

SEM Committee

31 August 2022

Emailed to: tsc@cru.ie and paul.bell@uregni.gov.uk

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

Energy Storage Ireland (ESI) is an industry representative association comprised of members who are active in the development of energy storage in Ireland and Northern Ireland. Our aims are to promote the benefits of energy storage in meeting our future decarbonisation goals and to work with policy makers in facilitating the development of energy storage on the island of Ireland. We have 50 members representing many areas of the energy storage supply chain.

Energy storage will play a significant role in facilitating higher levels of renewable generation on the power system and in helping achieve national renewable electricity targets. Storage systems can act in the energy, capacity and system services markets to deliver a wide range of benefits such as wholesale energy price reductions, reduced CO₂ emissions and flexible system support services to help manage the grid with higher levels of renewables.

We would like to thank the SEM Committee for the opportunity to provide feedback on the CRM Parameters Consultation for the Applicability of Reliability Option Non-performance Difference Charges to Available In-Merit Units.

Summary

The system is facing significant security of supply concerns in coming winter periods, due to both plant closures and declines in generator and DSU availability.

In response to questions 1 and 2, it is important to acknowledge that the TSOs do have the ability to dispatch batteries for export via EDIL, however current interim TSO policy is that BESS will not be dispatched or scheduled (except in limited circumstances at the discretion of the TSOs) and will instead primarily be held for reserve.

Recently, the TSOs have trialled dispatching BESS, but this is expected to be utilised only in limited circumstances (e.g Amber alerts) and only at the discretion of the TSOs. Current TSO policy in the majority of instances is therefore to dispatch BESS to zero MW regardless of their ex-ante generating (export) position. This prevents storage assets contributing more actively to security of supply and limits market participation to meet Capacity Market obligations.

Therefore, this acts as a disincentive to participate in CRM as it prevents market participants from managing RO risk.

All BESS are dispatched to zero MW and units have to buy power back in the balancing mechanism. Those without firm access are settled at the market imbalance price only (rather than their balancing market DEC price) and therefore exposed to imbalance price risks. The majority of storage projects are considered non-firm, and are therefore exposed to imbalance pricing if scheduled down from ex-ante market positions. Regardless of firm access quantities, very limited physical dispatch of energy from BESS is currently happening due to TSO policy and system limitations.

Q3: Under what circumstances, if any, beyond being flagged for providing Replacement Reserve, should units be exempt from Non-performance Difference Charges that would otherwise apply? Please provide supporting rationale for your response.

As mentioned above, limited physical dispatch of energy from BESS is currently possible due to TSO limitations, and we believe that units should not be penalised due to policy and system limitations. We are of the view that storage units should be exempt from Non-performance Difference charges when they are being held back for the purposes of other system services, and at times when it is the System Imbalance Price that triggers the RO event (due to the current market system limitations or if the TSO chooses not to dispatch). In both of these cases, through no fault of their own and due to circumstances which they cannot control, units are unable to be effectively utilised in the market. With regards to units being held back for the purposes of other system services, SEM 19-103 states that providers who are directed to provide “operating reserve or other DS3 system services” would not be “inappropriately disadvantaged” when acting on such instructions. This should be taken into account when coming to a decision.

4. Is there any interaction with the incentives for units to trade in the ex-ante markets as a consequence of your preferred approach, or any of the approaches proposed?

Trading in the ex-ante markets continues to result in exposure to system imbalance prices until scheduling and dispatch can effectively utilise storage, or while most units are classified as non-firm. ESI together with its members have been in discussion with the TSOs with regards to an interim solution involving the use of a ‘Follow PN’ methodology. This proposal involves storage assets being dispatched to their ‘FPNs’ reflecting any ex-ante market position; with the ability for the TSO to bid down projects depending on reserve needs. Combined with a change to classify storage as firm for the purposes of market settlement, this approach would provide an incentive for storage assets to trade in ex-ante markets, both during and outside of RO-events.

5. Could these approaches introduce a detrimental locational signal into the Capacity Market (e.g. by exempting units bound by a Locational Constraint from Non-performance Difference Charges, could this send a signal to Capacity Market Units to locate behind a constraint)?

We are of the view that these approaches would not introduce a detrimental locational signal into the Capacity Market as a natural incentive would remain.

Conclusion

In conclusion, we believe that the way in which BESS is currently being dispatched should be taken into account when making a decision on RO Difference Charges, and we would emphasize that units should not be penalised due to a TSO system limitation. We would like to thank the SEM Committee for the opportunity to provide feedback on the Applicability of Reliability Option Non-performance Difference Charges to Available In-Merit Units. We are available to discuss any of the points made above in more detail should you require.

Kind Regards,

A handwritten signature in black ink, appearing to read "Bobby Smith", written over a horizontal line.

Bobby Smith
Head of Energy Storage Ireland