



Consultation on Firm Access Methodology in Ireland (SEM-22-068)

INTRODUCTION

Indaver welcomes the opportunity to respond to the *Firm Access Methodology in Ireland Consultation*.

Indaver provides waste treatment services to a significant municipal, commercial and industrial customer base and owns and operates a 17MW hybrid renewable waste-to-energy generator in Duleek, Co. Meath. This facility treats waste that cannot be prevented, reused or recycled and produces partly-renewable electricity. It is fully dispatchable and synchronous. It currently has firm access.

In terms of prospective developments, Indaver has two additional facilities in the permitting and planning process. Firm access for these generators is important to understand their commercial position when exposed to dispatch down risk, both in the energy market and under the capacity remuneration mechanism (CRM).

Our response:

- **Supports** the general principle of providing date certainty for firm access as soon as possible in the investment process for new entrant generators **as long as it includes new conventional generators on a non-discriminatory basis**, ideally on an accelerated timeframe closer to the submission of auction bids (including into the CRM, not just RESS) so consumers can fully benefit from the reduced auction bids arising.
 - If, in order to efficiently allocate firm access it needs to be issued at the Consents Issue Date, we question whether that is the most appropriate milestone to use, and suggest an irrevocable and unchallengeable date instead;
- **Supports** that this new firm-access allocation process can and should be applied to new conventional generation as well as renewable generators, noting that focus should remain (as stated in the paper) on dispatch down for network issues for constraint, and not to consider other forms of dispatch down within the “Firm Threshold” calculation such as those to accommodate priority dispatch generation under any assumed Priority Dispatch hierarchy;
- **Agrees** that this is a SEM Matter. Firm access policy was first described in the original SEM High Level Design decision of 2005 (AIP/SEM/42/05). Indaver is of the view that the same process should apply in Ireland and Northern Ireland, as a different firm access regime in each jurisdiction distorts competition, not least as it limits the ability of a generator to meet its obligations under the all-island Capacity Remuneration Mechanism. Careful consideration

should be given as to the appropriateness of delaying firm access based on the status of the North-South interconnector delivery.

- **Notes** that clarification on several aspects of the proposals are necessary, and while Indaver is in favour of the proposals, Indaver would like to understand the process under which clarity for these issues will be determined, i.e. when the details will be available, when the process will commence operation, etc.; and
- **Identifies** a few interactions which are of great importance to Indaver, in particular the treatment of conventional renewables with and without priority dispatch in the management of constraint and curtailment, and how that aligns with the decisions in SEM-22-009.

Our detailed responses to the questions are given below. Our response is not confidential and may be published in full.

Our comments on the interactions with SEM-22-009 are given first.

COMMENTS ON INTERACTIONS

Firm access offers a generator the ability to be compensated for constraint when dispatched down. Conventional renewable generators are not curtailed, but are in practice dispatched down ahead of curtailment of non-synchronous renewables where the system must maintain the minimum number of “must run” conventional large generators on the system.

Decision SEM-22-009 dealt largely with examining the competition between Priority Dispatch (PD) and Non-Priority Dispatch (NPD) non-synchronous renewable (i.e. solar and wind) generators. This flowed from a legal analysis of Article 13 of the Clean Energy Package Market Regulation, EU/2019/943. That decision, however, did not examine where PD plant (Indaver’s existing generator) and NPD plant (Indaver’s future developments) plants sit within that dispatch hierarchy for network constraints, and sharing downward redispatch to accommodate must-run conventional generators.

As these generators are also renewable generators, where constraint or dispatch down for curtailment is considered non-market based redispatch, Indaver is firmly of the view that the current Priority Dispatch hierarchy can no longer apply since the coming into force of EU/2019/943. They must share dispatch down with other renewable generators.

If such dispatch down, for either constraint or curtailment, is considered “non-market” redispatch for either PD or NPD generation, then firm access is a requirement of Article 13(7) of the Regulation in order for it to be compensated in line with the ultimate treatment for non-synchronous renewables in that paper.

If such dispatch down, for either constraint or curtailment, is considered “market” redispatch for either PD or NPD generation, then the wider provisions of the internal market design for balancing apply. These fall across the general provisions of EU/2019/943 (outside of Article 13) and the Network Code for Electricity Balancing. We note that the requirement to have firm access has been a long-standing requirement of the SEM market design in order for a generator to be compensated for being dispatched down. It is not particularly clear, however, that established position is necessarily compliant with the Electricity Balancing Network Code requirements, as the fact that they existed prior to coming into force of new EU Regulation is not a reason by itself to endure. The test under Article 44(3) of Regulation 2017/2195 is that the TSO must demonstrate the extra costs of redispatching arising from the generator having non-firm access. This test has neither been met, nor has the SEM

Committee come to a decision in relation to such matters (a decision for consultation SEM-21-016 remains outstanding).

In summary, how waste-to-energy generators are dispatched and compensated when firm or non-firm remains in a highly non-satisfactory and arguably discriminatory position. They should be treated equivalently to their non-synchronous peers. Finally, in order to assess concepts such as the “Firm Threshold” for future conventional renewable generation, the designation of dispatch down for constraint, curtailment and how that is reflected in the modelling work, must be clear.

Finally, it is noted that EirGrid have stated that:

“Currently we do not use firm access status as a determining factor in the constraint process. This is being kept under review and may change in the future.”

Indaver emphasises (outside of the consideration of Article 44(3) of the EBGL referenced above) that this would be a huge change for an energy market currently designed with several complementary delivery-based non-energy mechanisms (RESS, REFIT, ROC, CRM, and potentially in the future arrangements for system services). This is not a matter for EirGrid to keep simply “under review”. It is a core element of the wider Single Electricity Market design.

RESPONSE TO DETAILED QUESTIONS

- 1. Comments are invited from interested parties on EirGrids proposed approach of having a time bound Firm Access date. Comment are also invites 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.*

Indaver supports the proposal to move to a time-bound Firm Access date. Anecdotally, Indaver understands that certain renewable generators in Ireland will nearly complete their entire REFIT period having never achieved firm access. Such a lack of firm access, particularly for a part-renewable generator such as waste-to-energy generator (which is exposed to merchant pricing risk) along with the absence of future Priority Dispatch represents an unacceptable investment risk for both energy revenues AND capacity revenues (noting that performance in the capacity market can only be guaranteed with a firm ex ante market trade). This makes a firm date vitally important for investment certainty.

Indaver believes that the scheduled Firm Access Quantity (FAQ) date should be linked to projected delivery of ATRs, as this provides some protection for customers. Thoughts should be given to a back-stop date for firm access from the connection date, even for the most difficult of grid areas. If certain connections are identified as permanently non-firm, this becomes a self-fulfilling prophecy in that EirGrid has no incentive to ever resolve those network limitations.

- 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 general, delays to ATRs can arise well into the staged delivery of the transmission reinforcement project, with multi-annual delays announced within a couple of years of the original planned delivery date (rather than those delays being identifiable many years in advance). As a result, to incentivise appropriate delivery of ATRs, Indaver believes that for a generator that fails to achieve firm access in its first pass through the process, that the dates of those ATRs are frozen at their initial planned dates, and are not allowed to slip in time when calculating potential firm access in future year's analysis. This will act as an incentive on EirGrid to deliver ATRs in line with their incentives around the Imperfections charge.

- 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.*

Indaver supports this proposal, but would like to clarify expressly the intent: that where a generator is less than 20MW MEC, the test will be whether there is firm access for that generator, and not just for a full 20MW block.

- 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.*

Planning consent for both grid and generator projects can be subject to challenge, and the required planning confirmations for grid connections can change as the methodology changes and can have a degree of subjectivity. In short, the Consents Issue Date is not a fully objective, irrevocable, measure of project progress. It also has limited formal meaning when connecting to the distribution system. Correspondingly, Indaver proposes that the Second Stage Payment is utilised as the trigger for the calculation of any firm access date.

- 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.*

The concept of a longstop date is acceptable where a generator has notified it is no longer proceeding with the project, or the connection agreement has lapsed.

- 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.*

Firstly, Indaver would like to confirm that all energy generators will be included in this firm access methodology. The EirGrid methodology only states:

“While this is not the case for conventional generation, the key concepts developed in this methodology can still be applied to the consideration of firm access for conventional generation”

In other words, it is not expressly clear that this methodology applies to future conventional generation as well.

Batteries over time are expected to move from purely DS3 system services devices (with capacity market contracts) to also provide energy arbitrage services. This change over is often assumed to occur at the later of 1) the delivery of the new dispatch capability of the TSO to dispatch batteries, and 2) the introduction of the System Services Future Arrangements. Allocation of available firm access will be required for these “service providers” by 2025.

If batteries and other service providers are not to be included in this proposed methodology, then the SEM Committee should request that work begins to put in place a methodology now (noting the CRU requested an updated firm access methodology in 2020, and this process is unlikely to complete much before year end 2023).

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.*

Given that this is the current threshold for the installation of an RTU and the resolution of dispatch via EDIL, Indaver agrees with this proposal.

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

Indaver supports the annual review process, but suggests that:

- ATRs delivery dates are kept frozen at their initial date, to prevent continually slipping ATRs from always preventing a generator from receiving firm access. This is requested as it is unclear the number of future years for which the transmission development plan projects are to be considered, i.e. Figure 1 makes reference to “5+ years of connection”, which is not well explained; and
- If the calculation of the firm FAQ date (if any) cannot be brought forward to before the relevant route-to-market auction (RESS, CRM), consideration should be given to a once-off calculation of the firm access on achievement of reaching the committed project milestone (assuming all other generators in the same local network region have already been allocated a firm FAQ date). This would allow such projects to at least have full confidence on the firm FAQ date before reaching financial close.

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

There is little detail given on the level of constraints to be defined by the Firm Threshold, so currently

- it could be a very low number, protecting consumers but providing generators with ECP constraint reports of little comfort of a future firm FAQ date; or
- a high number with the opposite effect.

It is also important that the mechanism for identifying constraints within the model is fair, and correctly determines each technology’s contribution to constraint in each half-hour with an idealised dispatch. The constraint calculation should not be reflective of any technological

limitation of the Renewable Dispatch Tool's interaction with the Real-Time Dispatch tool which exist today.

The fact that the Firm Threshold is proposed to be kept under annual review is a source of uncertainty. This can limit the value of the forward looking process, where a number of years later the Firm Threshold has changed for the look back analysis. These needs to be under a reasonable element of governance, with potential freezing of the Firm Threshold for successful auction applicants (or for projects who have confirmed a route to market such as under a cPPA).

Indaver believes this needs substantial further consultation, with greater information being provided on the modelling process itself.

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.

Indaver agrees with this proposal. Combined with a long-stop date, and potentially considering a fully objective, irrevocable trigger for the calculation of the FAQ, this appears to be the most efficient way of allocating the scarce resource of firm access.

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.

The Transmission Development Plan can be quite "out of date" when it comes to list of committed projects due to the time taken in its production and the necessary data freeze date. The Network Delivery Portfolio updates, in contrast, deliver updated ATR status quarterly. Indaver suggests that this could be a superior source of information for ATRs when calculating any available firm FAQ date.

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.

The value of the look-forward approach is reliant on its consistency of approach with the subsequent look-back calculation. There can be years between participating in an auction on the basis of a look-forward approach, and finally having the look-back calculation performed. Where EirGrid states that thresholds or methodologies will be kept under review, this immediately weakens the look-forward approach as a reliable signal. Consideration should be given to freezing methodologies and threshold parameters between the two runs for each given generator.

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.

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

This question is quite broad, particularly within the context of the PR5 review just completed and also given the unknown interactions with SONI in the required delivery of network to reduce constraints. For example, many projects in Ireland have been associated with the North-South Interconnector, which has a clear cross-border reliance.

At a principle level, Indaver supports incentives, particularly those which are outcome based, i.e. directly incentive the amount of firm access issued in the market. As noted, this is not directly incentivised, and it is unclear the extent to which the PR5 incentives can be changed now as part of this process.

Where incentives are linked to the reduction of Imperfections Charges (Dispatch Balancing Costs), this creates incentives for EirGrid to “give up” on challenging areas of the network, seek to change the dispatch of firm and non-firm generators, and be pessimistic on the scheduled delivery of ATRs so to reduce the amount of firm access issued, or generators with firm access that are constrained.

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

EirGrid propose that:

“By reducing the complex nature of the analysis, it is hoped that developers will be able to complete Firm Access Methodology their own due diligence studies to have an understanding of what firm access is likely to be available in a given area.”

Indaver believes that where the models and assumptions are made public, this “sunlight” reduces the need for onerous audit requirements.

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.

Indaver is in support of the proposals, but notes that much greater information is required as to the modelling process, which is core to the entire proposal.

- Are constraints modelled against an intact network, or against an N-1 process as per the existing ATR-delivery based process?
- How are generators with sequential committed project dates treated in the model. If one generator (due to its assumed running schedule) triggers constraints, but a later generator (due to its different running regime) does not trigger a constraint?
- Generators (subject to the question 18) will now be non-priority dispatch. How are generators with non-zero fuel costs in particular assumed to operated in the model?

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

See response to questions above. Indaver has proposed:

- Committed projects are analysed in the quarter following their commitment date, for availability of firm access.
- Potential consideration of an objective non-revocable trigger (such as a second stage payment) for becoming a committed project.
- Utilisation of the Network Delivery Portfolio updates instead of the NDP.
- Proper governance around any changing methodologies or thresholds, with the look-forward methodology frozen for individual generators for their look-back calculation.

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.

Indaver proposes that generators which have been given a connection agreement in the absence of any firm-access policy (i.e. non-GPA, RESS-1, RESS-2) are included within this methodology. Legacy generators should remain under the ATR process, as these were the understood rules at the time of entry into a connection agreement.

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.

Firm access is an SEM matter. It influences the competitive development between generators through the energy market and the CRM. Firm access policy was first described in the original SEM High Level Design decision of 2005 (AIP/SEM/42/05).

Indaver is of the view that the same process should apply in Ireland and Northern Ireland, as a different firm access regime in each jurisdiction distorts competition, not least as it limits the ability of a generator to meet its obligations under the all-island Capacity Remuneration Mechanism.

Finally, it is noted that the proposed firm access policy has a test where if constraints across the Bulk Transmission System between Regional Networks leads to material constraints, no firm access is granted. Indaver believes given the importance of local security of supply in Ireland and Northern Ireland (as determined by the SEMC decision on CRM constraint groups), that firm access should not be withheld due to constraints on the existing North-South Interconnector while the industry awaits its reinforcement.

While Indaver has to infer the operation of the modelling process and the setting of the Firm Threshold, our concern is that new entrants in one jurisdiction will be unable to achieve a firm access date if they contribute to the dominant flows driving constraints between the jurisdictions. This issue may flip-flop from one jurisdiction to another year-to-year, as new entrant demand and baseload generation reverse the dominant flows.