

Bord na Móna

SEM-22-068
Firm Access in Ireland
Consultation

Consultation Response

08 November 2022



1. Introduction

Bord na Móna (BnM) welcomes the opportunity to respond to the Firm Access in Ireland Consultation. Firm Access to the electricity grid has significant implications for both new and existing projects and is important to the delivery of much needed investment in our electricity system. BnM has extensive experience delivering electricity assets across Ireland and has extensive experience with the current approach to allocating Firm Access.

BnM agree with many of EirGrid's proposals, we strongly support the time bound firm access date as important for decreasing the risk premia of investments. There are other areas in which we feel more information in clarity is required on how the process will work. Especially with regards to how the annual review and the "look forward/back" will be implemented. We have responded to the consultation questions below, but would like to highlight some of our key points:

- Firm access is a concern for all market participants, existing & new and, across all technology types. There will be unprecedented investment required in Irelands electricity system over the coming decades as we move towards net zero and regulatory certainty in this area is essential for reducing the costs of making the transition. The firm access policy will need to work for onshore and offshore renewables, dispatchable generation, storage technologies and assets that provide system services.
- All revenue streams in the market combine to make entry and retention attractive – for both new and existing participants – across Capacity, Ancillary Services and Energy. Whether an asset is firm or non-firm affects all three revenues streams. In the capacity market holders of capacity contracts are liable for non-performance difference payments even if they are available but cannot deliver due to network constraints, non-firm system service providers may not be eligible to compete in Future arrangements for System Services and with the current implementation of (SEM-C decision re 12 & 13) non-firm renewable generators will not receive any compensation for constraints in the enduring solution. All of these assets will be required to reach our 2030 targets and there requirements should be addressed in the Firm Access Methodology.
- Firm Access certainty would be more useful to developers at an earlier stage than is proposed. Ideally before any RESS, ORESS or CRM auction bidding so that developers can properly factor their Firm Access Quantity (**FAQ**) and firmness date into there bids. We acknowledge the RAs concerns around potential FAQ hoarding but do not see this issue as insurmountable.
- We disagree with the exclusion of the battery and other storage from the consultation. This is a significant omission, along with the belief that battery storage is to be used solely for the provision of energy services to the exclusion of energy arbitrage and participation in the balancing market. This latter assumption is clearly misplaced, given the clear and stated requirement for long duration batteries (ie greater than 2 hrs) within the most recent Tomorrow Energy Scenarios document and in the Shape of Electricity Future. It is very clear that Battery storage, by charging when there is high volume/low pricing and discharging at low volume/high pricing reduces constraints – offsetting the need for grid reinforcements and increasing the potential for local firmness by its very operation within energy arbitrage and energy balancing. This highlights the role of storage in potentially creating firm access capacity in regions of the grid for future renewable projects by effectively acting as a network asset to mitigate constraint levels.

2. Response to Questions

1. Comments are invited from interested parties on EirGrids proposed approach of having a time bound Firm Access date. Comment are also invited on alternative options (i.e ATRs etc). Should scheduled FAQ date be linked with ATRs, with more targeted delivery incentives? Please provide reasons and rationale for any views provided.

BnM supports the proposed approach of having a time bound Firm Access date, replacing the link between Firm access and the delivery of ATRs. Uncertainty around when generators will receive firm access creates significant uncontrollable risk for participants' developments and undermines the investment case. Connecting firm access to delivery of specific ATRs means that this risk is still unbounded. That risk needs to be placed on the entity that has control over it the, the system operators, and proper incentives placed upon them to ensure that they deliver needed grid infrastructure to schedule.

Mitigating this risk by providing certainty on when a project will be considered firm should reduce auction prices, enable the needed investment in electricity infrastructure projects and be an overall benefit for consumers. We therefore support the notion of deemed firmness in respect of financial firmness.

2. Comments are invited from respondents regarding EirGrid's historical performance on delivering ATRs. How can EirGrid's performance be improved? Please provide reasons and rationale for any views provided.

In respect of EirGrid delivering ATR's in line with projected timelines, there are many examples where ATR's have not met their completion dates. EirGrid's published quarterly updates on this subject can highlight these examples where timelines can be seen to drift by years or in some cases ATR's taking greater than a decade to deliver e.g. Thornsberry – Mount Lucas circuit which commenced in '06/'07 and was energised in 2020.

We acknowledge that EirGrid are not exempt from project delivery challenges, whether it be landowner issues, technical, resourcing etc., but we would emphasise the need for reliability to investors in terms of delivering projects to a fixed timeline. The risk imposed by an unknown firm access date is a barrier to the delivery of renewables and other assets required for security of supply (CRM), system stability (DS3) and meeting our renewable and decarbonisation targets (RESS).

As mandated climate targets are in place, credible timelines need to be developed to ensure the required electrical infrastructure is in place to ensure grid reinforcements provide firm access to projects and minimise costs to consumers. In tandem, to ensure the grid which is required is actually put in place, an oversight committee tasked with the responsibility of ensuring project progress and timelines are being delivered upon could serve well; perhaps also better linkage within PR5.

3. Comments are invited on whether stakeholders agree with the proposed approach of allocating partial Firm Access Quantities. Please provide reasons and rationale for any views provided.

Allocating partial Firm Access Quantities is a proposal BnM supports. The proposal is an improvement compared to an all or nothing approach to granting firm access. More information on how partial FAQs are to be allocated would be welcome. There are a number of energy generation

assets in operation which currently do not have firm access. Where there are multiple non-firm generators in an area it would be helpful to understand how partial FAQ will be allocated. For example, will the first to commit, first to firm approach be continued with the oldest “committed” projects receiving firm access first or will additional FAQ be divided pro-rata between operational generators? We would welcome more discussion on the blocks to be used, how the MW threshold is determined and how these will be allocated to existing/new generators.

4. Comments are invited from respondents on the proposed approach of allocating Firm Access to generators once they reach committed project phase (progress beyond Consents Issue Date). Please provide reasons and rationale for any views provided.

When generators are allocated Firm Access is important. It would be optimal if a developer understood when their connection will be firm, or deemed firm, prior to participation in the auction that governs their route to market, be it RESS, ORESS or CRM. This would allow participants to factor the firm date into the commercial case for the project, remove a source of uncontrollable risk and reduce auction outturn prices and, improving value to the consumer. We propose that that FAQ is provided to generators when they receive their connection offer. We understand the value of firm access and the potential risk of it not being utilised, this issue is not insurmountable. There could be a longstop date associated with the offer of FAQ and a use it or lose it approach. BnM would welcome further industry engagement around potential solutions to this issue to achieve a balanced approach that gives developers necessary certainty and ensures efficient allocation of the scarce resource that is Firm Access to the electricity network.

In considering offering a FAQ to generators when the connection offer or GCA the connection offer process itself is of key importance. It would not align with the recent approach for dispatchable generators where EirGrid were directed to make connection offers to participants successful in the capacity auction. However, that process is somewhat exceptional. More broadly with ECP 2.3 having completed this year there are questions about how the connection offer process will function in the future. We look forward to engaging with the RAs on what the future connection offer process will be and whether offering of FAQ could be connected to it. In general, BnM would be supportive of the process of consistent annual allocations of connection offers that the ECP enabled, the approach has worked well and something we would support in the future.

5. Comments are invited from respondents on the inclusion of a longstop date with awarded FAQs. Please provide reasons and rationale for any views provided.

BnM has no objection to the inclusion of a longstop date with awarded FAQs. That being said working with the proposal to allocate Firm Access to projects when they reach “committed project phase” we would be uncertain if a longstop date is required. Projects will have invested significant amounts to reach the point where they are awarded FAQs so the chance of hoarding is diminished.

As an alternative to providing a FAQ at the “committed project phase” BnM would suggest that Firm Access certainty is provided earlier in the project timeframe, ideally before any RESS, ORESS or CRM auction bidding. In this case we would be pleased to discuss measures, such as a longstop date or potentially an additional security bond, to mitigate the risk of FAQ hoarding – which may be greater in this case.

6. Comments are invited from respondents on the proposed approach of treating batteries and other service providers as outside the scope of the Firm Access methodology. Please provide reasons and rationale for any views provided.

BnM strongly disagrees with the approach adopted within the consultation where batteries and other service or storage providers are treated as outside the scope of the Firm Access methodology. The paper assumes that Batteries are used solely for the provision of reserve and system services to the exclusion of energy arbitrage, participation in the balancing market and even long duration ramping. This approach does not appreciate the additional value battery storage can provide to the broader electricity system. Battery storage, by charging when there is high volume/low pricing and discharging at low volume/high pricing reduces constraints – can offset some of the need for grid reinforcements and increasing the potential for local firmness by its very operation.

This assumption, restricting batteries to the provision of reserves and services is a serious omission, given the clear and stated requirement for long duration batteries (ie greater than 2 hrs) within the most recent Tomorrow Energy Scenarios document and in the Shape of Electricity Future targets for deployment of batteries within the SEM over the coming decade as we transition to an 80% RES-E system. The commercial case for developing longer duration batteries fails if they cannot participate in the energy market freely.

Without deemed firm access batteries operating in the energy market are untenably exposed to balancing market risk. As we have stated already the Firm Access methodology needs to work for all technologies connecting to the electricity grid. Multiple technology dependent Firm Access methodologies has the potential to create a two, or three, tier process which could undermine the broader economic signals to develop the required assets to support our future electricity system.

7. Comments are invited from respondents on the proposed approach of having a MEC “floor” of 1 MW. Please provide reasons and rationale for any views provided.

BnM has no objection to this proposal at this stage.

8. Comments are invited from respondents on the Annual Review process. Please provide reasons and rationale for any views provided.

From the information provided BnM would support the Annual Review process. However, understanding in detail how the review process will work is not possible given the current information. We would support the RAs request that EirGrid provide more detail on the proposals. We believe further engagement from EirGrid with market participants to understand how it will be conducted and firm access granted is necessary. There are substantial questions to be answered with how firm access, partial or full, will be granted to generators as part of the process, especially in areas that are more seriously constrained with multiple participants.

9. Comments are invited from respondents on the Firm Threshold. Please provide reasons and rationale for any views provided.

The paper refers to a minimum level of acceptable constraint for projects to be made firm (Firm Access Threshold) but does not go into detail on what this level is or how it will be determined. The paper

notes that this level will be open to ongoing review but this does not provide any future certainty for projects if the level is subject to frequent change. It will be extremely important for industry to know what this level will be, the detail of the methodology for how firm access is allocated and all the input assumptions to the model published. As a concept the firm threshold may be workable but without further detail on the proposal it is difficult to assess it fully.

10. Comments are invited from interested parties on the approach of First to commit – first to be Firm. Please provide reasons and rationale for any views provided.

Acknowledging the RAs point that “First to commit – first to be Firm” may not be the most economically efficient approach BnM would still believe it is the correct approach. Equal treatment of participants in the process is important and this approach while it may not be optimal is transparent and will treat market participants equally. BnM would like to understand how currently connected non-firm generators will be treated. When will they be counted as having “committed”, will it align with the process for new projects (so post their original CID date) or by alternative criteria, for example energisation?

11. Comments are invited from respondents on the use of the Transmission Development Plan as part of the Firm Access methodology. Please provide reasons and rationale for any views provided.

BnM has no general objection to utilising the Transmission Development Plan (**TDP**) as part of the “Look Forward Approach” EirGrid is proposing. Providing useful locational signals to future investors is important and beneficial to the overall development of our energy system. To be used in the “Annual Review” the TDP would need to be published punctually and ahead of EirGrid conducting the “Look Forward” as any delay to the TDP would in turn delay the issuing of FAQ and offering locational signals to investors. The TDP would also need to ensure that it encompasses all of broader system needs that have been identified by EirGrid in their other forward looking assessments such as TES System Needs Assessment, Shaping our Electricity Future and the All-Island Generation Capacity Statement.

The locational signals provided by EirGrid need to be holistic, credible and take account of future system requirements. The Irish electricity system will require unprecedented levels of investment to achieve the 2030 RES-E targets, and beyond that to full decarbonisation. Achieving this while ensuring that we have adequate security of supply will require investment across a range of technologies. Delivering large investment projects in Ireland has a long timeline from first proposal to energisation and developers incur significant cost before projects even reach the stage where they can enter a RESS/O-RESS/Capacity auction. EirGrid need to be able to stand over the locational signals they provide, and it is why we believe the provision of time bound Firm Access dates is essential.

12. Comments are invited from respondents on the proposed look-back and look-forward approach, and the interaction between these steps. Please provide reasons and rationale for any views provided.

As described BnM would support the proposed look-back and look-forward approach. More detail on certain aspects of it is required however:

- Detail on how FAQ will be allocated between multiple “Committed Generators” in a constrained area as part of the look-back approach is required.
- BnM would disagree with the exclusive focus on current renewable generation, 2 GW of new ‘hydrogen ready’ conventional generation will be required in the coming decade and firm access is also important for these projects. Similarly, firm access for batteries and service providers needs to be considered. Multiple firm access methodologies for different technology types will only introduce regulatory uncertainty and should be avoided.
- Providing locational signals to developers is something we strongly support with the caveat as already stated that EirGrid should assess all available sources of information informing future system requirements.
- While acknowledging that contractual obligations may require that “contracted generators which have firm access but have not progressed to connection will retain their firm access” BnM would question this part of the backward review process. Over the coming decade numerous currently operational firm generators, generally conventional but some renewable assets will be reaching end-of-life this decade, will retire. Given overall grid constraints allowing market participants to hold onto this firm access without a clear path to re-using it in the near future is not in the best interests of consumers. We believe the RAs should give careful consideration to releasing Firm Access of retiring units to other market participants.
- We agree with the principle of allocating firm access where available or issuing binding firm dates to existing non-firm generators. We also support the principle of providing transparent and clear information on future firm capacity to developing projects.

13. Comments are invited from interested parties on the interaction of delivery incentives with the proposed Firm Access methodology. Please provide rationale to support these views.

BnM would have concerns with the interaction of delivery incentives, the Firm Access Methodology and the SEMC decision paper SEM-22-009. Compensation for constraints and in turn the cost of imperfection charges will be dependent on Firm Access in the future. EirGrid have incentives to minimise imperfection costs and are also the decision maker with regard to the Firm Access dates and the proposed Firm Threshold beyond which generators would be considered Firm. There is a potential conflict of interests here and why we believe there will need to be independent assurance surrounding the Firm Access methodology.

Q.14. Views are invited from interested parties on how the TSO should be incentivised to alleviate constraints. Please provide supporting rationale for these views.

BnM believe delivery incentives should exist in parallel with the allocation of binding firm access dates. The delivery incentives will help ensure the SOs are incentivised to deliver the related ATRs as close as possible to the binding firm access dates PR5 could be used to incentivise minimising constraints, linked in with the allocation of binding firm access dates. EirGrid and ESNB will need to deliver significant infrastructure projects over the coming decade to support the electricity system

being created. It is essential that they have adequate funding and resources to achieve this alongside suitable incentives.

Q.15 Comments are invited from respondents on the need for independent assurance around the Firm Access process. Please provide rationale to support these views.

BnM would support independent assurance around the Firm Access process.

16. General comments are invited from interested parties on whether they agree with EirGrid's proposed Firm Access methodology. Should a party disagree with EirGrid's approach, please provide reasons and rationale for this.

BnM agrees with much of what EirGrid has proposed in the Firm Access methodology. We would like to seek to greater detail on the implementation of the methodology and would welcome further engagement with EirGrid and the RAs on the outstanding issues.

17. Suggestions and/or alternative approaches are invited from interested parties on EirGrid's proposal. Please provide rationale to support this.

Where appropriate we have made suggestions under the different question headings.

18. Comments are invited from interested parties on the benefit of providing firm access to connected legacy generation in Ireland which currently have non-firm access. Should legacy non firm generators be considered in any new firm access methodology. Please provide rationale to support this.

BnM believes it is important that legacy non-firm generators be considered in the firm access methodology. The decision as to whether they should be made firm or not involves significant trade-offs. Attempting to make all connected generators firm could require significant additional investment. However, leaving some non-firm reduces their ability to contribute to RES-E targets and may require additional investment in RES-E assets elsewhere in the country. We believe it is important that there is a Cost Benefit Analysis carried out before deciding whether certain areas and generators will be left non-firm on an enduring basis.

There are also existing non-firm projects that have ATRs and Firm Access dates assigned in their connection offers but these have been missed as certain ATRs have not been delivered. We would propose that in the look back analysis that these projects should have the original ATR dates applied when determining a connected generators Firm Access year. The development of a firm access policy for all contracted projects was flagged by the CRU in the ECP-2 decision in June 2020 and it makes sense to stick to this position.

19. Comments are invited from respondents on the proposed methodology in relation to the equivalent approach taken in Northern Ireland. Do respondents have any views on the interactions and differences between these different approaches.

BnM does not have views on this question.

