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20th April 2022

Emailed to: William Emery, Jim Gannon, John French

CC: John Melvin, Colin Broomfield

RE: SEM Committee Decision Paper SEM-22-009

Dear Members of the SEM Committee,

We hope this letter finds you well. We are writing to the SEM Committee (SEMC) in relation to the publication of the SEMC Decision Paper SEM-22-009 on Dispatch, Redispatch and Compensation Pursuant to Regulation (EU) 2019/943. Wind Energy Ireland (WEI) and RenewableNI (RNI) members have considered the Decision Paper in detail and wish to highlight the following important matters arising from discussions with our members.

First and foremost, we request that the SEMC expressly confirm that **nothing in the Paper SEM-22-009 should be viewed as a DECISION on compensation under Article 13(7) until a FINAL DECISION is taken on all matters connected with Article 13(7)**. Our rationale for this request is that, at this stage, there are several parts and positions in the Paper that remain substantially unclear and market participants cannot impact assess the wider implications for their businesses and the market as a whole.

While WEI and RNI have already written to the SEM Oversight Committee seeking clarity on a number of areas pertinent to RESS 2 projects (see Appendix 1 for our correspondence dated April 8th), there are many other areas in the Decision Paper that are considerably vague and not possible to interpret at this stage.

The purpose of this further letter of correspondence is to clarify in broader terms what we believe has been decided on in SEM-22-009, highlighting issues where we believe this is either unclear or does not meet the requirements of the Clean Energy Package. **We believe that it is essential that our members, and the wider industry, know what is fully intended by the Paper, and hence we are requesting that further clarity is provided on a number of points as soon as possible.**

We have included a series of questions below, and we would welcome the opportunity to discuss these matters with you.

1 - Clarification Requested on Market vs Non-Market Based Redispatch

1. Can the SEMC please confirm that a **DECISION** has been made that prior to some point post 2026 downwards redispatch for constraint and curtailment will be considered non-market based for all renewables subject to the Priority Dispatch hierarchy? Can the SEMC confirm that **NO DECISION** has been made with regard to the ability of variable renewables to avoid negative Day-Ahead Prices and the classification of actions necessary to deal with periods of oversupply?
2. Can the SEMC please confirm that a **DECISION** has been made to implement market-based re-dispatch at some point post 2026, or is this simply a notification of a '**minded-to position**', with a further consultation and/or a SEMC Decision anticipated when the specific re-dispatch regime is clarified through engagement with industry and the TSOs?
3. Subject to the clarification of Question 2 above, if a **DECISION** has been made to move to market-based re-dispatch at some point post 2026, can the SEMC please confirm whether all generators would be free to bid a price at which they are prepared to be redispatched in an enduring system?
4. In relation to the specifics of an enduring regime, we note reference in the Paper to non-Priority Dispatch units being redispatched first, ahead of Priority Dispatch generators (termed "grandfathering") and it is our current understanding that this would apply to both constraint and curtailment (inc. oversupply). Can the SEMC please confirm if our interpretation is correct, and if this a **DECISION**?

2 - Clarification Requested on Compensation for Redispatch – Generators with Priority Dispatch

1. Can the SEMC please confirm that we are correct in our understanding of the following in relation to Priority Dispatch units during the **Interim Regime**?
 - a. **DECISION:** Traded energy on firm capacity that is constrained will be compensated as per the market rules as today. No change to the Bidding Principles is envisaged during the interim period.
 - b. **DECISION:** Further compensation for constraints up to the level of any foregone support, if any, will be managed outside the market, on a jurisdictional basis (see further clarification questions in section 4).
 - c. **DECISION:** Traded energy on firm capacity that is curtailed will be compensated as per the market rules for constraints and will be paid retrospectively from January 1st, 2020, with payments commencing in October 2024 throughout the interim period.
 - d. **DECISION:** Further compensation for curtailment up to the level of any foregone support, if any, will be managed outside the market, on a jurisdictional basis (see further clarification

questions in section 4). This will follow the same time-period (retrospectively to January 2020, commencing in October 2024).

- e. **DECISION:** Generators (both during the retrospective period, and until the end of the Interim Regime) will need to demonstrate an energy position through participation in the ex-ante energy markets, registration as a participant Generator Unit in the balancing market, and trading of an individual forecast in the ex-ante markets to capture the available firm power. De minimis generation are entitled to no non-market downwards redispatch compensation. If a generator has not met all those requirements, it will not be entitled to compensation for dispatch down (regardless of the timeliness of the SEMC in making this Decision).
2. It is the view of members that there are a number of important points which were not addressed in the Decision Paper regarding operation during the **Interim Regime**:
 - a. *Can the SEMC please confirm if there is any opportunity to discuss alternative ex ante trading structures, where it can be demonstrated that firm, available, but constraint or curtailed power was/will be traded on a portfolio basis but not linked explicitly to a Generator Unit?*
 - b. *The paper does not expressly state how non-firm curtailment for Priority Dispatch plant will be managed. Can the SEMC please confirm if this will it be treated the same as non-firm constraint today? Will energy traded on non-firm capacity which is curtailed also be subject to retrospective settlement to January 2020?*
3. Subject to the introduction of the **Enduring Regime**, it is our understanding that compensation for curtailment for Priority Dispatch units may be subsequently withdrawn if the SEMC believes that the protection provided by Priority Dispatch (relative to other non-priority dispatch renewables) renders such curtailment compensation unjustifiably high. Can the SEMC please confirm if this is a **DECISION**? Subject to clarification of this, if so, what are the tests that will be applied to determine if such compensation will be removed?
 - a. *Following on from point 3 are there any market-based tests, such as enduring high market prices post 2024 or enduring high or low market prices in the enduring regime which may result in the SEMC changing their position on compensation for curtailment for Priority Dispatch renewables?*

3 - Clarification Requested on Compensation for Redispatch – Generators without Priority Dispatch

Please refer to Appendix 1 – a number of Questions were posed to the SEM Oversight Committee in our letter dated April 8th. We have requested urgent clarification prior to the bidding period for RESS 2.

4 - Jurisdictional Compensation for Foregone Supports

1. The Decision Paper signals that a mechanism for compensation of redispatch for units under support schemes, will still need to be developed. Can the SEMC please confirm whether DECC and DfE have been notified, and what the timescales are associated with this work?
2. How will this be paid, to whom (the generator or trader, noting that there can be two different traders representing a generator, one in the balancing market and another in the ex-ante markets) and when? It is our understanding that under a proposed Enduring Regime, at some point post 2026 this will be facilitated in the market. Can SEMC please confirm that our interpretation is correct? Is this a **DECISION**?
3. Can the SEMC please confirm whether the intent of these guidelines is that they should endure post the interim arrangement, and whether this applies for one or both of priority dispatch and non-priority dispatch units? Or is it the intent to replace jurisdictional compensation mechanisms with full market-based competition for physical downwards redispatch in an Enduring Regime (and associated compensation through market mechanisms)?
4. It is our understanding that this concept of a jurisdictional support mechanism is a “guideline” and therefore **NO DECISION** has been made in this regard (for either RESS, ROC or REFIT projects). Can the SEMC please confirm that our understanding is correct?
5. No equivalent guideline was provided during the **Interim or Enduring Regime** regarding corporate Power Purchase Agreements. When, if ever, and how will corporate PPAs be able to reflect in a) physical market-based redispatch, and b) appropriate compensation, the costs of downwards redispatch with respect to their cPPA loss arising from such redispatch?
6. Can the SEMC please confirm that subject to clarification from DECC/DfE on the mechanism for payment of revenues for foregone support, there will be a further SEMC consultation, prior to a **FINAL DECISION** on Article 13(7)?

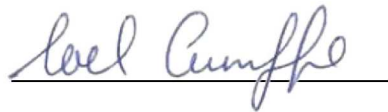
5 – Firm Access Policy

The SEMC Decision Paper SEM-22-009 provided an update on Firm Access Policy in the SEM. Our members believe that clarity on Firm Access policy is essential for existing and developing renewable projects.

WEI has submitted feedback to the CRU on EirGrid’s firm access methodology review and we emphasise the need for a CRU consultation and decision, that adequately addresses the concerns raised by industry, as soon as possible. We also request clarity on the status for firm access policy in NI i.e., whether there will be a continuation of existing policy or anew framework put in place.

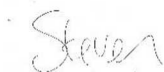
In conclusion, WEI and RNI members request that the SEMC expressly confirm that nothing in the Paper SEM-22-009 should be viewed as a DECISION on compensation under Article 13(7) until a FINAL DECISION is taken on all matters connected with Article 13(7). We would welcome the opportunity to meet with you to discuss the above issues at the earliest opportunity. Again, we would strongly re-iterate that it is essential that our members, and the wider industry, know what is fully intended by the recent Paper, and hence we are requesting that further clarity is provided on the above list of clarifications as soon as possible.

Best Regards,



Noel Cunniffe

CEO, Wind Energy Ireland



Steven Agnew

Head of Renewable NI

Appendix 1 – Correspondence with SEM Oversight Committee 8th April

Wind Energy Ireland,
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Osberstown, Naas,
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RenewableNI,
Arthur House,
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8th April 2022

Emailed to: John Melvin (jmelvin@cru.ie), Colin Broomfield (Colin.Broomfield@uregni.gov.uk)

CC: Barry Hussey (bhussey@cru.ie), McCullough, Gary (Gary.Mccullough@uregni.gov.uk)

RE: SEM Committee Decision Paper SEM-22-009

Dear John and Colin,

We hope this letter finds you well. We are writing to you seeking clarification in a number of areas of the recent SEM Committee (SEMC) Decision Paper SEM-22-009 on Dispatch, Redispatch and Compensation Pursuant to Regulation (EU) 2019/943. Wind Energy Ireland and RenewableNI members have considered the Decision Paper in detail in the past number of weeks and several immediate queries have come to light based on the paper.

In the first instance we are prioritising areas of the Paper which we believe need to be clarified in advance of the RESS 2 auction window, which opens on Monday 2nd May. We have raised a number of clarification questions below. In the absence of receiving a sufficient response to these questions, we believe that bidders in the RESS 2 auction will be required to make assumptions that could be wildly different and could potentially lead to damaging outcomes for themselves and for the end consumer.

Please note, in addition to sharing with you the below list of areas for clarification, we are also in the process of developing a second and more substantial letter for the SEM Committee, which we will issue in the coming weeks. The purpose of our further correspondence will be to clarify in more broader terms what we believe has been decided on in SEM-22-009, highlighting issues where we believe this is either unclear or does not meet the requirements of the Clean Energy Package.

We would greatly appreciate the opportunity to meet with you in the coming weeks, and we are hopeful that clarifications on the below areas can be provided to the industry before the end of April.

Market vs Non-Market Based Redispatch

1. With respect to the Paper, can you please confirm how a) oversupply and b) curtailment will be treated for the purposes of the interim arrangement, and is this a **DECISION**?
2. Per our understanding, constraints (“as matters presently stand”) are to be managed on a pro-rata basis in constraints groups. Is this correct, and is this a **DECISION**? Can you please confirm that the existing constraints groups will remain in **their present condition** for the duration of the interim arrangement?
3. Can you please confirm if a **DECISION** has been made to implement market-based re-dispatch at some point post 2026, or is this simply a notification of a ‘**minded-to position**’, with a further consultation and/or a SEM Committee Decision anticipated when the specific re-dispatch regime is clarified through engagement with industry and the TSOs?
 - a. In relation to the specifics of an enduring regime, we note reference in the Paper to non-Priority Dispatch units being redispatched first, ahead of Priority Dispatch generators (termed “grandfathering”) and it is our current understanding that this would apply to both constraint and curtailment (inc. oversupply). Is this correct, and is this a **DECISION**?
 - b. Subject to the clarification of Question 3(a) above, if a **DECISION** has been made to move to market-based re-dispatch at some point post 2026, can you please confirm whether all generators would be free to bid a price at which they are prepared to be redispatched in such an enduring system?
4. We note that the Paper appears to be silent with reference to any incentivising of generators voluntarily giving up Priority Dispatch. Responses on this matter in the consultation was seeking clarity and commenting on the strength of the potential incentive. Therefore, we would have expected some reference. Can you please clarify whether this aspect of the implementation of Article 12 and 13 has been reconsidered, or postponed to a later date for consideration?

Market Compensation for Redispatch – Generators without Priority Dispatch

5. Are we correct in understanding the following in relation to non-Priority Dispatch Units?
 - a. That non-Priority Dispatch Units will be treated, in terms of compensation, as Priority Dispatch units for an interim period, as follows:
 - i. **DECISION:** Traded energy on firm capacity that is constrained will be compensated as per the market rules as today. No change to the Bidding Principles is envisaged during the interim period.

- ii. **DECISION:** Further compensation for constraints up to the level of any foregone support, if any, will be managed outside the market, on a jurisdictional basis.
 - iii. **DECISION:** Traded energy on firm capacity that is curtailed will be compensated as per the market rules for constraints and will be paid retrospectively from January 1st, 2020, with payments commencing in October 2024.
 - iv. **DECISION:** Further compensation for curtailment up to the level of any foregone support, if any, will be managed outside the market, on a jurisdictional basis. This will follow the same time-period (retrospectively to January 2020, commencing October 2024).
- b. Should the response to Question 3 mean that post-2026 market-based dispatch redispatch is implemented in some manner, that subject to the transition to an enduring regime:
- i. Non-priority units will be able to reflect the costs of lost market and foregone support when dispatched down, for both constraint and curtailment in their market bids. For the avoidance of doubt, can you please advise if there will be any limitations on this approach if a unit is non-firm? Is this a **DECISION**?
 - ii. Treatment of constraints and curtailment (inc. oversupply) in any future market-based arrangement will be on a “grandfathered” basis i.e., with non-priority units dispatched down ahead of priority dispatch units. Is this a **DECISION**?

Jurisdictional Compensation for Foregone Supports

6. The Decision Paper contains several guidance statements around the further possible jurisdictionally managed compensation for constraint and curtailment for firm windfarms which are in receipt of government subsidy. In summary, the intent appears that REFIT and ROC supported generation should not receive any further jurisdictional support for their power, whereas CPPA/RESS generation (due to the potential to include the extra certainty into a lower offer price and thus be “no regrets” for the consumer) should be able to receive this further compensation up to the level of financial support. The status of these guidelines is unclear to us. Can clarity please be provided on the following:
- a. Is the intent of these guidelines that they should endure post 2026? This implies that no change to Bidding Principles or market rules which might allow recovery of subsidy foregone through the market, funded by the Imperfections Charge, is intended at any stage (Interim or Enduring) at this time?
 - b. Are these guidelines a **DECISION**?

In conclusion, we would welcome an opportunity to meet you and your colleagues to discuss these issues at the earliest opportunity. Again, we would strongly re-iterate, in the absence of receiving a sufficient response to these questions before the end of April, we believe that bidders in the RESS 2 auction will be required to make assumptions that could be wildly different and could potentially lead to damaging outcomes for themselves and for the end consumer.

We look forward to hearing from you shortly.

Best Regards,

Noel Cunniffe

CEO, Wind Energy Ireland

Steven Agnew

Head of Renewable NI