



ELECTRICITY  
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OF IRELAND

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**Date 31<sup>st</sup> August 2022**

Sent by email to: Grainne Black [tsc@cru.ie](mailto:tsc@cru.ie)

Paul Bell [paul.bell@uregni.gov.uk](mailto:paul.bell@uregni.gov.uk)

**RE: SEM-22-030 Applicability of Reliability Option Non-performance Difference Charges to Available In-Merit Units**

Dear Grainne and Paul

EAI welcomes the opportunity to respond to the consultation on SEM-22-030 Applicability of Reliability Option Non-performance Difference Charges to Available In-Merit Units. Our members have the following comments outlined below. These comments have been provided without prejudice or effect to whatever proposals or planned changes are outlined relating to the Administered Scarcity Price or the protections afforded by existing modifications.

It is also important to point out that Non-Performance Difference Charges and ASP (Administered Scarcity Price) have separate functions and triggers. Our members are uncomfortable that this consultation is being conducted where there is no sight of what possible interaction the RAs are intending between these two signals, or how responses will dictate this.

**General comments:**

- We note that this consultation is following the previous SEM-19-024, where a review was postponed. We note this workstream was planned under the SEMC workplan as well. It would have been preferable for this consultation and the content it is considering, had been opened for discussion sooner. This would have afforded far more time for much needed stakeholder engagement and discussion regarding the market design parameters being considered. We would encourage the RAs that if they can

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**Electricity Association of Ireland**

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facilitate the time, then a brief discussion to discuss the circumstances where units are available but have faced difference charges, would be a productive way to include industry in this workstream.

- Our members would have concerns that the paper is insufficiently detailed in various key areas which can cause inadvertent consequences. We welcome the parallel requirement of the TSO to provide circumstances where units that are available have faced Non-Performance Difference Charges, since the TSO has sole knowledge of dispatch decisions. We would ask that these scenarios can be shared with industry and agreed before they are used as a basis to redefine non-performance and Non-Performance Difference Charges.
- There are key details and definitions that our members feel should have been clarified in the paper. These gaps in detail as below, has prevented a complete understanding of the SEMC position:
- In-merit is a term that can be defined either as
  - Units that are less than the highest accepted INC
  - Units that are less than the Imbalance Price (and therefore should be called before the event).

Our members would welcome clarity on the working definition being used before these proposals can be fully understood

- Availability is a term which can differ in meaning by its context in the CRM and can detract from the focus of this consultation as the Non-Performance Difference Charges are related to delivery, not availability. Therefore, we would encourage the RAs provide an unambiguous definition of “availability” as used in this paper in terms of declared availability and RO delivery.
- The Non-Performance Difference Charges is related to incentivising responsiveness at times where stress pricing occurs, i.e., the TSO has made it clear that the demand and supply is mismatched significantly. Responsiveness covers the developing scope of these charges to include DSUs as well as generation. These charges are not intended to inadvertently penalise units for risks that are outside their control to impact or mitigate. It is unclear if this is the SEMC’s starting point, though the paper does extensively review the scenarios where Non-Performance Difference Charges were perceived to have been unfairly administered and mitigation action needed to be taken. For example:

- the working understanding of the function of Non-Performance Difference Charges Sept 2021 event whereby virtue of the delayed implementation of Mod-02\_21, units were unfairly exposed to high interconnector trades that impacted cash-out
- Events in 2019 that gave rise to Mod\_09\_19 which would flag out locational constraints from Imbalance Pricing calculation.

Taking such scenarios into account, the only approach that makes sense to our members is the fourth and broadest approach that is discussed in the paper. This would support the view that Non-Performance Difference Charges should be targeted to those circumstances where units can have direct control in influencing their delivery.

- The paper in Question 5 mentions a potential concern about introducing a detrimental locational signal into the Capacity Market. Exposure to RO difference charges should not be used as a locational signal and therefore our members consider Question 5 to be an inappropriate question when considering the signal relating to non-performance and associated Non-Performance Difference Charges.
- The consultation mentions several modifications active, yet to be implemented or rejected, which aim to resolve the inherent systemic issues in design. Our members are strongly unsupportive of any narrowing of existing modifications that are providing important remedies in the function of Non-Performance Difference Charges. With reference to Mod-02\_21, this cannot be narrowed or refined unless EirGrid updates its methodology for trading on interconnectors. Our members would welcome a re-assessment of how EirGrid is choosing to accept the price of certain interconnector trades, and whether more price competition could be introduced to ensure interconnector trades could be more cost-reflective. Additionally, exposure will increase for our members as further interconnection is connected to Ireland, which also need to be considered.
- With reference to modifications broadly, we note that there is an existing mod Mod\_14\_21, which has been approved by the BM Mods Committee but has yet to receive a response from the SEMC. Many of our members give considerable time and attention to the functions of the Mods Committee and Workshops, but the timely provision of decisions by the RAs can be inconsistent. Where system design changes are considered, we would want to ensure that the function of the Mods Committee is not undermined. Our members support market development with the proposing, reviewing, timely decision and implementation of modifications that seek to address market dysfunctions or evolution.



Please do not hesitate to contact me if you should have any questions or require any clarifications.

Yours Sincerely

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**Dara Lynott**

**CEO**

Electricity Association of Ireland