# Response: Capacity Remuneration Mechanism Reserves (SEM-18-159)

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*[Submission: B*y email to karen.shiels@uregni.gov.uk & tquinn@cru.ie by 2/11/18 ]
*With reference to consultation document issued by SEM Committee SEM-18-059 published 5/10/18 and available at* https://www.semcommittee.com/sites/semc/files/media-files/SEM-18-159%20CRM%20Reserves%20Consultation.pdf ]

## About Grange Energy Centre

*Grange Energy Centre (GEC) is a planned 98 MW fast flexible power plant located within Grange Castle Business Park in South County Dublin. GEC is a potential new generation capacity provider. The legal entity of Grange Energy Centre is Grange Backup Power Ltd*

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# 1 Introduction

Grange Energy Centre (GEC) welcomes the opportunity of making a submission to the SEM Committee on this Consultation Paper (SEM-18-159).

# 2 Reserves in CY2022/23 T-4 Auction

***Do you agree with the proposal to include reserves in Locational Capacity Constraint Area minimum MWs for the T-4 CY2022/23 capacity auction?***

Yes, it is essential to include reserves within the LCCAs. There is clear evidence that this should be at the maximum end or even greater than the 500MW limit decided in SEM18-155 T-4 parameters paper.

The result of the T-1 CY2018/19 auction has already given the SEM Committee evidence that there is a prima facie case for including reserves in the LCA minimum MWs, as that auction gave only 36 MW of reserve for the severely constrained Dublin area.

The 2018 Generation Capacity Statement has also been published since this consultation and highlights significant security of supply concerns for the Dublin LCCA and for the Ireland region (projected deficit under different scenarios shown in Figure 1 below).

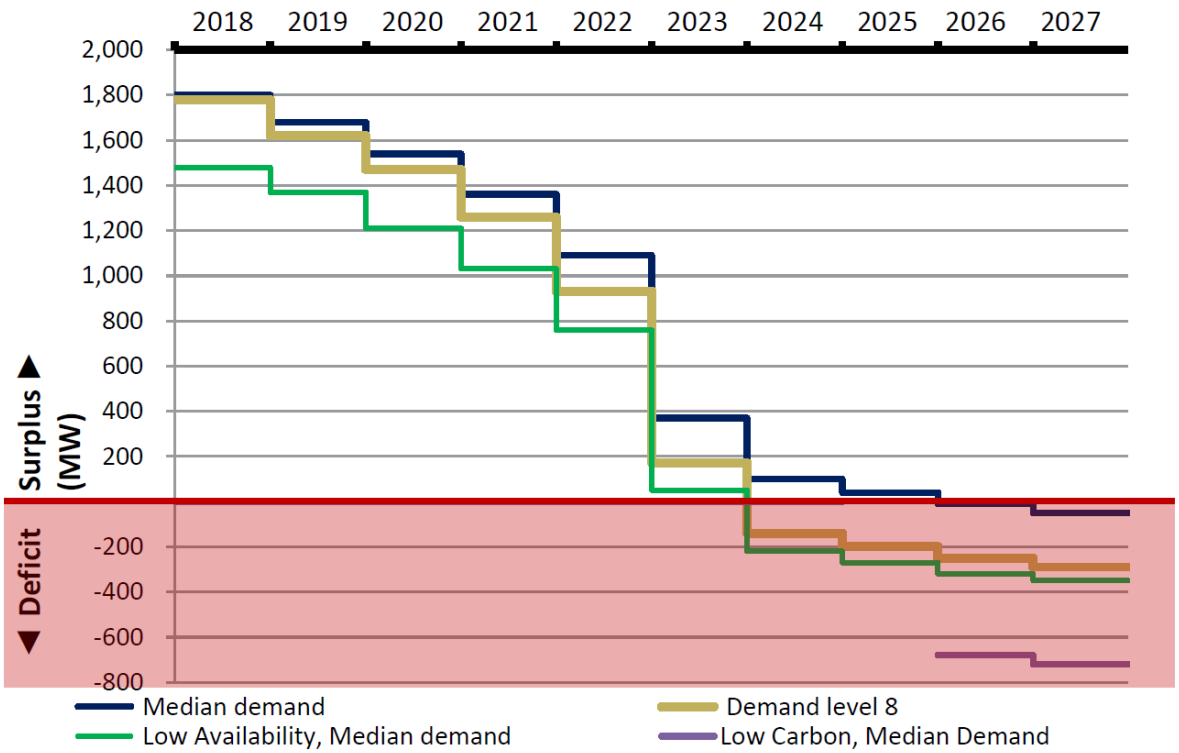


*Figure 1: Adequacy results for Ireland (Eirgrid 2018 GCS)*

***If reserves are to be included across the Locational Capacity Constraint Areas, which of the [outlined] approaches (or other approaches do you favour and why)?***

Option 1: Bottom-up at the discretion of the RAs and TSOs is preferred.

The correct approach is acknowledged in a simultaneous CRU/18/228 publication where the regulator "*recognises that Ireland is facing a paradigm shift with rapid growth in load requirements in a very short space of time particularly around the greater Dublin region*" and intends to "*put an emphasis on an approach that can be implemented quickly, is pragmatic, and is fit-for-purpose"* with regard to capacity location.

A benefit of the "bottom-up" discretionary approach is that it allows the RA's to apply correct decisions to specific Level 2 LCCAs rather than have a blunt rule-based approach to every Level 2 LCCA. A relevant example is the Northern Ireland LCCA, where the completion of the North-South interconnector by 2023 should resolve many of the constraints whereas the demand-driven constraint in the Dublin LCCA is more enduring. A bottom-up approach will allow the RA's more flexibility in addressing the fundamentally different drivers for the different LCCAs.

The RA's must however continue to comply with the stated policy and the state-aid decision[1] to facilitate new entrants to the capacity market, through appropriate investment signals and the opportunity of a multi-year reliability option to resolve a capacity constraint.

Option 2: Top-down is an impractical and contrived approach that would apply a rule-based allocation which ignores the reality of significant local capacity constraints, particularly in the Dublin area. Option 2 would result in allocating insufficient reserves for the Dublin area and be counter-productive in terms of security of supply.

[1] http://ec.europa.eu/competition/elojade/isef/case_details.cfm?proc_code=3_SA_44464

# 3 Inclusion of Reserves in CY2019/20 T-1 Auction

***Do you agree with the proposal to include reserves in the forthcoming T-1 capacity auction for CY2019/20?***
Yes, the case presented for this is convincing.

***Do you agree with the view that the case for including significant reserves in the all-island demand curve is relatively weak?***
Yes. Outside of the constrained LCCAs, there is very little case for including reserves to support the continued operation of legacy polluting plant. The whole purpose of the CRM design is to give the correct exit signal to surplus capacity which is not located in the right place, and is simply an inefficient burden on the overall power system.

***If reserves are to be included across the Locational Capacity Constraint Areas, which of the above approaches (or other approaches do you favour and why)?***
The suggested "bottom-up" approach is appropriate, for many of the same reasons as highlighted for the T-4 auction. A bottom-up approach allows some flexibility in applying reserves to deal with a specific LCC, rather than keep unwanted capacity on the system outside the constrained areas.

***Are there reasons to use different approaches for the CY2019/20 T-1 auction and the CY2022/23 T-4 auction? If yes, please explain.***

No, we have recommended a similar approach for both for the allocation of reserves.