

# Enerco Energy

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RE: SEM-21-069 System Services Future Arrangements – High Level Design Consultation Paper

Enerco Energy welcomes the opportunity to engage with the SEM Committee and respond to the SEM-21-069 System Services Future Arrangements – High Level Design Consultation Paper.

Part of the Craydel Group, Enerco Energy are Ireland's largest independent renewable generator with over 800MW of projects in operation or development

Having reviewed the Consultation Paper, we would like to provide an endorsement for the Wind Energy Ireland (WEI) and Renewable NI (RNI) consultation response. We wish to highlight the following key messages, further detail for which can be found in the WEI and RNI response:

- Firstly, we wish to note our consensus with others across industry that the Consultation Paper is currently lacking sufficient detail for us to be able to provide a clear view on which auction design option is preferable at this stage.
- We are supportive of a market-based approach where appropriate and can see the attraction of this regime insofar as EU compliance. However, we would concur with others that it would be premature to settle on any one approach in a high-level design decision without first undertaking a detailed assessment of the various options and interactions. To do so could lead to issues down the line during implementation stage.
- In our view, the Consultation Paper is shy on answering fundamental design questions and providing details on when/these questions will be addressed. Furthermore, there appears to be significant room for interpretation e.g., expenditure cap remaining, and intended purpose of the layered procurement approach.
- In addition, there is no clarity provided as to how the overall roadmap and interactions with workstreams such as firm access, EBGL and the Clean Energy Package Articles 12 and 13 (and associated systems for non-priority wind), is being considered.

We also wish to highlight the following general comments made in the WEI and RNI response, on elements that we believe require further discussion and consultation amongst industry, SEMC, Regulatory Authorities (RAs) and TSO, as a priority.

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- Considering that the current arrangements are due to expire in 2024, we believe it is unreasonable that the new arrangements would only remain in place for a six-year period. Rather, we would expect to see the new regime to remain in existence on an enduring basis, with some adjustments as needed.
- We wish to note the current uncertainty regarding expenditure caps. It was not made explicit in the Consultation Paper that an expenditure cap will not apply to the new auction design being considered by SEMC. Meanwhile we are aware that there has been some ambiguity at recent industry workshops regarding the RAs position on this.
- We note that the Consultation Paper is silent on allocation of risk. It is our view that investment risk as it relates to reducing constraints and curtailment, should be placed with the entity best placed to manage this risk, i.e., with the TSO in the case of network build out and increasing the limits of SNSP. It is unacceptable that there is currently no strong incentive for the TSO on this matter and we believe it needs to be addressed.
- The Consultations Paper is also silent on the transitional arrangements. By transitional arrangements we mean transition from the current tariff-based model, with reliance on Grid Code obligations as a fall-back, to a new market-based regime. We also mean by transition, certainty of process, certainty of timing and certainty of intention for the new market in terms of types of new providers, volumes, and types of services. These arrangements are important factors when one considers the endeavour of the RAs, to create a new and novel framework. We believe that clarity is needed, so that existing and new entrants can review, prepare for and be able to provide suitable products at the point when System Services reaches Go-Live.
- Finally, noting the hugely important role for System Services over the coming decade and beyond, it is critical that the SEMC and RAs appreciate that the new market must have sufficient signals to ensure that it is invested in by industry. We would welcome further discussion and engagement with key stakeholders on this point.

In conclusion, we strongly endorse the Wind Energy Ireland and Renewable NI submission and recommend that the SEMC fully considers these positions in the next stage of the process.

It would be our preference that further clarity is provided in response to the concerns raised above, in addition to further engagement across industry, the RAs and the TSO, before any progression to detailed design.

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.



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Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Andrew Burke', with a stylized flourish at the end.

Andrew Burke

Head of Trading, Enerco Energy