

SEMC consultation on Firm Access Methodology in Ireland “EirGrid – proposed methodology” SEM-22-068

EirGrid & SONI response

08 November 2022



Introduction

EirGrid plc (“EirGrid”) is the licenced electricity Transmission System Operator (TSO) in Ireland, and SONI Ltd (“SONI”) is the licensed TSO in Northern Ireland. This response is submitted by EirGrid and SONI in their capacities as TSOs for Ireland and Northern Ireland respectively.

In the CRU direction CRU/20/060 Enduring Connection Policy Stage 2 (ECP-2), section 2.7, the CRU instructed EirGrid to design and develop a new methodology for firm access. EirGrid commenced the development of a new methodology and engaged with both industry and the CRU for feedback into this process. Further to these engagements and workshops; in December 2021 EirGrid published a review document which set out the core concepts of the new methodology. This was then updated following further feedback into the June 2022 “Firm Access Methodology Proposal” upon which the SEMC’s “Firm Access Methodology in Ireland “EirGrid – proposed methodology”, SEM-22-068, (the “Consultation Paper”) is based.

EirGrid and SONI are issuing this response to the Consultation Paper across the following main areas – general response to the items outlined by the RAs, the Northern Ireland approach, and our responses to the specific requests for further information from EirGrid.

General Response

EirGrid’s key objectives in developing this new methodology for Ireland are as follows:

- Allocate available firm capacity to connected generators.
- Provide time bound firm access dates, initially derived based on the timeline for planned reinforcements, but not directly linked to the final completion of these specific reinforcements.
- Provide location signals for where future firm access is expected to be available, in line with the planned development of the power system.
- Provide certainty to all industry parties, such that investments can be made with quantifiable risks and the resulting cost can be determined and placed on the appropriate party to manage same.

Overall, this new methodology seeks to achieve a reasonable balance between investment certainty, overall cost to end user, risk, government targets, CRU directions, European regulations, industry feedback and transmission development plans.

It is a challenge to achieve the right balance of risk allocation for a new methodology, and there are inherent complexities of power system modelling and forecasting; however, EirGrid is very aware that a large amount of existing and planned generation in Ireland is currently without any certainty regarding the firm access approach that will apply to their projects. EirGrid is therefore keen to move forward to implementation as quickly as possible and accepts that further refinements could well be necessary as the new approach beds in.

EirGrid welcomes the RAs’ “summary of the EirGrid proposed methodology” on pages 4/5 in the Consultation Paper which is largely supportive of the key elements of the EirGrid proposed methodology.

EirGrid notes the RAs’ view that the proposed new approach is not fully in line with the CRU’s direction in ECP 2 decision paper CRU/20/060. EirGrid believes that the proposed approach goes beyond the

minimum requirements set out in CRU/20/060 and welcomes the RAs' acknowledgement that EirGrid's approach provides more certainty for developers.

Table 3 of the Consultation Paper summarises a number of the Price Review 5 (PR5) incentives applicable to EirGrid as TSO. EirGrid notes that it is already incentivised by the CRU to alleviate constraints via the PR5 Imperfections and Constraints Incentive as set out in Section 7.12 of the CRU's PR5 Regulatory Framework, Incentives and Reporting Decision Paper, [CRU/20/154](#), the CRU's Price Review Five 2021 Balanced Scorecards Information Paper [CRU202226](#) and the future CRU PR5 Balanced Scorecard Decisions. As per CRU/20/154, EirGrid's proposed Imperfections and Constraints Multi-Year Plans for 2022 onwards, on the basis of which the CRU concludes the applicable balanced scorecard, are published for consultation prior to the CRU's decision thereon. Incentives placed on EirGrid must be considered in the context of the incentive frameworks already in place under the extant Price Control. In this context consideration of any change to EirGrid's PR5 incentive framework would require specific engagement between EirGrid and the CRU.

Where an incentive is being considered in addition to the extant framework, detailed consideration of the linkages between same and the respective incentive arrangements in place would be required, such that a TSO is not incentivised and/or indeed penalised twice for the same action. There are separate incentive arrangements for the TSOs based on the jurisdictional price controls currently in place. Any such incentive would need to be considered in the round for the respective TSO, noting that incentive arrangements are a limb of the overall financiability arrangements and to ensure that the arrangements do not contradict existing incentive arrangements.

Northern Ireland Approach

We welcome the recognition by the RAs that there is an existing firm access policy in Northern Ireland and that this policy review applies to Ireland only.

Our aim is to ensure that there is a functioning and fit for purpose firm access policy across both jurisdictions that can meet the necessary objectives. The "Allocation of Transmission FAQ in N Ireland & ITC Methodology to determine FAQs Decision Paper, 22 July 2013" introduced the firm access policy that is currently in place for Northern Ireland and has been in operation for Northern Ireland generators since. However, we also recognise that there are differences in regulatory frameworks in Northern Ireland and Ireland with respect to connection policy and transmission investment approval mechanisms which mean that complete and full alignment of Firm Access policy on an all island basis is not possible.

Response to the Requests for Further information from EirGrid

1. *"The RAs request that EirGrid provide more details on how allocation frequency will work in practice"*

EirGrid Response: The firm access allocation frequency will be annually. This allocation will follow the annual firm access review of committed generators. The review will take account of the latest system assumptions which are critical for firm access. In particular, details and connection dates for any new generators, updated demand assumptions and network reinforcement details. Given the level of detail that will be involved in this process it will be necessary to have a clear data freeze date. The specific scheduling of this has yet to be finalised as this is dependent on the timing and outcome of the RAs' decision. It is assumed that the first round of firm access allocation will take place approximately three months after the RAs' final decision, assuming the final decision is largely in line with the current

proposal. It is expected however that some existing workstreams will become key inputs to the annual review. As a result, it will likely mean that the annual review is scheduled for after the finalisation of the Transmission Development Plan Ireland (TDP IE).

While taking due account of the importance of these inputs, there may also be other critical dates which could influence the scheduling of the annual review. For example, there may be merit in scheduling the annual review to be completed a certain period in advance of the RESS auctions. We are open to engagement on the precise timing of the reviews.

2. *“The RAs request that EirGrid provide more detail on how Firm Threshold will operate as part of Firm Access assessment.”*

EirGrid Response: The Firm Threshold moves the process away from a binary computation exercise and focuses the analysis on specific bottlenecks which are directly contributing to constraints. EirGrid has proposed that the Firm Threshold could be reviewed on an annual basis. This could be used as a lever which can be applied on an annual basis to support evolving policy objectives should it be deemed necessary.

Currently it is proposed that where constraints are below 5% a generator would be granted firm access. This is in line with the approach taken for EirGrid’s ‘Shaping Our Electricity Future (SOEF)’¹ and recognises the fact that it would be impractical to design and develop a system which totally eliminates constraints while also meeting renewables targets. During the course of the firm access review, if the analysis indicates that a renewable generator’s constraints will be below 5%, that generator will be allocated firm access. Where constraints are above 5%, but a pending reinforcement in the TDP IE will reduce the level of constraint to below 5%, that project will be allocated a time bound firm access date.

EirGrid intends to apply the a very similar approach to both renewable and conventional generation. The only difference being a potential requirement to consider a tighter tolerance around the Firm Threshold for conventional generation in order to manage the potential increased risk from dispatchable generation.

3. *“Projects reaching payment stages of ECP (progress beyond Consents Issue Date) after a Firm Threshold is met, and in areas where future reinforcements will increase the capacity beyond the Firm Threshold, will be provided with a fixed Firm Access date. The RAs note that this may still be considered too late in the development process to provide sufficient certainty for some projects. Eirgrid are requested to provide more details on this process.”*

EirGrid Response: EirGrid notes concerns around the provision of certainty for projects and the objective of this new methodology is to reasonably balance developer certainty with a reasonable risk to the end user and to other developers. EirGrid is of the view that the practical application of the new methodology will provide much more certainty for developers, and hence more certainty for end users. It is worth noting that currently developers are proceeding without any certainty of a firm access methodology. Annual reviews will provide information to future developers and further locational signalling and subsequent versions of the All-Island Ten-Year Transmission Forecast Statement and

¹ https://www.eirgridgroup.com/site-files/library/EirGrid/Shaping_Our_Electricity_Future_Roadmap.pdf

SOEF will serve to increase the level of certainty on the areas of the system where firm capacity will be available.

Conclusion

EirGrid has developed a new methodology for allocating firm access to generation in Ireland in fulfillment of CRU requirements. EirGrid welcomes the RAs' assessments that confirm the relative merits of this new approach. We have provided answers to the RA's requested information in this response and look forward to the timely conclusion to the consultation process to allow the implementation work to commence.