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EDF Renewables Ireland Response to the SEM Committee’s Consultation Papers on the Implementation of Articles 12 and 13 (SEM-21-026/SEM-21-027)

EDF Renewables is part of one of the world’s largest electricity companies and our investment and innovation is bringing down costs for consumers and bringing significant benefits for communities. We operate in more than 20 countries around the world. We develop, construct and operate wind farms (onshore and offshore), solar and battery storage projects, and have more than 25 years’ experience in delivering renewable energy generation.

We have recently opened an office in Dublin and are already in advanced discussions for an onshore wind development pipeline of around 800 MW, with aspirations for far greater growth in Ireland across all technologies, as can be seen by our recent acquisition of 50% of the Codling Offshore Wind Farm Development, off the East Coast of Ireland and the acquisition of a solar portfolio which now has projects under construction.

EDF Renewables would like to thank the SEM Committee for the opportunity to respond to the Consultation Papers on SEM-21-026 Dispatch, Redispatch and Compensation Pursuant to Regulation (EU) 2019/943 and SEM-21-027 Proposed Decision on Treatment of New Renewable Units in the SEM. This response has been structured to provide feedback on the areas of both consultation papers which we feel are of the highest priority.

We respect the complexities of integrating the Clean Energy Package¹ into the regulation of Irish energy markets. EDF Renewables is open to working with the SEM Committee in finding a solution to these challenges, to ensure that new renewable energy projects will not be penalised.

EDF Renewables is fully committed to contributing to the national 2030 targets on emissions reduction and renewable energy at the lowest cost to the end consumer, as set out in the Climate Action Plan (CAP)² and the National Energy and Climate Plan 2021-2030 (NECP)³. Realising the potential of the offshore

¹ [Clean energy for all Europeans package | Energy \(europa.eu\)](#)

² [gov.ie - Climate Action Plan 2019 \(www.gov.ie\)](#)

³ [gov.ie - Ireland’s National Energy and Climate Plan 2021-2030 \(www.gov.ie\)](#)

renewable energy sector is one of the central elements of the CAP and it includes a suite of actions to decarbonise the electricity sector and increase the quantity of renewable generation, to meet our target of 70% of demand from renewable sources by 2030. The NECP sets out a national commitment to achieving a 7% annual average reduction in greenhouse gas emissions between 2021 and 2030, as set out in the Programme for Government, Our Shared Future. We firmly believe that more renewables are crucial to meeting our climate targets, decarbonising the electricity system and in helping to slow the effects of the climate emergency.

In the first instance we would like to highlight the following points:

- The intention to promote further renewables development in Ireland appears to be undermined by the proposals in these consultation papers. If adopted, they would be detrimental to the ability of the renewables industry to deliver the level of investment required to enable Ireland to achieve its 2030 targets of 70% renewables by 2030. The EU and Irish Government need to incentivise more new renewable generation units if Ireland is to at least meet its climate targets.
- Dispatch down is a major and growing issue for renewables. As more units connect, the transmission network is increasingly struggling to accommodate these, and constraint events are increasing in frequency. Under the new proposals, in the event of constraint, new generators, contracted after 4th July 2019, would be dispatched down before existing generators. This would result in revenue losses for new renewables, as there is no compensation constraint for generators with non-firm connection agreements.
- This issue of 'grandfathering' of constraints for priority dispatch renewables over new renewables is therefore concerning. We would request appropriate compensation for new generators which would be dispatched down ahead of older, existing units. If this is not guaranteed, it will adversely impact the overall incentives for renewables development in Ireland, with the potential consequence that energy infrastructure investors will invest elsewhere, outside of Ireland.
- We believe consequently that constraints should be defined as non-market based redispatch.
- We are deeply concerned that new renewable generation projects are not being given the appropriate levels of support to develop across Ireland, at a time when this country needs them most. We need a focus on incentivising renewables to ensure that we minimize revenue losses, create more employment, meet our renewable energy targets and not miss this great opportunity to become world leaders in renewable energy technology and innovation.

The Clean Energy for all Europeans package (CEP) was designed to help the EU meet its climate targets including the goals defined in the Paris Agreement⁴. A key pillar of this directive is to incentivise and promote further development of renewables. In 2019, the EU updated its energy policy framework to reflect the transition away from fossil fuels towards clean energy and to deliver on the EU's Paris Agreement commitments for reducing greenhouse gas emissions. The agreement on this new energy rulebook marked a significant step towards implementing the energy union strategy published in 2015. However, the proposals in the Articles 12 and 13 seem to contradict the overall objectives of this directive as we refer to in the following sections.

⁴ [Paris Agreement](#)

The Electricity Regulation (EU) 2019/943⁵ came into force on 1st January 2020 and was designed allow “greater access to renewable energies and ensure a better response to demand and storage”⁶. The Regulation sets out a binding legislative framework for facilitating the necessary levels of investment at least cost to consumers. The Regulation aims to “set the basis for an efficient achievement of the objectives of the Energy Union and in particular the climate and energy framework for 2030 by enabling market signals to be delivered for increased efficiency, higher share of renewable energy sources, security of supply, flexibility, sustainability, decarbonisation and innovation”. The consultations will, in practice, increase cost, which would create a risk to Ireland’s renewable energy and climate ambitions. Consequentially, the practical outcome of these proposals will be counter to the objectives of Regulation (EU) 2019/943.

Under the new EU Climate Law proposal by the Commission⁷, the EU’s 2030 emissions reductions target will increase from 40% to at least 55%. This means that the EU must now reduce emissions more in the next decade than it has in the previous three decades combined⁸. We are therefore calling for the SEM Committee to: -

- Champion proposals which promote and incentivise more renewables, help stimulate investment in the sector, and help reduce carbon emissions.
- Amend proposals that run counter to these objectives to bring them into better alignment.

SEM-21-026 Dispatch, Redispatch and Compensation Pursuant to Regulation (EU) 2019/943

EDF Renewables’ response to the SEM Committee’s minded-to position on the implementation of Articles 12 and 13 of Regulation 2019/943 focusing on the definitions of dispatch, redispatch, non-market-based dispatch and arrangements for compensation under Article 13(7) is set out below.

In our understanding, Article 13 of Regulation EU/2019/943 describes the redispatch of energy market participants to resolve system security issues. This in the SEM is referred to as constraint and curtailment. In other words, Article 13 addresses how generators should be dispatched away from their contracted energy position, where this is necessary to achieve a safe, secure dispatch. The Article specifies that the TSO should select market participants for redispatch based on market-based criteria, i.e., that those providers should compete on price in order to be selected in a merit order to be dispatched to resolve system security issues. If, however, one of a number of criteria are met, the TSO may utilise “non-market” based resources to resolve system security issues. This allows the TSO to distort unconstrained price-based competition in the market when selecting resources to resolve the system constraint.

Our main concerns are that to earn dispatch down compensation for constraints (for either market-based downwards redispatch under the Balancing Market rules or non-market based redispatch under Article

⁵ [EUR-Lex - 32019R0943 - EN - EUR-Lex \(europa.eu\)](#)

⁶ [New electricity rules enters into force | European Commission \(europa.eu\)](#)

⁷ [EUR-Lex - 52020DC0562 - EN - EUR-Lex \(europa.eu\)](#)

⁸ [EU Climate Law: MEPs confirm deal on climate neutrality by 2050 | News | European Parliament \(europa.eu\)](#)

13(7)), renewable generators need to have a firm connection offer in place. If priority dispatch is removed, then renewables must be given a fall-back option of access and remuneration in the balancing markets to help stabilise the system or be able to receive clear levels of compensation at the level of financial support foregone (not just at the ex-ante trade price) in the event that curtailment is necessary. Under current EU rules, priority dispatch is a mandatory status.

EDF Renewables is concerned for new generators (contracted post-July 2019) due to the issue of grandfathering of constraints. Concern has been raised by RESS-1 projects with no priority dispatch with fixed prices in areas of constraint, because modelling has shown material increases in potential constraint for this category, due to legacy priority dispatch generators being protected. It is noted that existing priority dispatch generators are likely to support the grandfathering of constraints. To earn dispatch down compensation for constraints, existing market rules state that:

- The Generator needs to be traded uniquely in the ex-ante markets
- The Generator needs to have a firm connection offer to receive compensation only at the level of ex-ante trade achieved for being constrained (can be much lower than even average market prices). This is due to the fact that Generators' offers are regulated at avoided cost of generation (€/MWh)

It is our position that constraint of renewable generation which occurs on the power system today is a form of non-market based redispatch and therefore should be fully compensated up to the value of the unit's financial support.

SEM-21-027 Proposed Decision on Treatment of New Renewable Units in the SEM

EDF Renewables' response to The SEM Committee's proposed decision on the treatment of renewable units (SEM-21-027) that do not qualify for Priority Dispatch in scheduling and dispatch is outlined in this section.

Our understanding is that Article 12 of Regulation EU/2019/943 proposes to end the designation as Priority Dispatch of all but the smallest new renewable generation projects. Priority Dispatch has been very important for the development of the renewables industry. All renewables are currently priority dispatch, so the proposals are appearing to be changing a fundamental principle without due consideration of all the consequences.

We are concerned with the SEM Committee's proposals relating to the management of redispatch (constraints) which the consultation sets out:

"that constraints would be market based for new renewable units and based on the principles for submission of Commercial and Technical Offer Data (COD and TOD) outlined in previous sections. The RAs also proposed that under Article 13(5)(b) of the Regulation, downward re-dispatching of electricity produced from renewable energy sources or from high-efficiency cogeneration (i.e. the application of constraints and curtailment) regardless of priority dispatch status, should be minimised

in the SEM. Under this interpretation, such units without priority dispatch, would only be constrained according to an economic merit order after conventional units.”

It is our position that constraint of renewable generation which occurs on the power system today is a form of non-market based redispatch and therefore should a) only occur after all market-based resources have been used to resolve the constraint (Article 13(3)(b) and b) be fully compensated up to the value of the unit’s financial support. We do not support the proposal that constraints can be seen as market based redispatch. Generators that are subject to constraint actions are not chosen with reference to any submitted prices or to the supply/demand balance, but solely due to local system limitations. Furthermore, it is often the case that there is insufficient competition amongst generators behind a constraint to develop an efficient commercial outcome. This is one of the conditions under Article 13(3)(c) where actions should be classified as non-market based redispatch.

Our concerns include the following:

- The potential scale of the additional constraint dispatch down faced by new renewable generators would be very damaging to the continued deployment of renewable energy projects.
- There is a great degree of uncertainty for generators under development with firm delivery timeframes specified for their requirements for interfacing with the TSO (SCADA vs EDIL) and associated trading requirements. The impacts of these decisions vary between new and old renewables, controllable vs dispatchable generation, etc.

In our view, if constraints on either Priority Dispatch generators or new renewable generators were treated as market-based, all such generators would want to recover their full lost revenues through the market. These lost revenues include the amount of any subsidy, which is currently a disallowed cost in the formation of short-run marginal cost offers in relation to “non-energy actions” under the Balancing Market Principles Code of Practice. In our view, defining constraints as market based but denying generation the opportunity to “be financially compensated”, noting that the intent of the Regulation is that compensation for re-dispatching will be based on balancing energy bids, is an inconsistent approach.

We are concerned about these proposals and urge the SEM Committee to consider the potential unforeseen impacts, such as higher PSO Levies resulting from higher RESS pricing, due to increased risk.

Recommendations

We believe that mutually acceptable solutions can be found by engagement between industry, the Regulatory Authorities, 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 reaching an acceptable solution for all parties, we would welcome and recommend further review of the rules for bid-offer acceptance classification, consultation, and impact assessment against different classes of generator, and ultimately appropriate governance of the rules. We also recommend that 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.

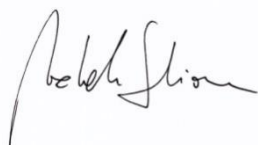
We would request that the SEMC reconsiders the proposed interpretation of Regulation (EU) 2019/943 in the Consultations and request caution is exercised in making any decisions on matters in Regulation (EU) 2019/943 in respect of which the Regulatory Authorities have a discretion. Placing incentives on system operators to minimise constraint and curtailment will reduce investment risk and lead to the most cost-effective method of meeting 2030 renewable energy targets.

The Electricity Regulation came into force on 1st January 2020. With this in mind, EDF Renewables recommends that a clear roadmap to implementation of Article 12 and 13 is set out as soon as possible. It is important that the next steps are cognisant of interactions with future RESS generators and existing REFIT & ROCs generators. The next steps will have a big impact on the delivery of Ireland's 70% renewable electricity target for 2030. We believe that, in the overarching context of the climate emergency, an accelerated pace of development is now required to decarbonise the system and we welcome an energy policy that fully reflects this.

In conclusion, we would like to thank the SEM Committee for the opportunity to engage on this matter and look forward to continuing our work with you in future.

Should you wish to discuss any of the issues raised in our response or have any queries, please contact Stella Burke on stella.burke@edf-re.ie, or me. I confirm that this letter may be published on the SEM Committee website.

Yours sincerely

A handwritten signature in black ink, appearing to read "Michele Schiavone".

Michele Schiavone
Director for Offshore Wind and Ireland