

EP UK Investments Ltd. Response to Firm Access Methodology in Ireland

EP UK Investments Ltd. (EPUKI) welcomes the opportunity to respond to this consultation. We view the development of a functional and efficient firm access methodology as a fundamental part of delivering adequate generation in the SEM. This is a key issue for both conventional and renewable generation.

Q.1 Comments are invited from interested parties on EirGrid's proposed approach of having a time-bound Firm Access date. Should scheduled FAQ date be linked with Associated Transmission Reinforcements, with more targeted delivery incentives?

EPUKI generally supports the approach proposed by EirGrid, whereby Firm Access Quantity (FAQ) date would be decoupled from Associated Transmission Reinforcements (ATR). This approach provides greater certainty to generators which promotes new investment at lower costs. However, it is important that the time-bounds applied by EirGrid are standardised or capped in some way to avoid FAQ dates which are infeasible for investment cases.

EPUKI acknowledges the risk identified by the SEMC, that the approach may increase constraints cost for consumers, however we believe that this is a short-term outcome which would be offset on an enduring basis. Increased certainty allows developers to price investments at a lower level due to decreased risk exposure. This would show up for New Capacity procured through the Capacity Remuneration Mechanism (CRM) and renewable projects entering through the RESS auctions. Additionally, if implemented correctly this mechanism would promote new generation (both conventional and renewable) into the SEM. This would help to avoid further reliance on temporary emergency generation which is procured at significant cost to the consumer.

EPUKI does not agree with the SEMC suggestion that this approach would weaken the incentive on the TSO to deliver transmission reinforcement works. Any delay in completing such works currently affects the generator primarily, who is liable to uncompensated downwards constraints. While the TSO is exposed to a portion of such costs, it is not meaningful to warrant retaining the current approach. We believe that this risk could be addressed by transitioning to a reputational incentive, whereby EirGrid (perhaps in its Annual Performance Report) would publish information detailing the constraint costs which have been passed onto consumers as a result of delayed transmission reinforcements.

The exact nature of how time-bounds will be calculated will be essential to ensuring this approach is effective. If this approach is applied and dates for FAQ are too far out, it will effectively make no difference to generator certainty (in fact, may worsen the issue). We are also aware that the TSO would be incentivised to calculate later dates in order to avoid the risk of late transmission reinforcement delivery. As such, we believe that robust industry engagement is required in order to determine how dates are calculated, with sufficient independence and robustness to ensure an even playing field.

Q.2 Comments are invited from respondents regarding EirGrid's historic performance on delivering ATRs. How can EirGrid's performance be improved?

EPUKI has no strong views on EirGrid's historic performance on delivering ATRs and associated Firm Access.

As outlined above, basing EirGrid's performance on a reputational incentive would be a transparent and objective way of measuring and improving performance. If the time-bound approach is adopted, EirGrid would be expected to maintain a database of all upcoming projects including their FAQ date

and date of completion of transmission reinforcement. These projects should be reported on annually and publicly, identifying any delays to the transmission reinforcements. With this information, it would be possible to work out the costs passed on to consumers as a result of these works not being completed as scheduled.

Currently the balance of risk sits too heavily on generators, with only minor exposure to the TSO. This is questionable, particularly given that the completion of transmission reinforcements is wholly the responsibility and in the control of the TSO.

Q.3 Comments are invited on whether stakeholders agree with the proposed approach of allocating partial Firm Access Quantities.

While EPUKI supports the concept of partial Firm Access Quantities is unclear from the Consultation Paper why the granularity of partial quantities is so greatly reduced. Moving from partial access in discrete blocks of 0.5 MW to blocks of 20 MW represents a significant shift for generators who would receive partial access.

While the Consultation Paper notes that this change would represent a less complex approach, there are no details provided on the impact of this change on complexity, nor why 20 MW as chosen as an appropriate threshold rather than a more granular level.

Q.4 Comments are invited from respondents on the proposed approach of allocating Firm Access to generators once they reach committed project phase (progress beyond Consents Issue Date).

EPUKI supports the proposed approach for eligibility, given the increased certainty it provides to developers prior to connection. Such certainty is desperately needed in order to secure required new generation in the SEM in the coming years. This generation is required in the short to medium-term to ensure Security of Supply, and in the medium to long-term to enable Ireland's renewable energy ambitions.

Q.5 Comments are invited from respondents on the inclusion of a longstop date with awarded FAQs.

EPUKI generally supports the SEMC's suggestion of a long-stop date to avoid the allocation of Firm Access rights to projects which will never connect. However, in order to avoid unintended outcomes, there are some issues which need to be considered. For example, the longstop date should not apply where a unit does not connect as a result of third-party delays which are outside the control of the developer.

Additionally, the longstop date needs to be set at a level which filters out infeasible or unlikely projects but will not unintentionally result in projects having their Firm Access rights revoked when nearing completion. This would mean that any potential delays would undermine the investment case of new generation, due to the risk of losing Firm Access after significant investment has already taken place. One remedy to this would be to provide an exemption where it can be shown that a project is progressing through its milestones.

Q.6 Comments are invited from respondents on the proposed approach of treating batteries and other service providers as outside the scope for the Firm Access methodology.

EPUKI has no comment on this element of the methodology.

Q.7 Comments are invited from respondents on the proposed approach of having an MEC "floor" of 1 MW.

EPUKI has no comment on this element of the methodology.

Q.8 Comments are invited from respondents on the Annual Review process.

It is unclear from the consultation document and supporting document provided by EirGrid what the features of any annual review would include. In theory this mechanism could work but a high degree of transparency and clarity on how the review is carried out is necessary in order to avoid distortions or unfair outcomes. The development of the Annual Review process would be best addressed through thorough engagement and workshops with industry and wider stakeholders.

Q.9 Comments are invited from respondents on the Firm Threshold.

It is unclear from the consultation document and supporting document whether the firm threshold would apply to all generation or renewable generation only.

Similar to the proposed Annual Review process, there are a substantial number of details which would need to be clarified before any such mechanism could be introduced. For example, under the proposal a certain level of constraints would determine whether or not a unit is defined as firm. However, it is noted that there are a variety of different reasons for constraints. It may be unfair for new generation to not reach firm status (heavily impairing any business case) due to decisions made by the TSO (such as interconnector flows or dispatch preferences) without adequate transparency and reasoning.

Separately, a firm threshold may deter investment in much needed parts of the network. If a network is heavily constrained it may be very difficult or impossible for a generator to achieve firm status there. This would deter any investment in needed areas on the network. Therefore, it is important to establish, within the development of the firm threshold, exactly what constraints will be considered when assessing a unit's performance against the threshold.

Q.10 Comments are invited from interested parties on the approach of First to be committed – first to be Firm

We support the approach presented by EirGrid with respect to order of allocation, however clarity is needed on how this is treated across different technologies.

Different technologies offer different value to the electricity system. For example, flexible conventional generation provides a reliable source of generation which can be called upon at times when intermittent renewable generation falls short, whereas batteries are a good source of fast-acting ancillary services.

If the allocation of firm access is based only on first committed, first to be firm there may be an unintended outcome whereby the wrong technologies are securing firm access over technologies which may be more useful or required on a certain part of the network. In theory the approach is sound, but it is important to bottom out this risk to ensure against ineffective and inefficient allocation of firm access.

Q.11 Comments are invited from respondents on the use of the Transmission Development Plan as part of the Firm Access methodology.

While it seems practical in theory to use the Transmission Development Plan (TDP) as a basis for the firm access methodology, additional clarity would be required on how the TDP is developed and how the TSO chooses to prioritise or include projects on the plan. A roadmap or methodology needs to be defined and available which would clearly link the projects in the TDP to the firm access dates.

There is a concern that if areas of the network are undesirable or inconvenient for the TSO to develop, they may avoid prioritising such projects on the TDP so as to not result in firm access being granted to

generators which might incur constraints. This might happen even if a generator is required in a certain location.

Transparency and objectivity are required on all elements of the firm access methodology including firm access dates for projects, the prioritisation of projects, and the methodology for same.

Q.12 Comments are invited on the proposed look-back and look-forward approach.

This approach would only work where the transparency, clarity, and objectivity identified in response to Q.11 is provided. The consultation document notes that projects in heavily constrained areas, which are not considered feasible for reinforcement, *“will likely be non-firm for an extended period of time”*.

This is a double-edged sword and in order for this recommendation to be implemented it needs to be clear which parts of the network are “considered feasible”. The approach, as is, grants the TSO the power to decide where and which parts of the network they choose to develop, at the same time effectively freezing new generation out of these areas. In some instances, this approach may benefit from having a long look forward. If the TSO can commit to developing network reinforcements in a location several years in advance, and deliver on that commitment, it may help to alleviate some of the more constrained areas.

In some instances, (where a part of the network might be over-supplied), this is reasonable. However, it is important to avoid cases where reinforcements might be awkward or complicated to deliver and thus defined as “infeasible”, even where completion of those reinforcements would benefit the Irish system. As such, where areas of the network are considered infeasible, it should be required that the TSO provides a justification as to why an area is defined as such, and additionally model the impact on the network if reinforcements were to be carried out in this location.

Transparency here is essential to ensure prospective generators have a clear understanding on their likelihood of achieving firmness and to unlock the full potential of assets on the network.

Q.13 Comments are invited from interested parties on the interaction of delivery incentives with the proposed Firm Access methodology.

EPUKI recognises a significant crossover between the Firm Access methodology and PR5 incentives. We would expect a robust and effective Firm Access methodology to support the TSO in achieving a number of the PR5 incentives through the delivery of greater certainty for new generators. This would be expected to deliver greater Security of Supply and greater RES-E uptake in the coming years.

Q.14 Views are invited from interested parties on how the TSO should be incentivised to alleviate constraints.

As set out above, the TSO could be requested to publish annual constraint information. This information should identify the constraints on the island each year as well as the associated amount in constraint costs associated with each constraint. This publication can be updated each year to provide the TSO an opportunity to identify what work they have done to alleviate the most expensive constraints. This would put an onus on the TSO to deliver reinforcements which benefit the consumer by reducing imperfection costs.

Q.15 Comments are invited from participants on the need for independent assurance from the Firm Access process.

Independent assurance is absolutely essential in order for the proposed Firm Access methodology to function fairly and effectively. EPUKI have already outlined a number of areas where we believe this

approach would benefit from transparency and objectivity. While we recognise the potential of the proposed approach in delivering certainty to investors and securing generation, there is also the potential for unintended consequences if not carefully checked.

This approach provides the TSO with more judgement in how they are delivering reinforcements and assessing what an appropriate Firm Access date for participants is. While this is somewhat appropriate, given the TSO's expertise and experience, it also provides an opportunity for negative outcomes. If the TSO provides participants with Firm Access dates which are too far in the future, (to avoid incurring constraint costs for consumers), projects may not build. This outcome may end up being more expensive for consumers than constraints would have given the ongoing Security of Supply crisis.

In order to avoid such scenarios, the methodology employed by the TSO to provide participants with Firm Access dates needs to be clearly linked to properties or timelines which participants can track themselves. Additionally, wherever possible the dates provided should be standardised for project types, connection types etc.

As well as an independent assessment to ensure that the TSO is following their process in an effective manner, comprehensive industry feedback and engagement is also required to ensure this approach is successful. This feedback could be worked into existing mechanisms for stakeholders to provide feedback (Network Stakeholder Engagement Evaluation Panel), or a separate annual form could be established where the TSO reports on performance and priorities across the year and industry can provide feedback on same.

Q.16 General comments are invited from interested parties on whether they agree or disagree with EirGrid's proposed Firm Access methodology.

As outlined above, we see the merits in EirGrid's methodology but believe that it needs to be further developed before we can support it. This is a significant change for the Irish system and will impact all projects looking to connect in the coming years. The level of detail in EirGrid's supporting document is lacking in some areas which makes it difficult to comment on or support.

We believe that additional information is required detailing (i) how transparency and accountability measures are to be applied to the proposed Firm Access methodology, and (ii) outlining comprehensively all details which will be used in the Firm Access methodology including parameters feeding into Firm Access date calculations, details of the annual review process, details on the Firm Access threshold.

We do not consider it possible for EPUKI, nor any participant, to support a shift in the Firm Access methodology until all of these details are available for consideration.

Q.17 Suggestions and/or alternative approaches are invited from interested parties on EirGrid's proposal.

One alternative would be for EirGrid to provide a Firm Access date at the point of applying for connection. This would improve transparency for participants at the time of connection application and provide certainty which would help to secure projects and ensure they are delivered. The same clarity and transparency identified in response to EirGrid's proposed approach would be required to ensure that dates provided to participants are reasonable. Though this measure should hopefully result in EirGrid developing timelines which are reasonable, as failure to do so would result in new generation not showing up.

Q.18 Comments are invited from interested parties on the benefit of providing firm access to connected legacy generation in Ireland which currently have non-firm access. Should legacy non-firm generators be considered in any new firm access methodology?

We believe that a high degree of caution is required with this proposal. While we recognise the reasoning behind this approach (and possibly fairness), we believe it may have detrimental effects on Security of Supply. If existing generation is awarded new Firm Access as it is secured on the system, it may dissuade new generation from entering the network. An inability to secure Firm Access would damage a project's business case and make it difficult to achieve investment. It is likely that legacy generation does not have the same need for an investment case given that it is already built.

This issue would be compounded by the length of time it takes to complete network reinforcements. If the TSO spends a number of years completing network reinforcements at a location which is key for the network only for all of the Firm Access to be allocated to legacy generation, it is difficult to see a pathway for new generation to connect. This could mean that new projects (both renewable and conventional) may be waiting years for an opportunity to secure Firm Access. This would come at the cost of Ireland's Security of Supply and subsequently the consumer.

Q.19 Comments are invited from respondents on the need to consider this proposed methodology in relation to the equivalent approach taken in Northern Ireland.

While respecting the jurisdictional nature of Firm Access allocation, we believe that the approaches to Firm Access should be aligned as much as possible in Ireland and Northern Ireland. This would ensure that the SEM is as fair and even as possible.