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8 January 2021

Emailed to: Karen Shiels (karen.shiels@uregni.gov.uk) and Conall Heussaff (cheussaff@cru.ie)

RE: SEMO 2018 - 2021 Capital Expenditure Consultation Paper

Dear Karen, Conall,

The Irish Wind Energy Association (IWEA) and RenewableNI welcome the opportunity to engage with the SEM Committee and respond to the consultation on the SEMO 2018 - 2021 Capital Expenditure.

IWEA is the largest representative body for the Irish wind industry, working to promote wind energy as an essential, economical, and environmentally friendly part of our low-carbon energy future. RenewableNI is a collaboration between IWEA and RenewableUK and is the voice of the renewable electricity industry in Northern Ireland. Together we represent a large majority of the renewable industry supply chain on the island.

IWEA and RenewableNI members would like to make a submission with the following comments:

General Feedback

IWEA and RenewableNI welcome the publication of the capital expenditure consultation and believe that it provides much needed transparency on the overall spend by SEMO on capital projects in the 2018/19 and 2019/20 tariff years, as well as providing some outline of expected spend in the 2020/21 tariff year. We believe the eleven projects focused on within the consultation, some of which are complete and some of which are yet to begin, are important projects for improving the stability of the market.

However, as noted in the Market System Development Plan 2019 - 2021¹, many of these eleven projects are required, or have been required, for the market to fulfil its “core objectives” and relate to fixes for issues and defects which should not have materialised in I-SEM to begin with relating to system functionality and re-pricing and re-settlement functionality. IWEA and

¹ SEMO Market System Development Plan 2019 - 2021 - <https://www.sem-o.com/documents/general-publications/MSDP-2019-2021-Published-for-Consultation.pdf>

Renewable NI would again like to emphasise the need for the speedy implementation of a wider continuous market to improve market liquidity, optimise interconnector flows and reduce dispatch down on wind units.

We acknowledge that the consultation states that the SEMO October 2020 capex submission did not include projects relating to the Clean Energy Package requirements under Article 12 and 13 to make changes to the market to facilitate the dispatch of non-priority dispatch renewables. We also acknowledge that it also does not include projects related to Brexit or the implementation of the EBGL. We strongly recommend that these projects are expedited as quickly as possible. In particular, the lack of progress in implementing the Clean Energy Package and lack of projects to improve cross-border trading with Great Britain following Brexit, are both having a material impact on the investment signal for new renewable generation and increasing risk to the current pipeline of renewable projects which will result in higher prices seen in renewable auctions.

Timing of the Publication

IWEA and RenewableNI wish to express concern that the capital expenditure consultation, which covers 1 October 2018 to 30 September 2021, was only published on the 30 November 2020 - over two years into the life-cycle of the price review.

We recognised that the introduction of the I-SEM and the subsequent fixes to market issues took up a significant level of resource time for the Market Operator and made it difficult to accurately forecast budgets; however, we do not believe it is acceptable for a three-year budget plan to be published over two years into its enactment meaning that the first two years must be ex-post approval of spend. It also means there is very little scope to materially alter or change the capital projects' plans or budgets for the 2020/21 tariff year.

We welcome that the SEM Committee consider this approach to consulting on the SEMO capex retrospectively (for years 2018/19 and 2019/20) as a one-off event, driven by introduction of the revised SEM arrangements from October 2018. We also welcome that the SEM Committee have committed to consulting in Quarter 2 2021 on the next capital expenditure plan which covers October 2021 - September 2024. It is important that market participants have sufficient, transparent information on SEMO's capital expenditure plans so that their performance can be assessed objectively.

We would appreciate an opportunity to engage with both SEMO and the SEM Committee in advance of this consultation so that we may put forward what we believe are the critical items for the renewables industry to be covered within this plan prior to its publication for consultation.

Specific comments on the consultation paper and questions

Based on the information provided, we are generally in agreement with most of the decisions taken by the SEM Committee on the ex-post allowances of the 2018/19 and 2019/20 tariff years, as well as the 2020/21 tariff years and we therefore have decided not to respond to all the questions posed individually. We would like to make brief comments on the following projects.

Market System Data Archiving

We welcome that the SEM Committee has provided for the full allowance for this project as we believe it to be of critical importance that market data is correctly archived, especially given the uncertainty around pricing and settlement in the first two years of markets operation. We also note that this project a pre-request to the Market Analysis Tools project and agree that the work should be completed as soon as possible.

Additional Market Environments

We note that the SEM Committee has disallowed any revenue for the Additional Market Environments project, and we would strongly urge this to be reconsidered by the SEM Committee. SEMO require sophisticated market environments to test the new market releases and we have seen how the rollout of previous market releases has been poor, with one of the contributing factors being insufficient market environments to adequately test these releases.

Experience to date has shown that when a new release occurs, it has typically had substantial bugs and defects which require months of work to correct. SEMO must be equipped to fully test releases prior to release and we fully support their request for further market environments to be allowed to achieve this.

We have seen how errors and defects in previous releases have ultimately led to higher imperfections charges, and we believe there is a benefit to market participants and to the consumer in allowing SEMO to proceed with this project at a relatively modest cost of €0.143m.

Website Development

We welcome that the SEM Committee has provided for the full revenue allowance for the SEMO website development. We agree with the SEMO capex submission and believe that there are many improvements needed which will have direct benefits to market participants that in turn reduce the quantity of queries received by SEMO. We agree with the RA's view that this project should be completed by September 2021.

Compliance with Article 12 of the Electricity Regulation of the Clean Energy Package

IWEA and RenewableNI would like to highlight that one of the most important items of functionality for market systems, which is urgently required in the near-term and should begin in advance of the Capital Expenditure Plan 2021 - 2024, is the ability of non-priority dispatch renewable generation to be able to actively bid and participate in the market.

Article 12 of the Electricity Regulation outlines that ‘new’ renewable generation will no longer have priority dispatch and that existing generators which have priority dispatch will now have the option to give it up. Any renewable generator which does not have priority dispatch will need the capability to bid into the day-ahead and balancing markets.

IWEA and RenewableNI have held workshops in 2020 with SEMO, EirGrid, SONI, the RAs and industry in relation to enabling this functionality. This capability is crucial for units which want to react to the market signals and not generate during negative price hours. This is important for renewable generators which have exited subsidy supports, and for all units which were successful in this summer’s RESS auction, as well as the other RESS auctions throughout the decade, as they do not receive any subsidy benefit during negative price hours and under current market systems are forced to generate during these hours at a loss.

IWEA and RenewableNI have been informed in these workshops that amending the market systems to allow this will require complex systems changes. However, IWEA and RenewableNI are strongly of the view that current system limitations should not be allowed to determine the direction of future policy. It is core to the Electricity Regulation that renewable generation, as an increasingly significant proportion of the generation market, be afforded full access to trade in the internal market.

We believe substantial engagement is required amongst industry, the RAs, System Operators and SEMO to understand how non-priority dispatch renewables will participate in the market, how settlement will work, and what market systems will be utilised in order to dispatch these units. In particular:

- We strongly recommend the rules for bid-offer acceptance classification require further review, consultation, and impact assessment against different classes of generator, and ultimately appropriate governance of the rules.
- We also strongly recommend the rules for submission of Final Physical Notifications (FPNs) for all classes of generation require further consultation, and those rules are impact assessed against different classes of generation.

Full details of industry's reasoning for requiring such systems quickly, and thoughts on how they could be implemented, can be found within the IWEA and RenewableNI's consultation response to the SEM Committee's consultation on the implementation of Article 12 and Article 13 of the Electricity Regulation².

Conclusion

In conclusion we thank the SEM Committee for the opportunity to make this submission and we look forward to engaging with you in Q2 2021 on the next iteration of the SEMO Price Control for 2021 - 2024.

Best Regards,

Noel Cunniffe
Head of Policy, IWEA
On behalf of IWEA and RenewableNI

² <https://iwea.com/images/files/20200619-iwea-and-nirig-response-to-semc-article-12-and-13-consultation-final.pdf>