

The Irish Energy Storage Association welcomes the EY report on CRM Performance and the opportunity to respond.

The large scale deployment of wind and solar is critical to Ireland meeting its decarbonisation targets. However, they are intermittent sources of energy and so on their own cannot guarantee security of supply. On the other hand, carbon emitting fossil fuel plants have traditionally ensured the lights are kept on but if the legally binding 2050 net zero greenhouse gas emissions target is to be met such plants will have to be phased out between now and then. More immediately in the electricity sector the plan is to increase the proportion of renewable electricity to 80% by 2030. So how can this be achieved while guaranteeing security of supply? Green hydrogen is likely to play a key role in meeting the 2050 net zero target but before then the large scale deployment of long duration energy storage plant such as batteries (2-12 hours) is essential. While it will not eliminate the need for fossil fuel plant such as OCGTs as an interim measure it will certainly minimise their use, minimise wind curtailment and thus ensure less emissions from the sector. Under the current I SEM market longer duration batteries unfortunately are not financially viable. There is no visibility on the System Services market beyond April 2024 and the current CRM is in need of urgent reform. There seems to be a general acceptance of this but we are seeing little action and no sense of urgency. See more detailed comments below.

In general we support the recommendations. In particular we support the following (4.3)

- *Allow 15 year contracts for the most capital-intensive new build (i.e. CCGTs, long duration storage). We welcome this for energy storage plants but we question whether it is necessary or appropriate to incentivise high emissions fossil fuel plants to such an extent.*
- *Making ancillary service contracts more accessible to new build by creating ancillary service contracts with a longer lead-time and duration in line with the CRM and by procuring the products in a single integrated auction process.*

Being able to get both long term capacity contracts and long term ancillary services contracts at the same time will significantly reduce financial risk and encourage investment in the types of plants Ireland needs to decarbonise electricity.

One of the problems highlighted by the report is the challenge to build the plant within the timeframe. A contributing factor is the length of time both to get a connection offer and then to get the connection built. More resources are required in this area to speed up the connection process which is often now the critical path, particularly for energy storage projects.

We would caution against a too permissive approach to requests for extensions when projects are delayed. There is a moral hazard that developers would submit unrealistic timelines in the expectation that extensions would be allowed. There is also the risk that an unsuccessful bidder or someone who did not bid at all because they knew that they could not realistically meet the timeline could take a case that they lost out to a proposal which was equally unrealistic.

The CRM mechanism is inflexible. The CRM MW is fixed for the term of the contract. This is not optimal for an energy storage plant which is also providing system services. Under the proposed Future Arrangements a plant could be dispatched to provide fast response and reserve. The MW which clears the System Services auction will vary from day to day, depending on the system requirements, so the MW left available to provide energy and capacity will also vary. On days with very little wind, more conventional plant will be running and the requirement for system services from BESS plant will be less. These are also the days with higher requirements for energy and capacity. The BESS plants could provide more but the CRM has a fixed amount all the time. Conversely on days with high wind, there will be a higher requirement for system services but, if the BESS plant provides more system services, it will not be able to provide its fixed contracted amount of capacity and would be at risk of negative difference payments. This inflexibility is an inherent flaw in the CRM mechanism. This is not covered by the EY report but is worthy of further consideration.