

To: **Kevin Lenaghan**
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Karen Shiels
Commission for Regulation of Utilities
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4th June 2020

RE. CMC_09_20 (Long Stop Extension for CY2020/21 T-1) - Additional Pre-Consultation Feedback

Dear Kevin and Karen,

I am writing to you on behalf of the Demand Response Association of Ireland (DRAI), the trade association representing Demand Side Unit (DSU) and Aggregated Generating Unit (AGU) providers in the all-island Single Electricity Market (SEM). We represent over 700 MW of demand and embedded generation response, across hundreds of customer sites in Ireland and Northern Ireland, managed by members, actively participating in the SEM. Through the DRAI we express a single voice on policy and regulatory matters of common interest to our members within the SEM.

Introduction

The DRAI's modification proposal CMC_09_20 was discussed in detail at Capacity Market Workshop 13 on Tuesday 26th May, together with the RAs, TSOs, and other market participants. This document provides the RAs with the additional information the DRAI promised to provide prior to the RAs initiating the consultation process on CMC_09_20.

Affected capacity

As set out in the draft modification for CMC_09_20, nine Participants secured New Capacity with a 1 year Capacity Duration for the 2020/21 Capacity Year in the T-1 auction held during late 2019, securing a total of 144.6 MW (de-rated) spread across 27 CMUs. Having completed a detailed survey of the nine potentially impacted Participants¹ since Workshop 13 on 26th May, the DRAI can confirm that 81.4 MW of this capacity (de-rated) has already been delivered, meaning that a total of **63.2 MW** of capacity (de-rated) remains still to be commissioned and is impacted by the ongoing Covid-19 restrictions.

The 63.2 MW of affected capacity is spread across 19 units, with a highly concentrated impact upon seven relatively small market Participants. The DRAI's view is that the relatively modest amount of capacity impacted is such that a reasonable Long Stop Date extension, proportionate to the level of restrictions faced in the delivery of this capacity is highly justified without material impact on security of supply and the value of the CRM hedge to consumers.

The DRAI also highlights that, if any particular unit is unable to reach Minimum Completion (delivering not less than 50% of the Awarded New Capacity) by the Long Stop Date, all of that unit's Awarded New Capacity would be terminated. This is likely to mean that, even though only 63.2 MW of new capacity

¹ The nine impacted Participants include 8 DSU/AGU aggregators which are members of the DRAI trade association and Statkraft Ireland Ltd. which is the ultimate parent company of both Winter Winds Ltd. and Ronaver Energy Ltd.

remains to be commissioned, delays to commissioning this capacity could lead to a much larger portion of the 144.6 MW which secured New Capacity in the 2020/21 T-1 capacity auction being terminated.

Extending the Long Stop Date as proposed will enable the impacted Participants to deliver as much as possible of the impacted capacity, as soon as possible, rather than the capacity being terminated on 31st October, and therefore not delivered at all, as would be the case without the modification. The DRAI believes this is the most beneficial outcome for security of supply, for consumers, and for the impacted Participants. The Participants will still have a strong financial incentive to deliver as much of the capacity as possible as soon as possible, due to not receiving Capacity Payments until they have done so.

Additional insights into challenges faced

Having surveyed the impacted Participants (with collectively 63.2 MW de-rated capacity impacted by the proposed modification), the DRAI can provide some additional insights / information regarding the difficulties which are being faced on the ground when trying to commission the New Capacity:

- Contractor access to sites. One company reported their main contractor had to leave site for >2 months during the Covid-19 lockdown period and has only recently regained access.
- Restrictions at host sites where DSUs/AGUs have committed to commission New Capacity. DSUs/AGUs typically connect capacity at industrial / commercial sites, many of which (in sectors including pharmaceuticals, food and beverage, hospitals, ...) have implemented strict restrictions on non-essential work and contractor access for activities such as installing DSU/AGU equipment in order to focus 100% on maintaining production and minimising risk to their key staff on-site.
- Host site temporary closures. Some sites where DSUs/AGUs have committed to commission New Capacity (such as cement, sand and gravel plants within the construction industry) have been temporarily shut down during the lockdown period, with some engineering staff responsible for supporting DSU/AGU commissioning activities furloughed. This has made it impossible to get access to install equipment or complete testing on-site, and led to significant project delays.
- TSO testing restrictions. EirGrid has been dealing with Emergency testing only during the lockdown period and has not planned any new site testing during this time leading to a delay in installation of equipment, and the arrangement of testing days with EirGrid, causing significant project delays.
- End customer ability to prioritise capacity market participation. DSUs/AGUs rely on contracting with end consumers (typically energy intensive sites whose core business is not energy) to provide capacity. Since February 2020, many meetings and developments have been cancelled or postponed as clients (both new sites and existing sites due to be retested to increase their capacity) have had to prioritise all efforts on their core business. Some companies have advised they are unable to progress with providing the previously envisaged capacity to the DSU/AGU until they can return to normal operations, which could take many months. Understandably due to the massive challenges they face during this time, customer engagement has been a major barrier for DSUs/AGUs in the progression of projects to commission New Capacity.
- Risk to employees. DSUs/AGUs have to continually risk assess their staff and contractors attending each site to meet with clients, conduct surveys, install equipment, and complete testing to ensure that these activities are possible while maintaining critical social distancing and do not cause additional risk for the host sites or for the DSU/AGU.
- Continuing restrictions. While some restrictions have started to be lifted, normal operations are unable to restart immediately and the impact on Participants will be greater than the approximately 2 months for which the strictest restrictions were in place. While it is difficult to forecast the rate at which restrictions will be eased, even optimistically it is clear there will be significant restrictions in place for at least a further 3 months until August / September 2020.

Urgency

The DRAI can confirm that it is acceptable that the Modification (initially raised as 'urgent') be progressed by the standard modifications process, while highlighting the high importance that a decision is reached, at the very latest, prior to the start of the 2020/21 Capacity Year on 1st October 2020, when affected Participants have to post 10 k€/MW increased Performance Securities in respect of the New Capacity.

Long Stop Date extension duration

The DRAI recognises the points raised by the TSO regarding the high importance of ensuring as much capacity as possible is available during the winter period when peak demands typically occur and therefore capacity of the highest value to the system and to ensuring security of supply. However, the DRAI highlights that peak demands can also historically occur during January and February, illustrating the system benefit from extending the Long Stop Date, by enabling some capacity to be delivered by the end of 2020 and therefore being available during the two winter months of January and February that would otherwise have been terminated by the current Long Stop Date of 31st October.

The DRAI also acknowledges the practical challenges associated with setting the modified Long Stop Date to 31st December, due to the Christmas holiday period and the impact of potentially concentrating commissioning and testing activity around this date. However, the DRAI does not believe that the TSO's suggestion (to instead set the revised Long Stop Date pre-December) provides a sufficient extension, proportionate to the impact of the restrictions faced due to Covid-19. In response to the concerns raised about the practicality of 31st December as the extended Long Stop Date, the DRAI proposes that the Long Stop Date instead be extended to 20th January 2021.

As the CMC provisions enable all New Capacity securing a multi-year Capacity Duration to avail of a Long Stop Date which is 18 months after the start of the Capacity Year, the DRAI believes that extending the Long Stop Date to less than 4 months from the start of the Capacity Year, for less than 65 MW of capacity is reasonable given the severity of the current situation.

Summary

While the DRAI recognises the careful balance required to be found between providing reasonable relief to the impacted Participants while minimising any potential impact on security of supply or the value of the CRM hedge to consumers, the modest volume of impacted capacity (63.2 MW) and the highly significant nature of the delays faced by the impacted Participants mean the DRAI believes the proposed Long Stop Date extension is highly justified.

As Participants retain a strong financial incentive to deliver as much as possible of the impacted capacity, as early as possible, deciding not to extend the Long Stop Date (or extending it only by a short period) will mean some capacity which could have been commissioned given a more reasonable extension period is not delivered at all (plus significant Termination Charges for affected Participants). In addition, without delivering any system benefit, such a scenario would force impacted Participants to enter individual legal proceedings to claim relief via the CMC Force Majeure provisions – an outcome which is highly complex, costly and administrative for the TSOs and Participants. The DRAI believes this is not an efficient outcome.

If you have any additional questions or would like to engage further with the DRAI, do not hesitate to get in touch.

Yours sincerely,



Co-Chair of DRAI