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

The commitment to an enduring basis is very welcome. 2030 is too short an horizon, given the fact that most investment would have a lifetime of a minimum 25 years and of up to 40 years. Provided the arrangements have an evolutionary change process with full stakeholder representation, we see no reason why this commitment shouldn't be extended to 2035 or beyond, which better represents a minimum de-risking timeframe for such projects, and which will therefore reduce the costs of providing the service.

The SEM Committee has elected not to include Investor Certainty as a criterion, yet all investors will require a very high degree of comfort that they will not be left with a stranded or loss-making asset. If they don't get this, assets will not be built, and the primary objectives will not be met.

With any 'new market' full merchant-risk based model the main problem is that investor response will be very slow, while they observe the functioning of the market before committing investment. If the market is at risk of fundamental change just as they become comfortable with it, investment decisions will probably just be deferred further.

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

We strongly agree with a rolling application process.

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

We support the formalisation.

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

A System Services Code is welcome. It is important that stakeholders have a formal input into the process. The view that the TSOs must completely control content in order to procure ancillary services is manifestly nonsense. This would give TSOs the ability to enshrine unjust contract terms and inefficient market arrangements. Experience would dictate that this is precisely what does happen if a massively dominant entity is given full control of such a process.

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

changes?

The landscape of industry stakeholders is fundamentally changing, with the bulk of future system services being delivered by large number of smaller companies. GB experience is that a) the TSOs have little understanding of the commercial or technical landscape in which these companies operate, and b) have a tendency to impose top down, inefficient and sometimes contradictory solutions to system service problems. The GB code panel process, while not perfect, has acted as a relief valve, and suggested improvements revolve around greater industry participation, and stronger RA oversight of the TSO's still dominant position in the process.

We therefore agree with the SEM Committee assessment, but would add that it is not only desirable, but actually necessary for industry to have a strong role in the process to ensure an efficient outcome for consumers, and to enable the energy transition in a timely fashion.

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

The principal problem for greater industry involvement from smaller companies is the much lower resourcing for regulatory support in this sector. However, it is important for this sector to step up to their obligations, and this has been seen in GB, where formal and informal trade groups pool resource to be represented. The amalgamation of Panels is a very helpful contribution to this process, as the sheer quantity of meetings, often doing little work in an individual meeting, is a material barrier to participation.

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

We are cautiously supportive of Option 3 and even 3a. Supportive because it is consistent with an optimised smart grid, where flexibility and innovation are rewarded by their benefit. Cautious because it creates a more merchant risk model for investors, and the complexity increases costs for all participants, as well as potentially introducing systemic pricing risk, both for persistent low prices which harms investment, and high pricing shocks for Suppliers which harm consumers.

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

It is vital that the DSO/DNO have a role alongside the TSO and providers in the governance process. Full system solutions can only be optimised by the input of and control by all of the participants.

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

We favour Provider-Led. In our experience DSO/TSO interactions favour the status quo or a carve up in favour of their interests, and lead to inefficient outcomes for the consumer and system. Even where this is not the case, settling requirements through an intermediary is inherently inefficient.

We would actually draw the relationship differently, with a communication line between DSO and TSO, so that the conversation is tri-lateral. This would assist in addressing TSO-DSO interactions, which could modify Provider contracting with the TSO and DSO and thereby create a more transparent and efficient outcome for all parties. For example the Provider may be constrained by a TSO-DSO interaction only under certain conditions, but require data from the DSO to establish

when that constraint was active. If these conditions are specified in both contracts, the Provider can optimise utilisation of its asset, and the service constraints are transparent to the TSO. Otherwise there would be a tendency to globally constrain the Provider for the worst case.

Such a tri-lateral contracting structure will also benefit the stacking of DSO and TSO services for a Provider. This will lead to a more efficient outcome for Consumers through total system service cost reduction.

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

Governance will have to address the issues around timelines with respect to both SO and TO deliverables. Experience in the UK has demonstrated that the SO and TO timelines slipped but the service provision dates remain the same. As a result the delivery timelines for third party participants get ridiculously compressed.

Question11: What are stakeholders views on the Auction Design options and SEMC Recommendation?

Either Option 1 or 2 seem workable. Option 3 lacks transparency for Providers, and would probably be harmful for investment. We agree that Option 1 seems more sensible, with energy being auctioned first, as energy is the primary product in the market.

We do not favour splitting price and volume auctions pre and post DAM. This seems unnecessarily complex.

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

We believe that there should be a specific additional requirement for ‘innovate solution submissions’ to help stimulate innovation and new technology solutions.

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

Ideally the TSOs would by the lead sponsor for an open source full system model that calculated service requirements based on historic data, and forecast future requirements based on forecast data.

We are very far from this, and lack the basic information necessary for sensible developer decisions on what and where to develop plant for future system services. There is an urgent need for comprehensive system modelling of future service requirements to be made public. This will assist developers in starting the work of creating projects of the right type, in the right geographic location, and with the most appropriate electrical connection. If data is not made available we will end up with sub-optimal deployment and delays.

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

This seems sensible in principle, and allows Providers flexibility in meeting their commitments. It would be potentially useful for the Secondary Trading market to operate up to real time and even

beyond to accommodate dispatch failure or underperformance, where this can be matched to backup dispatch or over-performance.

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

We agree with the proposals.

Question 16: Do Stakeholders have views on the introduction of the concept of Firm Access to the System Services market?
It is important that investors have clear signals and that once they have reacted to these signals that they are not penalised. Therefore the principle of firm access seems appropriate, and that scalars are used to modify locational decisions.

Non-firm access just provides another layer of uncertainty on top of merchant risk, and will hinder development.

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

Long term contracts are essential to initiate a market for new services, or to bring new capacity. Until auction markets have significant track records, and a demonstrably stable environment, investors will discount merchant risk revenue to an extent where new plant will not be built.

To ensure the minimum service provision costs and at the same time provide private sector investors with the required ‘Investment Security’, the option of agreeing a Cap and Floor contract should be considered, which is a good mechanism to ensure that both the service seller and purchaser have the required certainty and security.

Long term contracts will result in the lowest cost to the consumer. We therefore see less of an argument for medium term contracts. These do not facilitate capital expenditure.

We are not in favour of bi-lateral contracts. These tend to lack transparency and cause market distortion.

Auction based markets as an end goal work well with careful management of the procurement of capacity via long term contracts.

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

The ability to stack services promotes efficient use of capital and creates an investment case that facilitates deployment of multiple technologies. Firm commitment to stacking and clarity on any limitations that may be imposed are necessary.