

Via email to: CRMSubmissions@uregni.gov.uk; CRMsubmissions@cru.ie

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SEM-24-012 2027/28 T-3 Capacity Auction Parameters consultation

I am writing on behalf of the Demand Response Association of Ireland (DRAI), a group that represents flexible energy demand customers participating in the all-island Single Electricity Market (SEM). These flexible customers create predictable, reliable, and controllable assets, which provide a valuable source of Demand Side Flexibility (DSF) that can be actively used by system operators to meet the needs of the power system.

Today, the DRAI represents approximately 700 MW of demand and embedded generation response across hundreds of industrial and commercial customer sites throughout the island of Ireland. These sites are managed by our members each of whom actively participate in the capacity, DS3, and energy markets. DRAI members are committed to shaping the future of power system flexibility through advancing DSF on the island of Ireland. As Ireland strives to achieve its renewable generation targets for 2030 and beyond, our promise as an industry-led organisation is to champion the development of innovative DSF solutions that are designed to address the system-wide requirement for flexibility.

The DRAI expresses a single voice on policy and regulatory matters of common interest to its members, and we welcome the opportunity to provide feedback on SEM-24-012 2027/28 T-3 Capacity Auction Parameters consultation.

On behalf of the DRAI, I hope that you find our response helpful and constructive.

Introduction

As most parameters proposed for the 27/28 T-3 Capacity Auction are unchanged from the 27/28 T-4 Capacity Auction, this response will focus on the material changes put forward in the consultation paper, namely the proposals to adjust the multiplier used to determine the Auction Price Cap and the use of non-zero increase tolerance (INCTOL).

Auction Price Cap (APC)

DRAI strongly advocates for the SEMC to apply a high multiplier to increase the Auction Price Cap (APC) for the 27/28 T-3 Capacity Auction.

The 27/28 T-4 Capacity Auction was unsuccessful in procuring significant volumes of New Capacity, with many projects electing not to offer in as they weren't viable due to the APC for that auction. While DRAI has serious concerns around the assumptions in the 2023 Best New Entrant (BNE) study to determine Net CONE (Cost of New Entry) of €109,172/MW, DRAI believes it is sensible to use a higher multiplier which will result in a higher APC without having to review Net CONE at this time.

DSUs have the unique ability to move quickly in response to market signals by avoiding long lead times associated with other asset development projects. An appropriate market signal in the form of an increased APC will increase the viability of commercial and industrial sites that weren't previously viable to participate in the SEM as part of a DSU, with the potential to "unlock" additional capacity.

Increase Tolerance (INCTOL)

DRAI strongly advocates for the SEMC to allow all market participants the option to voluntarily set a non-zero INCTOL.

In SEM-24-012, the SEMC acknowledge that while technology specific de-rating factors (DRF) allow for some delineation in contribution to system adequacy between different Technology Classes, they still provide a crude approximation of individual market unit's contribution to system adequacy within a given Technology Class as even within a given Technology Class, contribution to system adequacy can vary significantly between units.

This is especially true for DSUs which can be comprised of Individual Demand Sites (IDS) of varying underlying technology. For example, some DSUs may consist of predominately load shed sites, where availability depends on the on-site demand, whereas, other sites may have back-up generation with an ability to export which provides a high degree of certainty of availability.

The Capacity Market Code recognises this and, where an individual market participant believes their asset can contribute to system adequacy more than the average for that Technology Class, based on the Technology Class DRF, provides for the option to voluntarily increase their Reliability Option (RO) within a certain tolerance via selecting a non-zero INCTOL. The SEMC is proposing to enable a non-zero INCTOL for the 27/28 T-3 Capacity Auction, recognising the material differences in availability and reliability between units of the same Technology Class, and particularly that New Capacity is expected to have better performance and should not have DRFs reduced to the full extent by the poor performance of existing units. Given the large variation in availability / reliability performance between DSUs, it is imperative that DSUs are also afforded the option to voluntarily set a non-zero INCTOL, should they wish to take on and deliver upon an increased RO commitment. This is especially true for units composed of sites which are contemplating investing to install new behind-the-meter flexible assets, such as battery energy storage or on-site generation equipment, to support the power system. These have the potential to provide a low-carbon solution with high availability to the System Operators (SO's), and to come online quickly in time for Capacity Year 27/28.

Summary of the DRAI Response

In summary, DRAI welcomes the changes put forward in the 27/28 T-3 Parameters Consultation in order to stimulate additional investment to deliver New Capacity. DRAI's views on the material changes are summarised below:

- 1) DRAI strongly advocates for the SEMC to apply a high multiplier to increase the Auction Price Cap (APC); and
- 2) DRAI strongly advocates for the SEMC to allow all Technology Classes the option to voluntarily set a non-zero INCTOL, where they expect a unit to have high performance and they are willing to take on and deliver upon an increased RO commitment.

Your sincerely,



Patrick Liddy, DRAI

