provide sufficient certainty of process. Considering that the current arrangements are due to expire in 2024, we believe it is unreasonable that the new arrangements would only remain in place for a six-year period. There needs to be a longer timeframe with more certainty of what the arrangements are. The combined challenges of the increased renewables targets, the reduction of emissions and the reduced degree of fossil fuel plant all require the clear development of a robust and enduring system services procurement regime.

#### Governance Arrangements

**Question 2: What are stakeholders views on the options and recommendations presented for qualification/registration? Are there further options that may be considered?**

We support the Rolling application process for the qualification process because this would, in theory, provide greater flexibility and facilitate faster market entry to applicants than a gate process. We note that TSO resources are an issue, in terms of processing the number of providers contracting and testing on a regular basis, but this funding should be provided for and supported by the RAs.

**Question 3: What are stakeholders views on the proposed formalisation of the QTP?**

We note the intention that the TSOs would issue an annual call for evidence to allow for industry, new entrants, and new technologies to input into the design of the trial. Following this the TSOs would then design a trial and would publicly consult on its proposed trial design. We welcome the formalisation of the Qualification Trials Process (QTP), however, highlight the need for this process to be streamlined and more efficient given that it will be an annual process.

We support the improvement of the Process, which would aim to remove any remaining barriers for new technologies. We believe the process should retain the flexibility to address system needs, however should not unduly delay the running of trials.

We note that this increased formalisation of the QTP Process may add considerable administrative burden for the TSOs. It would be essential that sufficient resourcing is allocated to the TSO as part of their price control revenue, to ensure that the process is delivered in a robust, reliable, and efficient manner. We welcome clarity, in relation to the funding mechanism and number of trials which the SEMC are willing to approve per QTP cycle. Finally, there needs to be a robust process which can facilitate consultation with industry and the trialling of new technologies.

**Question 4: What are stakeholders views in terms of the introduction of a single System Services Code?**

We note from the consultation that the SEMC intend to proceed with option 2 – A System Services Code is to be developed which will replace the current multiple System Services documents. We agree with the amalgamation of the System Services documents and with the introduction of a single System Services Code, however we would like to highlight the considerable volume of work that establishing such a code will create, in terms of ensuring appropriate governance and legal structures. The implications of this need to be considered in detail, such as the interaction with Network Codes and Licencing, and the interaction with Jurisdictional Implications. The transition to such a code would need to be carefully planned and managed. We would welcome greater detail around what the code is likely to be and how the process for approving proposed modifications will work.

**Question 5: What are stakeholders views on the options in terms of governance of rules changes?**

We agree in principle with having a panel with the proposed governance, assuming the legal aspects of moving to a Code have been resolved.

**Question 6: Do stakeholders have views on the potential to amalgamate different Panel meetings?**

EDF Renewables notes from the consultation that option 2 is suggesting the creation of a System Services Code Panel, on a transparent basis with specific participants. We agree that amalgamating the same

resources for different panel meetings would be in theory beneficial and enhance efficiencies and we would therefore be in favour of the creation of such a panel.

We would expect that the TSO can be adequately resourced to provide this service, in addition to fulfilling their functions on other Code panels. We believe however, that the arrangements will need their own separately defined governance. The introduction of the System Services Code Review panel will provide a greater opportunity for industry oversight and involvement through a more transparent process.

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

We note that the SEMC minded to position is for a Trading Period Supplier-Based Charge, where charges are applied through each trading period. This is on the grounds that the costs would be levied in a way that accurately reflects the costs of providing services in a given trading period, resulting in the right economic signals across the market.

We understand the logic for this proposal, but we are concerned that the resulting cost signal may sometimes be of an opposite value to the wholesale price signal, which could lead to sub-optimal market outcomes. We recommend that the interaction of each funding option with the wholesale price is examined more closely before a final decision is reached.

**Question 8: What level of involvement should the DSO/DNO have in the governance process?**

We support a TSO-led interaction with System Services providers connected at distribution level. Service providers connected at distribution level will be increasingly important provision of future system services. We believe that there must be arrangements in place to allow the DSO and DNO to continue to operate their networks securely.

**Question 9: How should the interactions with distribution connected parties be governed?**

Our preference would be for Option 3 – the TSO Led approach, as this would continue the direct relationship between the TSO and provider and would likely lead to a more efficient outcome in terms of procurement processes and product standardisation. If the System Services Code Panel is set up, we would expect the DNO/DSO to be fully represented and able to take a full role within the framework.

**Question 10: Are there any further considerations for the High-Level Design of the Governance Arrangements?**

No EDFR response is provided to this question.

**Auction Design**

**Question 11: What are stakeholders views on the Auction Design options and SEMC Recommendation?**

At this stage it is unclear how the various options are intended to operate, at what times, and with what interactions with other markets. It is not, therefore, clear which auction options are most suitable for industry. We would recommend more detailed consideration on the auction design options, including worked examples and a roadmap for product procurement. We would welcome a market which supports increasing volumes of renewables on the system, particularly in the context of the new RES-E targets of 80% generation by 2030.

**Question 12: Are there any further considerations in terms of the Auction Design options?**

We are not in favour of any single option at present and request a full detailed consideration by the SEMC. We would welcome worked examples to outline the effects, intent, impacts and benefits of any of the auction design options raised. In this way we would be enabled to assess the options and form a view on the Auction Design.

**Market Design**

**Question 13: What information is required to get a full view of the volumes requirements for System Services?**

We note the SEMC proposal that the TSOs produce annual reports on the long-term system services requirements, in addition to frequent publication of shorter-term forecast requirements. Daily volumes will also be required for the purposes of the auctions. The SEM Committee requests stakeholders' views on what information is required of the TSOs to ensure the efficient operation of the market. We believe that for long-term forecasting at least a 5 year and 10 years look ahead will be required and this should be updated on an annual basis. For short-term forecasting more information is needed on the granularity of this forecast and how it fits with the auction design e.g., will half hourly forecasts be available and will these be updated.

**Question 14: What are stakeholders views on the development of Secondary Trading of System Services?**

If Option 1 or 2 are chosen a deeply liquid secondary market trading, down to real time is necessary to allow renewables, which will be required to deliver 80% of Ireland's power and at least 70% of Northern Ireland's power by 2030, to be able to participate. The possible use of obligations and scalars to penalise non-delivery, especially where this no-delivery may be due to a lack of firmness, would make this need even more important.

**Question 15: What are stakeholders views on the proposals regarding Commitment Obligations and Scalars?**

We note that due to the uncertainty regarding which auction design would be suitable at this time, and that the treatment of firm access is a matter of active discussion with the TSO (with a new Firm Access Policy under development by EirGrid) we cannot be sure of the usefulness of retaining these obligations.

**Question 16: Do Stakeholders have views on the introduction of the concept of Firm Access to the System Services market?**

We note that the SEMC seeks views on whether it is appropriate to apply a firm access like approach to system services, reflective of the principle of usability. Providers with firm access to the system services market would be able to fully participate in the auctions and if they met their commitments would be paid even where network conditions on the day meant that the TSOs could not have activated those services. Non-firm providers would have restrictions placed on them whereby they may not be eligible to participate in the auction under certain system conditions.

It is likely that adding the use of a firm access as a mechanism in the System Services regime would add significant complexity to the market. If handled poorly, there is a chance that this could increase risk to participants. We would recommend the development of a robust solution which would ensure maximum effectiveness in support of renewables.

**Question 17: Do stakeholders have views on layered procurement of System Services? What approach could be taken to support this?**

We note that the SEMC proposes to require the TSOs to publish a document that would, at an early stage, help to identify System Service scarcities required to operate the system at ever-increasing levels of SNSP, as we move toward a 95% - 100% SNSP target in 2030. The SEM Committee expects that this will allow for a layered approach to the procurement of System Services and that this approach will allow for fixed contracts, longer-term procurement, and daily auctions. This approach should offer a balance between stimulating investment in service provision, where this is required, and enabling competition to drive down the price of servicing provision where the market is competitive.

We believe a layered approach may be a good idea, but more clarity is needed on a roadmap, services volumes, and timeframes for procurements. New products should also be considered for long-term procurement as there may not be a mature market and where new investment is required there should be clear signalling with a lead time for development.

**Question 18: Are there any further considerations in terms of Market Design?**

In terms of Market Design, the following key principles should be incorporated in the design of Firm Access arrangements:

- The entity with the most control of the risk should own the risk, and this is the SO – e.g., grid build out, operational constraints, etc.
- Investors need to see a clear path and timeframe to remove operational constraints to level the playing field for zero carbon providers e.g., removal of Min Gen constraint
- If the SO's grid build out or operational transition to 95% SNSP/0 min gen does not happen in the time set out, zero-carbon providers should be held whole in the market. But this would put pressure on the system services spend until resolved. Therefore, this needs to be tracked and managed closely.
- Volumes: A long term view is needed by industry. Therefore, at least a 5 year and 10 year look ahead which is updated annually with sufficient granularity to provide a meaningful outlook to investors is needed.

In conclusion we would like to thank the SEM Committee for the opportunity to engage on this matter and look forward to continuing our work with you in future.

Should you wish to discuss any of the issues raised in our response or have any queries, please contact Stella Burke on [stella.burke@edf-re.ie](mailto:stella.burke@edf-re.ie), or me. I confirm that this letter may be published on the SEM Committee website.

Yours sincerely



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