

By email only to: Dylan Ashe (dashe@cru.ie) and Bronagh McKeown (Bronagh.McKeown@uregni.gov.uk)
 23rd September 2020

RE: Consultation for the SEM-20-044 System services future arrangements

Thank you for the proposal for SEM-20-044 System services future arrangements and the opportunity to share our thoughts and comments, we have provided feedback to your specific questions in the table below;

| No. | Question | RES Response |
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| 1 | Are there additional requirements in EU legislation or national policy that should be considered as key guidance for the project? | There is no mention of Commission Regulation (EU) 2017/1485 System Operator Guidelines (SOGL) which describes procurement of Frequency Containment Reserves (e.g. FFR, POR, SOR, TOR1) |
| 2 | What should the role of DSOs be in development of the new arrangements? | <p>DSOs should be encouraged to facilitate provision of system services by embedded generators, load customers and aggregators. DSOs should consider how reactive power transfer to/from the transmission system could be facilitated such that services can be provided by D connected entities with/without assistance of a nodal controller. DSOs should be consulted to ensure that new arrangements are compatible with their DSO license obligations</p> <p>If the DSOs propose any services to support their systems then these might be subject to the same European regulations and therefore could be procured in a similar manner. We are not aware of any such DSO services proposals yet.</p> |
| 3 | Should any further assessment criteria be included in this workstream? | Yes, facilitating achieving renewable energy targets should be a key part of the assessment criteria |
| 4 | Is the general approach to the Project appropriate and complete? | The objective is not specific enough. It should include a statement of the long-term goal to be achieved by 2030 and commitment to a specified trajectory of services roll out over the course of the 2020's to achieve the long-term goal. |
| 5 | For which products is a market-based approach appropriate? What sort of market-based approach is most appropriate? | Market approach is appropriate for all services which have a system wide effect and can be provided from any location. This applies to the following (provided there is not excessive geographical concentration) i.e. SIR, FFR, POR, SOR, TOR1, TOR2, RRS, RRD, FPFAPR, RM1, RM3, RM8. This is however subject to there being sufficient assets in place to provide the required volumes. If there are insufficient assets the arrangements should provide a market signal for investments in the appropriate locations. Such a market signal for new investment would also mitigate inappropriate exploitation of market power in the event of scarcities. |

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| 6 | For which products is a market-based approach not appropriate? Why is a market-based approach not appropriate for these products? Will an alternative approach be more economically efficient? What sort of alternative approach should be considered | Services which have a local effect don't lend themselves to a market approach, in particular SSRP (and potentially SIR and FFR in so far as these should not be geographically concentrated) |
| 7 | Do stakeholders believe the current qualification process, is the most efficient approach? Do stakeholders have any alternative proposals? | <p>The current contract qualification process (rather than qualifying trials process for new technologies) requires projects to be operational before they could be eligible for the application. This requirement creates additional risks for the project developers and investors, and naturally increases return expectations from the asset. Hence, overall cost of the service increases and consumers would pay more for these services. This order deters many investors who would have invested in the assets if the assets were capable of securing contracts ahead of construction.</p> <p>To allow the construction of new assets it would be more beneficial if there was;</p> <ul style="list-style-type: none"> - A reasonable construction period after contract award. - Commercial operation was not in "windows", new assets would benefit if contracts were awarded with target commissioning and day-by-day slippage, or contracts awarded with day-by-day loss/erosion of contract value - Opportunity to carryout testing and approvals at any time, not in specific windows. Consideration should also be given to third party experts to witness the testing and approvals as UK's NG did for EFR projects and as is proposed for the GB Dynamic Containment Service |
| 8 | What are stakeholder views on the overall current governance arrangements including the contractual principles, the Protocol Document and the market ruleset? Should these be modified into an overall protocol document which captures all of the rules for providing and procuring System Services with increased regulatory oversight? | <p>It has not been easy to find the exact requirements and rules for the DS3 services, sometimes we struggled to find some key details (like testing gate dates, dispatch obligations etc.) and when we do they are sometimes vague.</p> <p>We understand that current budget for DS3 was planned to hit 2020 targets (40%), there is no transparency on the governance process to agree an increased budget for 2021 and beyond and no known provision for it.</p> <p>The SEM Committee has chosen to use a fixed budget for system services as a tool to avoid the risk that customers may be exposed to increase costs of system services, if the need for such services increases. This is not helpful if the need for such services increases for good reason e.g. the continued progress towards 2030 targets. Eirgrid should be given flexibility to increase the budget if necessary.</p> |

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| | | <p>The two battery implementation notes issued by the TSOs, while helpfully indicating the TSOs preferred direction of travel for battery energy storage units in the Grid Codes, do not fall under any governance. The TSOs should be encouraged to follow the grid code modification governance processes as promptly as is practical.</p> |
| 9 | <p>Should System Services continue to be funded through network tariffs? Are there views on any alternative arrangements?</p> | <p>Direct pass through to supplier's pro rata on their demand in each trading period could be considered as an alternative way to fund system services provision. In this case, risk would be transferred to suppliers. Therefore, it would be necessary for there to be regulatory incentives for TSOs to minimise system services volumes and costs while achieving other objectives?</p> |
| 10 | <p>Should all services be procured through a single daily auction framework or should bespoke arrangements be developed for the separate products?</p> | <p>Daily auctions would increase (i) the operational costs of the assets and (ii) the return expectations of new assets and their cost of capital (due to the revenue uncertainties and lack of long-term contracts). We believe, moving to the daily auctions could hinder investor's confidence and might damage the future pipeline of new service providers.</p> |
| 11 | <p>What are stakeholders' views on the timing of auctions?</p> | <p>Long term revenue mechanism may be required to encourage more assets on the ground for more technically demanding services.</p> <p>Certainty in the revenues are valued by the market, awarding contracts ahead of the construction activities would facilitate asset deployments in the market, and hence would support increases of the SNSP ratio to meet 2030 goals.</p> |
| 12 | <p>Do stakeholders have any proposals on how best to ensure commitment obligations are met?</p> | <p>No comment</p> |
| 13 | <p>What are the significant interactions within potential System Services product markets and between Systems Services markets and the energy and capacity markets? How should issues arising be addressed?</p> | <p>No comment</p> |
| 14 | <p>Do stakeholders have further views or proposals</p> | <p>No comment</p> |

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| | in relation to auction design? | |
| 15 | Do stakeholders believe there would be benefit in maintaining the Fixed Contract Arrangements for future procurement runs? | <p>Longer term contracts would reduce the revenue uncertainties and investor`s return expectations, hence it would benefits consumers at the end. Longer term contracts would facilitate the deployment of new assets.</p> <p>Incentives to bundle services would still be an attractive proposition. Assets cannot trade on just one service if others are not accepted, the costs need to be spread across the bundle of services, this would also reduce administration costs.</p> |
| 16 | Do stakeholders have views on the list of additional considerations above? Are there any further issues to consider? | No comment |
| 17 | What are stakeholders` views on the potential existence of, and options for mitigation of, market power? | No comment |
| 18 | Other comments | A significant constraining factor to building new assets to deliver such services are the grid costs which are a substantial percentage of the overall Capex costs required to provide the services. Another constraining factor is the grid programme lead times which due to their uncertain nature can cause significant problems when financing a new asset construction and targeting a certain testing / operational contract window. |

Yours sincerely,



Project Manager – Battery Storage

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