



BY EMAIL ONLY

Dashe@Cru.ie

Owen.kearns@uregni.gov.uk

Email :

cathal.hennessey@rwe.com

21st October 2021

System Services Future Arrangements – High Level Design Consultation

Dear Dylan. Dear Owen,

Thank you for providing us with the opportunity to respond to the above consultation. RWE Renewables is one of the world's leading renewable energy companies. RWE Renewables Ireland is operating and developing several renewable projects in Ireland, across a range of renewable energy technologies including onshore wind, offshore wind and battery storage systems.

Please note our consultation response notes the ongoing lack of clarity regarding wider SEM policy decisions which cannot and should not be taken in isolation. These include (but are not limited to) the changes which will be needed to accommodate the new Non Priority Dispatch generation (the proposed Category 2 Units), how such assets will be able to interact with the market and whether EDIL, the Wind Dispatch Tool or another system will be utilised, compliance of the SEM market arrangements with European Balancing Guideline and decisions on the treatment of firm access for operational and future new projects.

We welcome the engagement from the regulators to date and would urge ongoing dialogue and interaction by the System Operators, regulators and industry to ensure the future market framework will be able to attract the necessary investment to deliver the products and services required to ensure the safe and secure operation of the decarbonised grid.

We would strongly recommend that the System Operators, in conjunction with the Regulatory Authorities provide a clear roadmap for delivery of the appropriate services, which will provide industry with timely indications for changing procurement, (both temporal and geographical) of system services to 2030 and beyond.

We look forward to continuing to engage with you and the System Operators as the more detailed design phase begins.

If I can be of any further assistance, please let me or Kate (kate.garth@rwe.com) know.

Best wishes

Cathal Hennessey
Managing Director- RWE Renewables Ireland

RWE Renewables Ireland response - Call for Evidence – New Market Design for system services:

Question 1: Do stakeholders consider that the commitment to putting these arrangements in place on an enduring basis, at least to 2030, represents sufficient certainty of process?

Yes, we believe this does provide sufficient certainty of process in terms of having enduring arrangements and reducing the need to amend the market design following the recoupling of the SEM to EU's internal energy market (once the Celtic Interconnector is completed). However, the timescales for delivery of these arrangements still need further clarification. We would note that for battery storage sites in particular, given their relatively quick construction time, having clarity on the front-end design of the scheme will be paramount.

We would also note that given the importance of system services to a small, island market with an extremely high penetration of variable generation, the market for system services will only grow, and as a principle our preference is to ensure that the market design is fit for purpose and implemented in a way which can delivery incremental change, reflecting the wider energy market landscape changes beyond 2030.

Governance Arrangements:

Question 2: What are stakeholders views on the options and recommendations presented for qualification/registration? Are there further options that may be considered?

Our clear preference is for a rolling application process for qualification (Option 2), noting we confirmed this in our response to the first Call for Evidence last year. The rolling qualification process would enable much greater flexibility for providers to be able to qualify and thereafter start to provide the necessary services to the TSOs.

We would note that the current issues with the Gate process, insufficient resources and inability to change the processes to accommodate the COVID related impacts during 2020 and 2021 resulted in significant delays and issues in qualifying, we would not wish such an experience to be perpetuated into the new arrangements.

Question 3: What are stakeholders views on the proposed formalisation of the QTP?

We agree that the QTP process should be formalised, with formal, predicable and transparent process in place that oversee the design of trials and selection of technologies / participants. We would welcome further clarity on the on likely timing of trials and length. We note also the potential overlap between proposals set out in the Flextech Hybrid Working Group short term deliverables (2020/21) that contained the intention for QTP for Renewable Hybrid Plant, so it will be important to ensure there is consistency and alignment.

Question 4: What are stakeholders views in terms of the introduction of a single System Services Code?

We fully support the introduction of a single System Services Code, which contains all the market processes for the procurement of System Services, technical requirements for providers and the standard terms.

We note that currently, some DS3 services are obligations under the Grid Code on some generators, and we would be interested to understand how this would be managed, and which Code would have priority, we would assume the Grid Code would retain priority, unless otherwise stated (please see our response to question 13) but this must be examined and any resultant issues explored prior to work on the detailed design in 2022 proceeding. We would also note our response to question 11- and the need to ensure an effective market can be developed, rather than a risking a default to the status quo. In that sense, it will be critical to ensure that the SO's do not rely upon the provision of mandatory services (as set out in the Grid Code) as the cheapest and most convenient option, given the risk that such an approach would undervalue the provision of those services and we would also note the importance of ensuring the requirements as set out in the Grid Code reflect the differences in technologies between wind and existing thermal assets.

Question 5: What are stakeholders views on the options in terms of governance of rules changes?

We support Option 2 the creation of a System Services Code Panel and agree with the SEMC that this will enable greater industry participation, transparency and the opportunity to drive the best solutions.

Ensuring the minutes of the Panel meetings are made publicly available on the TSOs (or other) websites – in line with the outputs of other Code Panel meetings should be considered as standard.

Question 6: Do stakeholders have views on the potential to amalgamate different Panel meetings?

With regards to the merit (or otherwise) of merging / amalgamating panels to reduce the cost to industry. We agree that ensuring all the different panel meetings are coordinated as much as possible, In future, there may be opportunities to further rationalise and streamline the process. However, this should not be introduced in the short to medium term, given the need for the new System Services Code to be developed, panel expertise developed and the processes developed that will oversee the implementation and management of the new Code.

We would however suggest there is clear potential (given that it seems likely many Panel members may be involved in the other panels) that there is some consideration given to the coordination and timing and /or location of the Panels, to ensure all parties can be adequately represented.

Question 7: What are stakeholders views on the funding arrangement proposals?

As per our response to the 2020 Call for Evidence, we support both Options 2 and 3 in terms of creating a new all Ireland charge for suppliers, similar to the MWh basis of the Imperfections Charge. We would note that the recent modification in the GB market

(CMP308, which would implement changes to the Balancing System Use of Service charges by moving the BSUOS costs to a supplier based charge, fixed in advance to provide better forecasting and budgeting certainty), and we would welcome a similar approach to be adopted in Ireland. [Decision and final report sent to Ofgem for a decision on 23/9/21].

Question 8: What level of involvement should the DSO/DNO have in the governance process?

Whilst we do not have a strong view on this aspect, we would accept that if (in relation to the governance process), Option 2 – System Services Code Panel were adopted, we would expect a representative from the DSO / DNOs would also be part of the Code Panel.

Question 9: How should the interactions with distribution connected parties be governed?

Whilst we recognise the importance of ensuring the DSO / DNO is fully involved and engaged in the governance process, Our preference would be for Option 3 – TSO Led approach, as would continue the direct relationship between the TSO and provider and would likely lead to a more efficient outcome in terms of procurement processes and product standardisation.

We also note the importance of ensuring a single platform approach is taken for future system services markets (irrespective of whether the customer is the TSO / DNO) so that all potential service providers can have equal access to the information on the future needs, eligibility criteria to maximise opportunities to revenue stack.

Please also see our response to Question 18. Whilst the decisions have not yet been clarified in Ireland, the expectation that EirGrid as the offshore transmission system operator and owner will also need to be considered in this context, as the contractual relationships have not yet been clarified and it will be important to ensure all aspects of future provision of system services are covered.

In particular we would note that in the event EirGrid (as offshore Transmission asset owner and operator) has different services providers connected to it, whilst it may also potentially be providing services itself to the onshore EirGrid TSO, it will be important to ensure a market based solution can be developed that provides clarity for all stakeholders and reduces the need for additional and complex reworking of the market design.

Question 10: Are there any further considerations for the High-Level Design of the Governance Arrangements?

We have no further comments at this stage – other than to reiterate the importance of ensuring the principles for the development of the market framework are known and defined in advance of the detailed design work due to be completed across 2022.

Auction Design:

Question 11: What are stakeholders views on the Auction Design options and SEMC Recommendation?

We agree with the recommendation from SEMC; that Option 1 – Post DAM Day Ahead System Services auction would (on balance) be preferable, delivering greater transparency and benefit all wider market participants, as well as better demonstrating compliance with the requirements of the European Balancing Guidelines. However, if the auction is based on an ex ante design, it will be critical to ensure that secondary trading is available and a realistic opportunity for participants to trade out their obligations if required.

We do not support the concept outlined in Option 3 – as we believe this increases the risk of the status quo remaining (in terms of products and services to be procured as well as the same providers), rather than allowing the market to deliver innovation and cost efficient services.

Question 12: Are there any further considerations in terms of the Auction Design options?

Whilst it is not a specific consideration in relation to the Auction Design but in line with the ongoing SEMC deliberations on the implementation of the Clean Energy Package (Art. 12 and 13) and the likely changes to the SOs IT infrastructure, and processes, we would ask for confirmation that the two work programmes are being considered together to minimise delays, costs and eventual delivery of a IT system that can meet the current and future needs of the SEM to procure the necessary products and services which will enable the safe, and efficient operation of the system with almost 100% SNSP by 2030.

Market Design:

Question 13: What information is required to get a full view of the volumes requirements for System Services?

We agree with the SEMC that ensuring the TSOs provide accurate, detailed and timely analysis on the volumes required for system services, both in the near, medium and longer term will be essential Whilst it is encouraging that there will in future be a requirement for the TSOs to produce annual reports on the long term system requirements as well as more frequent publications relating to short term forecasts, we are keen to ensure that this proposal has both the necessary statutory footing and thereafter meets and delivers the information effectively and that this critical role is monitored and assessed as part of their statutory objectives.

This is particularly important in terms of the level of volumes which could be procured outside of the market (i.e. as part of the Grid Code mandatory requirements. Ensuring a realistic and accurate forecast of the likely volume and type of services which will be required is essential, as will be the forecast for the when (and where) the proposed reduction in min gen will be delivered (from 8 to 4 as illustrated in the Shaping Our Electricity Future Technical Report).

In terms of the information that is provided, we would note the current level of information provided in other jurisdictions – particularly the UK, can be seen as a positive example of the type, granularity and frequency of the information provided.

It would be extremely helpful for an indication when this information could start to be provided, and where (centrally) this “one version of the truth” will be located and how frequently it will be updated, noting the existing suite of transmission planning, development and system needs documents.

As a minimum we would request the following information be provided by the SO’s, on a regular basis (which is known in advance) and that the information is accurate (and appropriately incentivised) so that investors can derive greater certainty and confidence in the system services market evolution.

Demand volumes per different service, and what are the key drivers / assumptions are for those forecast volumes.

What the likely triggers would be for either an increase or decrease in need (per product / service)

Forecast volumes to be provided annually – building on the current 10 year planning cycle – given the scope of change to the system as Ireland moves beyond the 70% target for 2030, we would also strongly recommend making the Tomorrow’s Energy Scenarios (TES) process an annual, not biannual publication.

Published winter and summer outlook documents – as these provide a helpful (and short-term) update to existing assumptions as well as highlighting likely areas of future need.

A roadmap for system services needs development (including when procurement could change from longer term to more frequent auctions / procurement tenders). This will be critical for the SEM if layered procurement, fixed contracts and bilateral contracts are expected to remain in place for some services in the medium to longer term.

Question 14: What are stakeholders views on the development of Secondary Trading of System Services?

Please also note our response to Questions 11 and 15. From a principle-based perspective, we support the development of the facility to enable secondary trading of any system services commitments, and believe this is particularly important given the proposals for commitment obligations, which would in effect, penalise those providers who fail to deliver the contracted volume. A failure to facilitate secondary trading – particularly for participants with intermittent generation, would potentially undermine their ability to participate within this market. Given the expected significant increases in operational intermittent renewables, this could cause significant market distortion.

This is however caveated by the ongoing uncertainty (please see our comment in response to question 12) relating to how the future market system will operate, given the current inability for the SO systems to accept PN / FPNs from variable generation and subsequent interactions with the balancing market.

Question 15: What are stakeholders views on the proposals regarding Commitment Obligations and Scalars?

Noting our response to question 14, we support the proposals to introduce commitment obligations on providers who have been successful in the auction. More detail will be needed (presumably in the Detailed Market Design due in 2022) as to how frequently those scalars would be reviewed, how long a provider continues to have a scalar <1 and the how the performance of these measures could be assessed and improvements made. We are concerned that the reliability scalar could, if not implemented effectively, bias the procurement of system services away from some technologies, including wind.

As noted in our response to question 13, the provision of a roadmap for the development of system services will help to highlight those areas of increasing need. Using scalars and the roadmap will help identify where the areas of increasing (and decreasing) need are and the likely associated value.

Question 16: Do Stakeholders have views on the introduction of the concept of Firm Access to the System Services market?

With regards to the introduction of the concept of Firm Access to the System Services market- we are concerned that given the differing approaches across the two jurisdictions within the SEM, any changes now – in advance of the firm access methodology proposals anticipated from EirGrid before the end of 2021 may be premature. That said, we would strongly note the need to ensure all participants can bid for and be considered to provide system services, there should be no inbuilt bias towards existing assets which may already have firm access.

Question 17: Do stakeholders have views on layered procurement of System Services? What approach could be taken to support this?

Whilst we agree that (at least initially) there may be some products and services which are less suited to procurement on a daily basis, we would like more details on how longer term procurement would be overseen and what the conditions would be required to facilitate the move to shorter term procurement.

We are also concerned at the proposal that bilateral procurement could be made for services for longer periods, as this could risk undermining the goal of transparency and will not provide the necessary market signals, unless this information is published openly. Where the SOs forecast a need for services for which there is either limited providers or additional resources are required, we would advocate a similar approach used by NG ESO in terms of its pathfinder projects, whereby the future need is advertised, and a competition held, to procure the future need in an open and transparent way.

We would suggest that if layered procurement of System Services is to be implemented then strict oversight and auditing will be required to ensure the procurement of the relevant services has delivered the most efficient outcomes, to ensure value for money from the consumer perspective.

Question 18: Are there any further considerations in terms of Market Design?

We noted DECC's decision in May 2021 to make EirGrid the Offshore Transmission Operator and Transmission Asset Owner may [going forwards] impact the reactive power services and revenues which could be provided in future to the market.

If there is no reactive power requirement (or very limited) offshore and a separate requirement for onshore, then the assets providing the onshore reactive power will be owned by Eirgrid. If these are owned by a future EirGrid Offshore Grid entity, it will consider how any assets paid for by the developer could earn future DS3 revenues.

Frequency response services could be provided (for example) by offshore wind turbines – but the decision as to how these services could be provided given the potential different relationship between onshore EirGrid TSO and EirGrid Offshore entity. We have considered this in response to our question 9. Whilst we accept and acknowledge that the final decisions on how the offshore entities will work but we would simply emphasize the need to ensure these issues are considered before any final high-level design decisions are taken.

Based on our existing experience in the UK where there is ownership separation between the offshore wind farm and OFTO it is critical to understand which assets are providing the reactive power and how it is instructed (i.e. via automated settings / obligations in connection contract) and how the provider will be paid.