

SEM Committee
Commission for Regulation of Utilities
The Exchange
Belgard Square
North Tallaght
Dublin D24 PXW0

Submitted by email to: Dylan Ashe (dashe@cru.ie) and Bronagh McKeown
(Bronagh.McKeown@uregni.gov.uk)
Submitted on: 2nd October 2020

Re: Fingleton White's Response to the consultation on System Services Future Arrangements Scoping Paper SEM-20-044

Fingleton White welcomes the opportunity to comment on this public consultation.

Fingleton White provides multidiscipline engineering services for the energy industry throughout Ireland and the UK. It operates across multiple sectors including gas, bioenergy, hydro, solar, CHP, industrial heat and water.

1. Are there additional requirements in EU legislation or national policy that should be considered as key guidance for the project?

No Comment.

2. What should the role of DSOs be in development of the new arrangements?

The DSO should accommodate maximising the use of existing grid assets to provide system services in an economically efficient manner. This would enable the DSO to assist the TSO in providing these services.

Looking to the grid of the future where consumers have an increasing part to play through demand side response and on-site generation, the DSO has a key role to play in optimising the use of the distribution system. It is likely that there will be requirement for additional distribution system services to facilitate the increased connection of renewables while minimising constraints on the distribution network.

Distribution network connected system services will provide a more economically efficient service, the key is to get large numbers of low carbon distribution level service providers connected. Distribution network connected system services can be realised in a more timely manner due to having simpler planning requirements and not requiring transmission system upgrades.

3. Should any further assessment criteria be included in this workstream?

Environmental criteria should be considered, similar to how the capacity market is assessed, with drive for lower carbon system services providers.

4. Is the general approach to the Project appropriate and complete?

The move to an auction-based arrangement is suitable for larger system service providers but at the present time the uncertainty associated with implementing the new framework is inhibiting project development. The market needs to encourage new service providers to build out projects now and certainty now will provide the services in the most economically efficient way over the long term. The uncapped market is a good approach to get smaller projects built. For this reason, it is suggested to apply the maximum extension of 3 years to the existing Uncapped arrangement at the earliest opportunity. Applying this extension in 2020 would avoid a lull in the development of projects in the interim period while the new framework is being delivered.

A capacity payment type model, could be used to enable projects to invest in new plant. An approach similar to the generation market is one option where a supplier has certainty that they will receive the capacity payment to cover the basic costs.

To encourage the connection of distributed service providers a streamlined process for smaller plants, say less than 10 MW, should be considered. Distribution system connected system services reduce the need for transmission connections. Distribution connected system services; optimise existing grid assets and require less infrastructure investment. It should be considered to continue the uncapped market for distribution connected service providers less than 10 MW.

5. For which products is a market based approach appropriate? What sort of market based approach is most appropriate?

To encourage investment in new plant and equipment longer term contracts awarded via a tender process is necessary.

6. For which products is a market based approach not appropriate? Why is a market based approach not appropriate for these products? Will an alternative approach be more economically efficient? What sort of alternative approach should be considered?

Distribution system connected service providers less than a suitable power threshold value, suggest 10 MW. A fixed payment approach similar to the uncapped system currently in use is more appropriate. Auction approach is unsuitable due to high administration costs relative to system size.

7. Do stakeholders believe the current qualification process, is the most efficient approach? Do stakeholders have any alternative proposals?

No comment

8. What are stakeholder views on the overall current governance arrangements including the contractual principles, the Protocol Document and the market ruleset? Should these be modified into an overall protocol document which captures all of the rules for providing and procuring System Services with increased regulatory oversight?

No comment

9. Should System Services continue to be funded through network tariffs? Are there views on any alternative arrangements?

No, network tariffs are not appropriate. The costs should be combined with SEM charges and applied on a kWh basis to pay for system services. This will encourage energy efficiency actions in the market.

10. Should all services be procured through a single daily auction framework or should bespoke arrangements be developed for the separate products?

No comment.

11. What are stakeholders' views on the timing of auctions?

No comment.

12. Do stakeholders have any proposals on how best to ensure commitment obligations are met?

No comment.

13. What are the significant interactions within potential System Services product markets and between Systems Services markets and the energy and capacity markets? How should issues arising be addressed?

No comment

14. Do stakeholders have further views or proposals in relation to auction design?

Any auction needs to consider smaller distribution connected providers. It is preferable that the smaller distribution system connected providers continue on a fixed price arrangement similar to the existing Uncapped system.

15. Do stakeholders believe there would be benefit in maintaining the Fixed Contract Arrangements for future procurement runs?

Yes, it provides certainty to developers to enable new plants to be built which may not be built otherwise. A framework similar to the uncapped market is still required to make sure that the smaller plants are built also.

16. Do stakeholders have views on the list of additional considerations above? Are there any further issues to consider?

Consideration should be given to encouraging the use of the existing transmission and distribution network to provide system services, rather than expanding these networks unnecessarily.

17. What are stakeholders' views on the potential existence of, and options for mitigation of, market power?

There is potential for existing operators to exert market power and this could be mitigated by additional Environmental criteria to encourage low carbon providers and new innovative solutions and technologies.

Fingleton White are happy to discuss our views in more detail directly with the SEM Committee or at future workshops.

Regards,



Kevin Fortune