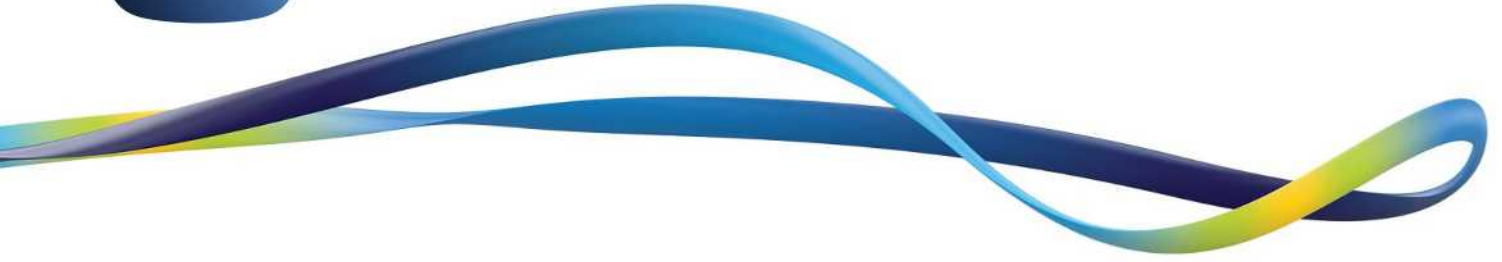




NETWORKS



SEMC - ENDURING SOLUTION TO ENABLE ENERGY PAYMENTS IN THE BALANCING MARKET FOR DSUS

ESB Networks' Consultation Response

26th August 2022

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1. Introduction

ESB Networks welcomes the opportunity to respond to the SEM Committee's (SEMC) consultation on 'Enduring Solution to Enable Energy Payments in the Balancing Market for DSUs.' Demand side management through Demand Side Units (DSUs) has an important role to play in the Irish electricity market by providing greater flexibility for system operators while also allowing customers, who are signed up to a DSU, greater control over their electricity usage.

DSUs can also contribute to the Irish electricity market in the context of enhancing security of supply during this period of increasing challenges for electricity markets across Europe.

ESB Networks notes that the 'Phase 1 interim solution' (interim solution) was introduced in October 2020 with a view to introducing a 'Phase 2 enduring solution' once clarity was forthcoming on the treatment of DSUs in the 'Clean Energy for All Europeans' package of legislation. ESB Networks is broadly supportive of the introduction of an enduring solution to enable energy payments to DSUs in the balancing market.

ESB Networks, as required under the Clean Energy Package, and under its National Networks, Local Connections (NN,LC) programme, is piloting a range of initiatives designed to support the development of demand side response at a residential level and increase the market opportunities available for commercial demand response providers. For the purposes of the enduring solution for DSUs participating in the balancing market, as addressed in this consultation, ESB Networks understands that Individual Demand Sites signed up to a DSU are typically a medium to large industrial premises with appropriate metering configuration in place.

In this consultation response we outline, at a high-level, how ESB Networks envisages an enduring solution should be underpinned by enhanced coordination and information exchange between the TSO, DSO and DSU. The development of a future TSO-DSO Operating Model will likely drive developments to current operating practices, enhancing the access that DSUs and other demand response providers have to all organised markets. This will enable more efficient network management and allow for increased levels of renewable generation on the electricity system. In addition, new European rules as highlighted in the ACER (Agency for the Cooperation of Energy Regulators) draft Framework Guidelines on Demand Response, should be considered, including any subsequent amendments to Commission Regulation (EU) 2017/2195 (the Electricity Balancing Guideline).

ESB Networks remains committed to supporting the introduction of an enduring solution. For the changes envisaged for ESB Networks or the retail market, the earlier we are involved in the process, the greater our ability to provide effective solutions and efficient implementation timelines. As such, ESB Networks looks forward to contributing to the development of the high-level delivery plan.

1.1 Role of ESB Networks

As Distribution System Operator (DSO), Distribution Asset Owner (DAO) and Transmission Asset Owner (TAO), ESB Networks works to meet the needs of all Irish electricity customers, providing universal access to the electricity system, and delivering and managing the performance of a system of almost 155,000 km of overhead networks, 23,000 km of underground cables and 640 high voltage substations.

ESB Networks also delivers a range of services to the Republic of Ireland (RoI) Retail Electricity Market servicing over 2.5 million customers. It manages relationships with Market Participants and provides data in a timely and accurate fashion each day. It supports the wider RoI market through the ring-fenced Meter Registration System Operator (MRSO) and Retail Market Design Service (RMDS) and supports the wholesale Single Electricity Market through the provision of aggregated meter data.

The role of ESB Networks is also evolving to enable and drive an increasingly dynamic energy system, to meet Ireland's Climate Action target for 80% renewable electricity and the electrification of heat and transport. The DSO will have increased responsibility for actively managing demand and generation at a local level on the distribution system, and with increasing co-ordination with the TSO to enable and manage additional flexibility in the electricity system. As mandated in the Clean Energy Package, supported by the CRU and being delivered by ESB Networks' NN,LC programme, new opportunities are being developed for DSUs to participate in new local markets developed by the DSO and coordinated with the TSO.

1.2 ESB Networks and DSUs¹

DSU classification

The MRSO classifies a DSU in the Central Market Systems as a standard Supply Unit. The classification of a DSU as a standard Supply Unit is used as there is currently no specific classification / categorisation of a DSU in the retail market design and systems. A DSU is set up as a Supplier and Supplier Unit in the retail market by MRSO on instruction from SEMO. There are no MPRNs registered to the DSU in the central market system.

Furthermore, ESB Networks is, under the NN,LC programme, piloting new flexibility markets, requiring the introduction of new (market participant) definitions such as Flexible Service Asset and Flexible Service Provider. These definitions were introduced as the definitions relating to a DSU were not suitable for flexibility at the distribution network which is localised compared to the existing DSU classification which is all-island based. ESB Networks is working closely with the TSO (under a Joint System Operator Programme work task) to develop and test a suitable structure and ensure that aggregators can stack services under both TSO and DSO markets using both the DSU classification and the Flexible Service Provider definition.

Data flows

MRSO provides quarter hourly (QH) interval meter readings for all MPRNs with QH meters via the 341 Market Message to advise both the registered Supplier and the TSO of the interval meter readings data. Independent Demand Sites (IDSs) that are DSO-connected with QH meters also fall into this.

Increased data exchange between the TSO, the DSO and aggregators will be important into the future, to increase DSUs' ability to participate in all organised markets. Today, some DSUs are also subjected to "instruction sets" with respect to some of the IDSs within a DSU. This means that some of the DSUs are restricted from participating in TSO markets for a portion of the year. ESB Networks determines on an annual basis which IDSs are subject to the instruction sets. One of the piloting initiatives is to transition this process from an annual basis to a more dynamic basis.

¹ For the purposes of the enduring solution, ESB Networks understands that Individual Demand Sites signed up to a DSU are typically a medium to large industrial premises.

2. Responses to Consultation Questions

Below we have provided responses in relation to Questions 2, 3, 7 and 8 of SEMC's consultation paper, which we believe are most relevant to ESB Networks.

Q 2: Do stakeholders have a view on the extent of industry code or system modifications/ time involved to develop and implement phase 1?

ESB Networks anticipates a limited impact on its roles, responsibilities or systems arising from the continuation of the interim solution, however if support to the TSO monitoring requirement will be required, this may involve additional system changes.

Q3: Is 12 months an appropriate period of time over which to assess effectiveness of dispatched quantity as a good proxy for metered quantity?

ESB Networks would consider 12 months to be an appropriate time for assessment.

Q 7: Do stakeholders have a view on the extent of industry code or system modifications/ time involved to develop and implement phase 2?

ESB Networks envisages an enduring solution operating which should be underpinned by increased coordination and data exchange in the relationship between the TSO, DSO and DSU. The development of a future TSO-DSO Operating Model, which is currently ongoing, will include changes to current operating practices. This will enable more efficient network management, greater participation of demand response (including in the form of DSUs) in all organised markets and support increased levels of renewable generation on the electricity system.

In addition, consideration must be made for the alignment of aggregation structures for transmission and distribution services (see the Multi-year DSO-TSO Work Plan, WOS2) which will address potential barriers for service provision and allow for aggregation of assets in different combinations to support system needs.

Finally, new European rules as highlighted in the ACER draft Framework Guidelines on Demand Response may have an impact on the treatment of DSUs in the market and thus should be considered. This includes any subsequent amendments to Commission Regulation (EU) 2017/2195 (the Electricity

Balancing Guideline) arising from the Framework Guidelines on Demand Response and Network Code on Demand Response.

ESB Networks remains committed to supporting the introduction of an enduring solution. If there are changes envisaged for ESB Networks or the retail market, it is critical to the timely implementation of these changes that ESB Networks is involved from the earliest point in the process, to assess impacts on existing market design, advise on effective solutions and implementation timelines.

Q 8: The SEMC welcomes views on ‘phase 2’ being an ‘enduring solution’ if/once implemented.

ESB Networks broadly supports the implementation of an enduring solution to facilitate energy payments in the balancing market for DSUs. ESB Networks envisages an enduring solution operating model underpinned by growing the relationship between the TSO, DSO and DSU. If there are changes envisaged which demand actions by ESB Networks or changes in the retail market, the earlier and more involved a role played by ESB Networks, the greater our ability to propose and deliver efficient and timely solutions.

3. Conclusion

ESB Networks welcomes the opportunity to respond to the SEM Committee’s consultation on ‘Enduring Solution to Enable Energy Payments in the Balancing Market for DSUs’. Demand side management through Demand Side Units will play a critical role in the development and security of the electricity system now and into the future.

We have outlined in this response the basis for our observations, and we welcome the opportunity to expand on any element of same as required. ESB Networks looks forward to engaging with SEMC and all stakeholders as this critical area progresses.