

Kevin Barron
Utility Regulator
Queens House 14
Queen Street Belfast
BT1 6ED

22nd June 2015

Dear Sir,

Re: Capacity Requirement and Annual Capacity Payment Sum for Calendar Year 2016

Demand Response (DR) will become increasingly important in the design of the Irish electricity system, and it is our view that the Regulatory Authorities (RAs) must have consideration as to how Demand Side Units (DSU) can be facilitated within the market.

DSUs can provide an effective means of balancing the supply of electricity and consumer demand, and is seen as an important element in the safe secure operation of the grid, especially in light of the high levels of intermittent generation that is joining the system. It is vital that appropriate market arrangements encourage the growth of DR.

The proposed capacity sum for 2016 is considerably less than in previous years. This creates challenges for the development of Demand Side Participation in Ireland. Because of the reduction in capacity payments, energy users will see a reduced return of investment in the monitoring and controls equipment necessary for DR participation.

We request that the RAs consider the following changes to assist in the development of DR, and therefore offset the negative impact of reduced capacity payments. We consider that these proposed changes could be easily implemented in advance of 2016 and would correct areas of inequality in the market.

Loss Adjustment Factor

Within the SEM a Loss Adjustment Factor of 1 has been attributed to DSUs for the value of Capacity provided by DR. This figure underestimates the true value provided by DR as it does not take account the subsequent reduction in the transmission and distribution losses. Since DSUs are most likely to be called upon to remove load from the system at times of system stress, the reduction in system losses will have substantive value and the Loss Adjustment Factor should be amended to reflect this.

There is international experience in this regard. Commenting on a proposal by the UK Demand Response Association to apply an increased loss adjustment factor (referred to as Line Loss Factor LLF in GB) to Demand Response Resources (referred to as CMUs) in the Capacity Market, OFGEM stated the following:

“proposed amendments should be made to clarify how Line Loss Factors are to be incorporated in the relevant areas of the Rules for Distribution CMUs...DECC published draft Rule amendments on 27 March and one of these amendments seeks to ensure that Line Loss Factors are applied consistently...Based on DECC’s amendments we propose to add further provisions to ensure that Line Loss Factors apply consistently and are accounted for in the changes we are making to those parts of the Rules which will make use of the amended definitions”.

It is our understanding that a LLF of 1.05 will be applied to CMUs in GB from later this year. Similarly ISO New England (ISO-NE) in the United States, applies what it calls a “gross up” to demand side resources, recognising the reduced losses on the system due to this distributed capacity.

We request that the RAs look positively on a similar amendment to the Loss Adjustment Factor within the Trading and Settlement Code before the end of this year in an effort to maintain comparable treatment of all capacity providers.

Ancillary services

The Grid Code requires DSUs be capable of responding in full to Dispatch Instructions within 1 hour of the instruction being issued, DSUs have many IDS that have quick response times, ranging from a few seconds to 30 minutes. As it stands, DSUs are not currently eligible for ancillary services contracts, even though they can provide flexible DR capabilities. We feel that DSUs should be included within ancillary services contracts for 2016. This will provide an effective means of maximising the value of DSUs on the system and also offsetting the impact of the reduction in Capacity Payment income.