



Via email to: mjoseph@cru.ie & donna.maye@uregni.gov.uk

30th November 2022

SEM-22-076 Consultation Response

I am writing on behalf of the Demand Response Association of Ireland (DRAI), the trade association representing Demand Side Unit (DSU) providers in the all-island Single Electricity Market (SEM). By aggregating the flexibility from customers' otherwise passive electrical loads into substantial load portfolios, our members create predictable, reliable, and controllable assets, which provide a valuable source of Demand Side Flexibility (DSF) that can be actively used by system operators to meet the needs of the power system.

Today, the DRAI represents approximately 700 MW of demand and embedded generation response across hundreds of industrial and commercial customer sites throughout the island of Ireland. These sites are managed by our members who actively participate in the capacity, DS3, and energy markets.

DRAI members are committed to shaping the future of power system flexibility through advancing DSF on the island of Ireland. As Ireland strives to achieve its renewable generation targets for 2030 and beyond, our promise as an industry-led organisation is to champion the development of innovative DSF solutions that are designed to address the system-wide requirement for flexibility.

The DRAI expresses a single voice on policy and regulatory matters of common interest to its members, and we welcome the opportunity to provide feedback on SEM-22-076 Best New Entrant Net Cost of New Entry (BNE-Net CONE) Consultation.

On behalf of the DRAI, I hope that you find our response helpful and constructive.

A handwritten signature in black ink, appearing to read "Siobhán McHugh". The signature is fluid and cursive.

Siobhán McHugh
DRAI CEO

DRAI RESPONSE TO THE CONSULTATION

The consultation paper and accompanying CEPA/Ramboll Best New Entrant Study 2022 highlight the challenges in calculating the BNE Net CONE where there is considerable uncertainty around levels of RES penetration, the impact of carbon budgets and future market revenues. The DRAI shares these concerns and sets out some key issues below around market revenues and assumptions underpinning the modelling analysis carried out.

OUTDATED MODELLING ASSUMPTIONS

The modelling is based on assumptions in the 2021 Generation Capacity Statement (GCS), which predates the Climate Action Plan 2021 and introduction of carbon budgets in Ireland. The CEPA/Ramboll Q&A note confirms that the methodology for system services and infra-marginal rent (IMR) analysis is “implicitly capturing the climate policies incorporated in the 2021 GCS”. These are now out of date and could have a material impact on study outcomes, including assumed running regime for the reference units chosen, and therefore an impact on assumed revenues.

INVESTMENT UNCERTAINTY

The current uncertainty around DS3 system services revenues from 2023 onwards is damaging participant confidence at a critical time when further investment in low carbon system service provision is needed to support security of supply, increase SNSP limits on the power system and deliver our carbon emission targets. This uncertainty is undoubtedly delaying investment and participation decisions on the part of many market participants, including demand response.

Similar to concerns around not accurately capturing climate policy impacts, it is likely that the investment gap will also have a material impact on running regime, service providers present in the market from 2026/27 onwards, and on assumed revenues for reference units chosen for analysis.

ASSUMED REVENUES (IMR AND SYSTEM SERVICES)

The implementation timeline for System Services Future Arrangements is still unclear, and engagement on the detailed design for arrangements has only recently commenced. The TSOs have stated that their best-case estimate for implementation of the future arrangements is now October 2025, however there is no confirmed timeline.

This delay and continuing uncertainty regarding the new arrangements, the level of remuneration, and the likely allocation of revenue to particular technology types, means that assumed revenues for system services are not reliable, and likely to significantly impact net CONE outcomes.

Finally, as outlined above, several factors likely to impact the running regime of reference units have changed significantly since the modelling analysis was carried out and this will impact the IMR earned by the chosen technologies.

In our view, the assumptions made on levels of revenue do not reflect best available information or likely impacts on investment decisions or system operation. There is a major risk that the analysis outcome is not reflective of the decision criteria of a rational investor in the current policy and market environment.