FERA Federation of Energy Response Aggregators

FERA Response to

SEM Committee consultation on

Enduring Solution to Enable Energy Payments in the Balancing Market for DSUs

SEM-22-036

FERA's members operate in the Demand Side Response sector of the electricity industry and perform a significant role in supporting the operation of the balancing market and facilitating the continuous introduction of renewables. Our members greatly welcome this consultation and believe that it is an issue that has been outstanding for too many years. FERA believes that Europe identified the need for Demand Side to be paid for the provision of balancing services and that SEMO have failed to implement such remedies.

The following comments are in relation to the published SEMC consultation dated 4 July 2022.

FERA acknowledges the recent interactions with the RAs and the TSO, etc and believe that some progress is being made on this matter. We also understand the wish of the SEMC to wait and see the fuller picture from the European Legislation and the implementation of the Clean Energy Package. FERA would however reflect its members thoughts that whilst others were being rewarded for supporting the System through the provision of energy management, Demand Side operators have not seen full remuneration of their cost and the costs of their client sites. This situation has been there since the start of the SEM and unfortunately still exists despite the publications in 2019 on the matter – over THREE years later we are still waiting for action.

The current security of supply concern throughout the Island has brought some light on how generation can be incentivised to further help in supporting the system. There has previously been submissions top the RAs that lack of payment to DSUs was not providing sufficient incentives for the provision of energy. We believe that this consultation proposal shall go someway towards addressing that issue.

The following section shall look at the specific questions posed in the consultation paper and expand into some of the thoughts of FERA and its members.

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Question 1:
The SEMC is keen to hear stakeholders' views on the continuation of dispatched quantity as a suitable proxy for metered quantity for an extended interim period (until phase 2 is live), acknowledging the absence of evidence during the first year in which 'phase 1' will be in place.

The current approach of making the Metering Quantity (QM) equal to the Dispatch Quantity (DQ) has been a welcome approach in addressing the concern over difference payments during scarcity events. This has meant that significant financial burdens have been somewhat lifted and DSUs almost treated in a similar vein to other participants. There is however a further period of work to be carried out before equality can be viewed as the norm. A better understanding of DSU capabilities is required including how often they can support the system (e.g. multiple dispatches per day).
FERA agrees with the continuation of the use of DQ=QM

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

This needs to be in place and fully operational prior to Winter 2022/23 to allow DSU to assist the current generation/demand tightness in the system.

Question 3:
Is 12 months an appropriate period of time over which to assess effectiveness of dispatched quantity as a good proxy for metered quantity?

This is a suitable period of time, whilst maintaining the ability to act if the ongoing analysis shows otherwise. Such analysis should however give clear advance indication for the continuation of Phase 1 into winter 2023/24, if required.

Question 4:
In stakeholders' views, what would be deemed as satisfactory or unsatisfactory effectiveness of outcomes for a DSU operating in the market in phase 1 to aid the SEMC's assessment?

If certain DSUs were shown to deliver well below their dispatched quantity, then the use of DQ as a proxy for MQ would be in question
Note that the DQ cannot be greater than the declared availability. There shall still be an exposure to Scarcity non-delivery against the Reliability Obligation

Question 5:
Are there any other elements than those suggested which need to be included in the review of phase 1 to allow conclusion to be reached on feasibility to continue with 'phase 1' before phase 2 goes live?

The dispatch of DSUs should be analysed to identify 'dispatch for System reasons' and 'Dispatch for market position'. There should also be analysis of any market position that didn't have a dispatch. There are many reasons for DSU participation and the costs attributable to such should be similarly analysed in line with the wider global energy markets.
All these are needed to give a fuller picture of what could be needed for Phase 2

Question 6:
The SEMC welcomes views on the introduction of a new Generator Performance Incentive (GPI) to apply to DSUs if Phase 1 continues beyond the first twelve months (ie. after review has evidenced its effectiveness) until Phase 2 is implemented.

If some or all DSUs are seen to be consistently under delivering, then a multiplier may be a suitable tool to correct the DQ against MQ. This would need to have robust analysis from the TSO before it could be agreed. In order not to assess all DSUs as a group, individual assessment should be carried out.

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

This is dependent on the TSOs and Meter Data provision. There shall also be system changes required on the part of the DSUs and their SCADA systems, in order to provide the significant additional data suggested.
There also needs to be a robust methodology for transmitting/receiving the data in a secure and safe manner

Question 8:
The SEMC welcomes views on 'phase 2' being an 'enduring solution' if/once implemented.

The enduring solution should also be assessed for a period of time so that any assumptions are addressed and modified where needed

Question 9:
Do stakeholders have any concerns with either phase regarding accommodating the *different types of demand response?*

The DSU operators are aggregators, and their many sites have various capabilities in delivering demand response.
It is the job of the aggregators to comply with Grid Code and market rules, whilst also complying with the Market Monitor Unit.
Provided the systems operated by the TSOs and others are adjusted to handle the significant additional data transfer then FERA are confident that its members can handle the provision of such data. We are already capable of handling the provision of demand response from different sources.

Question 10:
All other stakeholders' views are welcomed.

FERA welcomes the opportunity to expand on the above answers and the content within the consultation paper. In the development of understanding of Phase 2 it should be remembered that there are IDS transfers happening between Participants and individual units. The system for associating IDSs with Suppliers should accommodate this, as well as IDS moving from one Supplier to another.

The paper makes reference to the construction of metered quantity for each DSU from the sum of the metered demand response of each IDS. With the use of existing metering, it is only the DSU who has the capability to provide such data. Any change to this approach would need to be examined in detail.

The adjustment of a Supplier unit by removing any metered demand response shall need to be performed at T&SC settlement. There should be no adjustment of the metering of the IDS, such that it would be billed for energy that it had not consumed. If the adjustment means adding back the demand reduction kWh onto the IDS bill, then it shall discriminate against those sites that are turning off production. They shall lose money on sale, incur money on overtime, and shall see no benefit in participating in helping the system.
It needs to leave the IDS metering alone and for it to settle its bills on the actual metering. The metered demand response should be added to the Supplier at a T&SC settlement level.

FERA is mindful of the current shortage of generation in Ireland and across the island. Our members continually assist the TSOs whenever required to ensure the stability of the system. A quick and timely introduction of energy payments, prior to winter 2022/23, would benefit the system greatly.

The funding for the energy payments to DSUs is suggested to continue to be via the Imperfections Charge. Whilst this is spread across all Suppliers and not directly to any specific IDS, then FERA supports this approach.

The ability to deliver the required changes to the T&SC systems prior to winter 2022/23 is likely to challenging, but not impossible. We would ask if any manual settlement can be put in place should the automated settlement ability not be in place.

FERA welcomes the drive by the SEMC to ensure Phase 2 is progressed in parallel with Phase 1, with the understanding that Phase 2 shall only go ahead with the required systems in place.

There shall be a significant piece of work around the data transfer and collection as the current methodology of using RTUs shall not be able to handle it. Any solution for this shall need to be robust and secure. It needs to utilise the digital network and not be confined to jurisdictional boundaries. Aggregators operate right across the island, from a single base and since it is an All-Island market then there should be no need to break signals into a jurisdictional source.

Conclusion

FERA welcomes this consultation and believes that it is somewhat overdue. Lack of energy payment to DSU operatives is often viewed as discrimination, as other market participants have been awarded such payments since I-SEM began. There is a concern that certain parties do not fully understand the operational actions and capabilities of DSUs, and this has led to a lack of appropriate policies and procedures to fully cover the unique attributes of the DSU supporting the electricity system and the promotion of renewables.

The proposal to arrive at a well examined and workable enduring solution is very much welcomed by FERA. We understand that such a solution shall take time and that is also a welcome suggestion. In the interim FERA accepts that we all have to work with the technical limitations that all parties have access to and in doing so we agree that the dispatch quantity by the TSOs can be assumed to be what the DSUs shall deliver. Since there is a Grid Code obligation to only declare true ability then we do not expect that the assumption of DQ=QM shall be proven in error.

The Phase 2 element should not impose any further financial burdens on IDSs, with the cost of such energy provision being carried by the relevant Suppliers, or through the continuation of the use of the Imperfections Charge.

With the DSUs bidding into the market, and this consultation proposing payment of energy, then SEMO and the TSOs should look at the calculation of the strike price. It currently has a theoretical value for DSU, of €500. This shall no longer be the case and that equation parameters should be revisited.