



Energy for
generations

ESB Generation and Trading's
Response to Firm Access
Methodology in Ireland "EirGrid –
proposed methodology" (SEM-22-068)



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1. INTRODUCTION

ESB Generation and Trading (GT) welcomes the opportunity to respond to the SEM Committee's Firm Access Methodology in Ireland "EirGrid – proposed methodology" (SEM-22-068). At a high level the review methodology is a step in the right direction, however, ESB GT has some serious concerns with the proposed offer date of firm access, which are detailed in the next section. Additionally, there are a number of other items where further clarity is needed to fully understand the impact of the proposed methodology and ESB GT would welcome feedback on these before a Firm Access methodology is fully implemented.

2. EXECUTIVE SUMMARY

While there are elements of the proposed methodology that have merits and should be developed further, ESB GT is concerned that the policy as a whole will not deliver key objectives such as minimising additional costs to end customers and supporting investor confidence. Delivering on these two key objectives will mean allowing project developers (renewables, thermal and newer technologies) to have certainty on Firm Access at a much earlier stage than in the proposal where it will only be provided after they meet the Consent Issue Date. This degree of risk is unacceptable for an investor when participating in any of the relevant auctions.

It is essential that Firm Access certainty is provided earlier in the project timeframe, ideally before any RESS or CRM auction bidding. Therefore, ESB GT believes a more suitable approach would be to provide a new project a timeframe for firmness when awarded a connection agreement and that the developer's right to associated Firm Access follows a use-it or lose-it approach.

As seen in the capacity market results, batteries are holding contracts to provide capacity to meet the security of supply concerns like any other technology type. The current proposal to restrict certain technologies from receiving firm access would appear to be discriminatory and indirectly anti-competitive as it will impact on the incentive for certain technologies to participate in the capacity auctions.

ESB GT is concerned that while the Firm Access methodology in this paper may (1) allocate available firm capacity to newly connected generators and (2) provide location signals for where future firm access is expected to be available, the risk imposed by an unknown firm access date will act as a blocker to the delivery of renewables and other assets required for security of supply (CRM), system stability (DS3) and meeting our renewable and decarbonisation targets (RESS).

In addition to the above, when the RAs' and Government put out calls for earlier delivery and proceeds on an exceptional basis, outside of the normal procedures, under security of supply concerns, such connection offers should be assumed to be firm at the point of energisation.

3. HIGH LEVEL COMMENTS

In this section ESB GT has highlighted some of its concerns with this consultation and areas of focus that the detailed design will need to address.

3.1 Technology Neutrality

In section 3.3 of the paper, it states “*Batteries and other service providers are newer technologies primarily coming into the services market. For the purposes of this methodology, firm access for service providers is considered to be outside scope and therefore not applicable at this time*”. ESB GT has a number of concerns with this position;

1. It is not clear why there is a different treatment for assets providing energy or services.
2. What is the definition of “other service providers”?
3. Who determines if a battery is primarily for services over energy or capacity provision, and why does this business case of revenue stacking differ from other technologies?
4. There is no commitment to review this position.
5. Is this for future batteries only or does it include batteries that are currently in delivery stage following successful CRM auctions and DS3 fixed contracts?

As seen in the capacity market results, batteries are holding contracts to provide capacity to meet the security of supply concerns in the same way as any other technology type that participated and was successful in the auctions. The current proposal to restrict certain technologies from receiving firm access would appear to be discriminatory and indirectly anti-competitive as it will impact on the incentive of certain technologies to participate in the auctions.

Consideration also needs to be applied to battery projects that were successful in the CRM auction and, reasonably, considered firm access energy market revenue to be part of the business case at some point in the future. The justification provided in the paper would not appear to be sufficient to take the proposed position that now places non-firm access risk on the lifetime of the asset and no means to mitigate the risk.

Additionally, section 3.2 of the consultation paper highlights the key objectives for the Firm Access methodology is to ensure renewables targets can be met while maintaining security of supply. ESB GT is unsure how the firm access methodology that is applicable to all generating assets (both renewable and thermal) is now solely for renewable assets. If this firm access methodology is only for renewables is the SEMC identifying that a different methodology will be developed for other assets. ESB GT would not be supportive of separate firm access methodologies for different generating units as it will create unnecessary complexity in the market.

3.2 Annual Review

The proposed annual review is a positive change to the methodology and will assist in providing up to date locational signals for future firm access capacity as well as increasing the speed of firm access allocation. ESB GT welcomes the proposal that this approach can also take account of up-to-date assumptions, for example if there was significant demand growth in a region, and that a non-firm generator could actually end up receiving firm access in a subsequent annual review.

While an annual review will improve the frequency of the investment signal, it is vital that the annual review doesn't result in misleading and inconsistent signals that could leave investor stranded due no fault of their own. Therefore, if the firmness (or date of firmness) can be identified at the point of the connection offer, the proposal to have an annual review is welcome. Outside of this normal process, when the RAs' and Government put out calls for earlier delivery and proceeds on an exceptional basis, under security of supply concerns, such connection offers should be assumed to be firm at the point of energisation.

3.3 Treatment of firmness following provision (First to committed – First to be Firm)

It is unclear from Appendix D if the "First to commit – First to be Firm" under the Look Back approach will also be applied to the Look Forward approach. Greater clarity is required on this. While a perceived benefit of this "First to commit – First to be Firm approach" may be a quick delivery of projects it does increase risk on generators and could subsequently impact on its bid price in the auctions. Careful consideration needs to be applied to the trade-off between allocating Firm Access in the most optimised manner and the risk cost that the generator, and ultimately consumer, will have to pay.

Considering the complexity and interaction between the participant and EirGrid when confirming a connection agreement, commissioning date and other requirements (such as influencing projects),

transparency on the process applied by EirGrid between multiple projects will need to be provided as the materiality that Firm Access can have on a project is substantial and EirGrid influence on this will be critical. Additionally, the role of EirGrid as the Offshore Transmission Asset Owner will need careful consideration when allocating Firmness on a first come first served basis. In light of the above, ESB GT does not believe a First to connect (CID) – First to be Firm approach is an appropriate or prudent approach.

In order to allocate Firm Access Quantities (FAQ) there would appear to be two obvious means to allocating the FAQ; (1) based on a first past the post milestone or (2) pro-rata based on batch processing of connection offers. Under option 1 (earliest date) there is a risk that this will incentivise a race to submit speculative connection offer applications which would not be in the interest of the customer or best usage of EirGrid resources. Option 2 is a fairer allocation of FAQ but could result in some inefficiencies of FAQ being spread across a number of projects¹. While option 2 may have some inefficiencies, no option is flawless, and therefore ESB GT believes an allocation of FAQ on a pro-rata basis is the most suitable and equitable approach to apply to the above proposed approach. Additional to this proposal is an introduction of priority allocation to assets that are closest to delivering capacity. For example, the available firm access quantities could be allocated in the following order:

1. Project with non-firm status (partial or full) that have energised
 - a. First to be energised is first to be allocated FAQ
2. Project with non-firm status (partial or full) that have achieved CID
 - a. First to achieve CID is first to be allocated FAQ
3. Project in the ECP batch phase/annual review with a connection offer/agreement
 - a. Allocated on a pro-rata basis

ESB GT believes the above approach of allocating FAQ would ensure available FAQ is allocated to projects that are most likely to deliver, and reduce the potential for Firm Access hoarding, in a fair and equitable manner.

3.4 Certainty of FAQ

The biggest issue with the Firm Access Methodology is the proposal that projects are expected to (1) apply for Grid Connection, (2) qualify for RESS auction/CRM auction/DS3, (3) participate in these

¹ It is unclear how often a sharing of FAQ could result

auctions, (4) if successful, proceed to Consent Issue Date and (5) only then after all of these steps and expenditure, finally find out if, and when, the project may get Firm Access. While this approach may be borne out of trying to maximise Firm Access it is creating significant risks that an investor cannot mitigate and thus not achieve the desired objective of delivering investor confidence and in turn achieving optimal RESS auction results.

It is essential that Firm Access certainty is provided earlier in the project timeframe, ideally before any RESS or CRM auction bidding. In the answer to Question 4, ESB GT has provided an alternative proposal (Use-it or Lose-it) to the timing of the allocation of FAQ that will provide certainty to generators in advance of the auction while also minimising the potential for FAQ hoarding.

3.5 “made firm until constraints increase beyond the firm threshold”

In Appendix D “Step 2 Look Forward Approach” it states “[t]he early projects to connect in these areas are made firm until constraints increase beyond the Firm Threshold”. It is unclear what this statement means as throughout the rest of the paper the methodology seems to determine that once a project is provided with firm access it retains it. This statement in Appendix D would appear to allude that a project that has energised and is made firm can subsequently loss firmness in the following annual reviews. Clearly this is not an acceptable approach for developers so could further clarity please be provided?

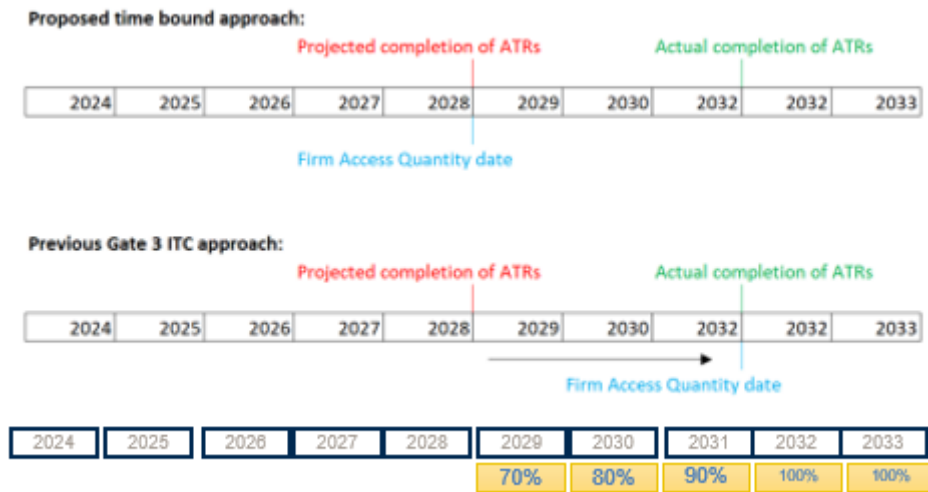
4. ANSWERS TO CONSULTATION QUESTIONS

Q.1 Comments are invited from interested parties on EirGrid's proposed approach of having a time bound Firm Access date. Comment are also invites on alternative options (i.e ATRs etc). Should scheduled FAQ date be linked with ATRs, with more targeted delivery incentives? Please provide reasons and rationale for any views provided.

ESB GT supports EirGrid's proposed approach of having a time bound Firm Access date. This approach provides more certainty for investors in generators which should result in greater value to the customer.

The approach to scheduled FAQ being linked with ATRs, or being deemed firm, has to address the need that Firm Access should be about "*sharing risks in a cost-reflective way that helps incentivise efficient network and generator investment and minimise current and future constraint costs*". It should be recognised that total cost (PSO, CRM, DS3, energy, fees for not meeting renewable targets, constraints, etc) minimisation has to be considered and not just constraint costs. The benefits from the proposed time bound approach (as proposed by EirGrid) is closer aligned to minimising current and future costs than the previous Gate 3 ITC approach. ESB GT does recognise that the EirGrid time bound firm access approach must be delivered in line with greater incentives on the TSO to deliver on the ATRs (discussed in greater detail in answer to question 2) to ensure the constraints costs, *inter alia*, are minimised to the customer.

If the time bound Firm Access date approach is deemed not acceptable as the most efficient means to reduce the overall cost to the consumer (PSO, CRM, DS3, energy, fees for not meeting renewable targets, constraints, etc) than another potential option is a midway option between the previous Gate 3 ITC approach and the EirGrid proposal. As shown below, the cost/risk could be shared between the generators and customer on the basis of a deemed firm access increasing on a linear glide path e.g. a starting point of 70% at the original projected completion date of the ATR, increasing by 10% for every year the ATR is delayed and 100% at the point the ATR is delivered if before the 4 year. While this proposal may achieve a balance between the risk taken on by the customer and generator due to the EirGrid delays it does have inefficiencies in that, unlike the EirGrid proposal, there is still uncertainty for the generator when participating in the relevant RESS or Capacity auction.



Q.2 Comments are invited from respondents regarding EirGrid’s historical performance on delivering ATRs. How can EirGrid’s performance be improved? Please provide reasons and rationale for any views provided.

As per the Generator Transmission Use of System (GTUoS) Tariffs papers;

“there is an on-going need to develop the electricity network on the island of Ireland to ensure security of supply now and into the future. There is an associated cost with this transmission investment which is levied on users of the transmission system via transmission use of system charges for demand and generator customers.

The regulatory approved methodology for GTUoS charging arrangements has been designed to link system usage with the transmission investment costs for different parts of the network. Each Generator’s TUoS charge should then be reflective of transmission investment costs linked to its own use of the system.”

In theory TUoS is collected in a given area to fund reinforcements. Where ATRs are delayed the developers who are both paying for reinforcements, which have not been delivered, and bearing the brunt of not having Firm access are being doubly penalised by these delays. Considering the developer has no means to mitigate this risk post the original ATR decision, it seems unfair that little or no penalties/incentives are placed on the TSOs who have the power to deliver ATRs.

ESB GT believes there are potential lessons to be learned from the incentive mechanisms that have assisted in the delivery of ECP. Additionally, it may be worth considering if an incentive mechanism for

reducing the constraint costs (included in the DBCs) could be applied. What is clear from this consultation is that whichever approach is applied an incentive mechanism is required for the TSOs to ensure delivery of the ATRs is achieved by the proposed date and that the cost to the customer/generator is mitigated appropriately and not left to a party that has no means to address the delay. In light of the urgent need for a decision on this firm access issue (upcoming ORESS1, RESS3 and CRM auctions experiencing a potential generation deficit) ESB GT does not believe that the design of an appropriate incentive mechanism for ATR delivery should prevent the SEMC from making a decision on the Firm Access Methodology.

Q.3 Comments are invited on whether stakeholders agree with the proposed approach of allocating partial Firm Access Quantities. Please provide reasons and rationale for any views provided.

ESB GT are supportive of the move away from the previous approach of no partial firmness to the provision of partial firm Access Quantities. The all or nothing approach combined with the first committed – first firm proposal places excessive risk on large scale projects to the point that the reduced cost benefits from economies of scale would be eroded by the losses from non-firm access.

ESB GT welcomes the new proposal, however, greater clarity on how the value of 20MW is determined and will be allocated would be welcome.

Q.4 Comments are invited from respondents on the proposed approach of allocating Firm Access to generators once they reach committed project phase (progress beyond Consents Issue Date). Please provide reasons and rationale for any views provided.

The consultation paper states, “*the purpose of Firm Access is to achieve a balance between granting generators access to the network in advance of transmission reinforcements and to protect the end consumer from high constraint payments through better locational signals*”. ESB GT is concerned with the proposed approach of allocating Firm Access to generators once they reach committed project phase (progress beyond Consents Issue Date). The biggest issue with the Firm Access Methodology is the proposal that projects are expected to (1) apply for Grid Connection, (2) qualify for RESS auction/CRM auction/DS3, (3) participate in these auctions, (4) if successful, proceed to Consent Issue Date and (5) only then after all of these steps and expenditure, finally find out if, and when, the project may get Firm Access. While this approach may be borne out of trying to maximise Firm Access it is creating significant risks that an investor cannot mitigate and thus not achieve the desired objective of delivering investor confidence and in turn achieving optimal RESS auction results.

It is unclear from Appendix D if the “First to commit – First to be Firm” under the Look Back approach will also be applied to the Look Forward approach. Greater clarity is required on this. While a perceived benefit of this “First to connect – First to be Firm approach” may be a quick delivery of projects it does increase risk on generators and could subsequently impact on bid price in the auctions. Careful consideration needs to be applied to the trade-off between allocating Firm Access in the most optimised manner and the risk cost that the generator, and ultimately consumer, will have to pay.

Considering the complexity and interaction between the participant and EirGrid when confirming a connection agreement, commissioning date and other requirements (such as influencing projects), transparency on the process applied by EirGrid between multiple projects will need to be provided as the materiality that Firm Access can have on a project is substantial and EirGrid influence on this will be critical. Additionally, the role of EirGrid as the Offshore Transmission Asset Owner will need careful consideration when allocating Firmness on a first come first served basis. In light of the above, ESB GT does not believe a First to connect (CID) – First to be Firm approach is an appropriate or prudent approach.

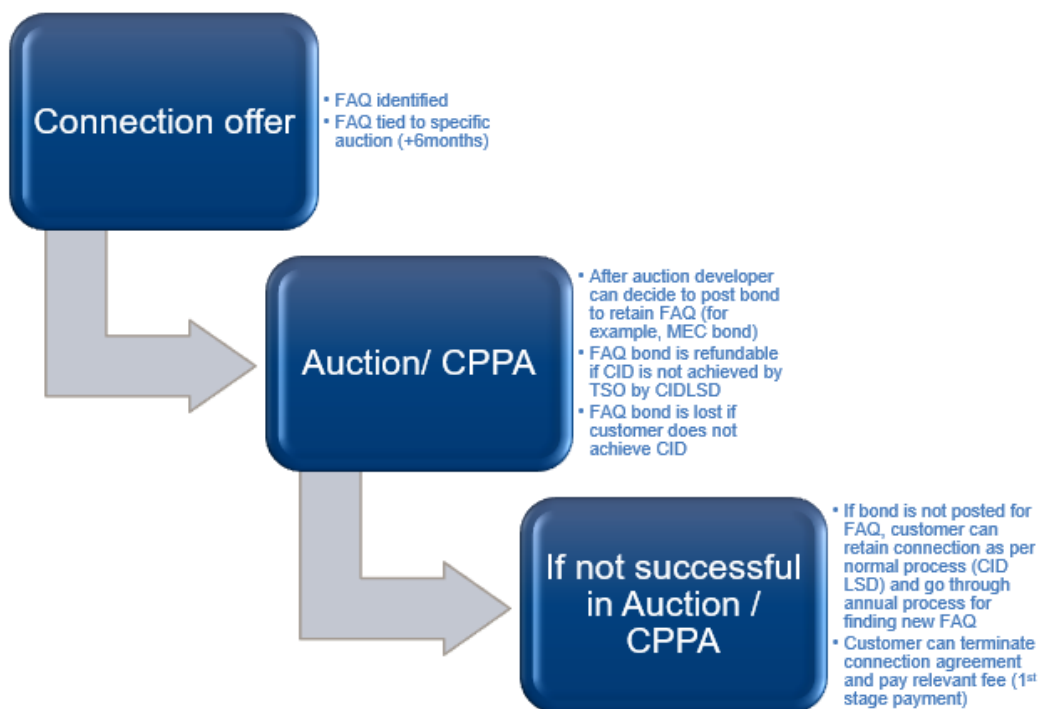
It is essential that Firm Access certainty is provided earlier in the project timeframe, ideally before any RESS or CRM auction bidding. Therefore, ESB GT believes a more suitable approach would be to provide a new project a timeframe for firmness when awarded a connection agreement and that the developer’s right to associated Firm Access follows a use-it or lose-it approach. At a high level;

1. At the point of the connection offer (which could be the GCA for ORESS projects), the firm access quantity (FAQ) is identified for the project.
2. This firm access allocation (or right to hold the firm access) is tied to a specified auction (next RESS, ORESS or CRM) plus an additional time period (for example 6 months but this could vary for each funding mechanism).
3. Following the specified auction, the developer has the ability to post a bond² (possibility is to use MEC bond) that would allow the developer to retain the Firm Access Quantity.
4. If the developer decides to post the bond the next stage on the connection agreement process is CID.
 - 4.1 If CID is not achieved due to EirGrid issues the FAQ bond is refundable.
 - 4.2 If CID is not achieved due to developer issues the FAQ bond is non-refundable and the cost risk to the customer is reduced due to the compensation from the bond.

² What ever the bond is it must be with the TSO. A RESS bid bond is with the Department so this may not be applicable

- 4.3 It is possible that at the stage of CID approval there is enough evidence/expenditure to say that hoarding of FAQ is no longer an issue and that the FAQ bond could be removed or used as a down payment for the 2nd stage payment rather than holding the bond until energisation.
5. If the developer decides not to post the bond in advance of the FAQ deadline (in this example auction + 6 months) the FAQ is released, and the connection agreement no longer has a FAQ until the next annual review.
- 5.1 The released FAQ goes back into the next annual review of firm access and is available to all participants, including the developer who did not post the FAQ bond.
- 5.2 A decision not to post the bond will not result in a connection agreement termination and the connection agreement should remain valid (once all other connection agreement conditions are still being met i.e. CID etc). This is to ensure all of the work performed by EirGrid and the participant on the connection agreement method is not lost and require an inefficient usage of resources requiring it to be performed again.

The figure below illustrates the above high-level description of a potential approach that would provide certainty for the developers while ensuring hoarding of Firm Access is mitigated.



While this approach addresses the certainty required for generators and mitigating the potential for FAQ hoarding, the approach to allocating FAQ to a number of developers still needs to be considered. Under this proposed approach to allocate FAQ at the connection offer there would appear to be two obvious means to allocating the FAQ; (1) based on earliest date of connection offer application or (2) pro-rata based on batch processing of connection offers. Under option 1 (earliest date) there is a risk that this will incentivise a race to submit speculative connection offer applications which would not be in the interest of the customer of best usage of EirGrid resources. Option 2 is a fairer allocation of FAQ but could result in some inefficiencies of FAQ being spread across a number of projects³. While option 2 may have some inefficiencies, no option is flawless, and therefore ESB GT believes an allocation of FAQ on a pro-rata basis is the most suitable and equitable approach to apply to the above proposed approach. Additional to this proposal is an introduction of priority allocation to assets that are closest to delivering capacity. For example, the available firm access quantities could be allocated in the following order:

1. Project with non-firm status (partial or full) that have energised
 - a. First to be energised is first to be allocated FAQ
2. Project with non-firm status (partial or full) that have achieved CID
 - a. First to achieve CID is first to be allocated FAQ
3. Project in the ECP batch phase/annual review with a connection offer/agreement
 - a. Allocated on a pro-rata basis

ESB GT believes the above priority approach of allocating FAQ would ensure available FAQ is allocated to projects that are most likely to deliver, and reduce the potential for Firm Access hoarding, in a fair and equitable manner.

Q.5 Comments are invited from respondents on the inclusion of a longstop date with awarded FAQs. Please provide reasons and rationale for any views provided.

Please see response to Question 4 above.

³ It is unclear how often a sharing of FAQ could result

Q.6 Comments are invited from respondents on the proposed approach of treating batteries and other service providers as outside the scope of the Firm Access methodology. Please provide reasons and rationale for any views provided.

In section 3.3 of the paper it states “*Batteries and other service providers are newer technologies primarily coming into the services market. For the purposes of this methodology, firm access for service providers is considered to be outside scope and therefore not applicable at this time*”. ESB GT has a number of concerns with this position:

1. It is not clear why there is a different treatment for assets providing energy or services.
2. What is the definition of “other service providers”?
3. Who determines if a battery is primarily for services over energy or capacity provision, and why does this business case of revenue stacking differ from other technologies?
4. There is no commitment to review this position.
5. Is this for future batteries only or does it include batteries that are currently in delivery stage following successful CRM auctions and DS3 fixed contracts?

As seen in the capacity market results, batteries are holding contracts to provide capacity to meet the security of supply concerns in the same way as any other technology type that participated and was successful in the auctions. The current proposal to restrict certain technologies from receiving firm access would appear to be discriminatory and indirectly anti-competitive as it will impact on the incentive of certain technologies to participate in the auctions.

Consideration also needs to be applied to battery projects that were successful in the CRM auction and, reasonably, considered firm access energy market revenue to be part of the business case at some point in the future. The justification provided in the paper would not appear to be sufficient to take the proposed position that now places non-firm access risk on the lifetime of the asset and no means to mitigate the risk. Additionally, this view coupled with the latest TSOs proposal to significantly reduce the DS3 tariffs has created a toxic environment for Batteries and ultimately leaves them exposed to no means to finance their undertakings.

In this consultation paper it is stated that “*the RAs recognise the increasing importance of battery storage, and the need to facilitate the increased inclusion of this technology*”. If this is the case the proposed EirGrid approach of treating batteries and other service providers as outside the scope of the Firm Access methodology cannot be applied.

Q.7 Comments are invited from respondents on the proposed approach of having a MEC “floor” of 1 MW. Please provide reasons and rationale for any views provided.

While not part of this consultation, ESB GT wants to take this opportunity to comment on the potential introduction of a Firm Access for System Services. ESB GT believes this is creating unnecessary complexity and that a locational element in the System Service auctions could be better suited. That said, if there are any views to using a similar methodology, as proposed in this consultation, for determining FAQ for system services the MEC floor of 1MW would need to be considered for such projects that may come under the Low Carbon Inertia Services programme.

In addition to the answer to Question 6, it needs to be made clear that no matter the decision on the treatment of Batteries for Firm Access and a MEC floor of 1 MW, batteries shall be “firm” for any decisions to charge. To be clear, if the TSOs instruct a battery to charge it will be settled on the better of its Commercial Offer Data submitted into the Balancing Market or the Imbalance Price. While it has always been known that there would be a consultation on Firm Access the basic principle of ensuring cost recovery when charging needs to be upheld.

Q.8 Comments are invited from respondents on the Annual Review process. Please provide reasons and rationale for any views provided.

The proposed annual review is a positive change to the methodology and will assist in providing up to date locational signals for future firm access capacity as well as increasing the speed of firm access allocation. ESB GT welcomes the proposal that this approach can also take account of up-to-date assumptions, for example if there was significant demand growth in a region, and that a non-firm generator could actually end up receiving firm access in a subsequent annual review.

While an annual review will improve the frequency of the investment signal, it is vital that the annual review doesn't result in misleading and inconsistent signals that could leave investor stranded due no fault of their own. Therefore, if the firmness (or date of firmness) can be identified at the point of the connection offer, the proposal to have an annual review is welcome. Outside of this normal process, when the RAs' and Government put out calls for earlier delivery and proceeds on an exceptional basis, under security of supply concerns, such connection offers should be assumed to be firm at the point of energisation.

Q.9 Comments are invited from respondents on the Firm Threshold. Please provide reasons and rationale for any views provided.

In general, ESB GT supports the introduction of a Firm Threshold and moving away from a binary computation exercise. However, further detail on what this level is and how it will be determined is needed and clarity on how this threshold can change year to year is also required.

Additionally, ESB GT is concerned with a statement in this section of the consultation paper

“This Firm access test for renewable energy sources will consider a minimum level of acceptable constraint.”

ESB GT is unsure how the firm access methodology that is applicable to all generating assets (both renewable and thermal) is now solely for renewable assets. If this firm access methodology, and applicability of a Firm Threshold, is only for renewables is the SEMC identifying that a different methodology will be developed for other assets. ESB GT would not be supportive of different firm access methodologies for different generating units as it will create unnecessary complexity in the market. Clarity on this statement is required. If the SEMC are of the view that a different Firm Access Methodology is required for non-RES assets another consultation is required and no decision should be made until all methodologies are consulted upon.

Q.10 Comments are invited from interested parties on the approach of First to be committed – first to be Firm. Please provide reasons and rationale for any views provided.

Please see response to Question 4.

Q.11 Comments are invited from respondents on the use of the Transmission Development Plan as part of the Firm Access methodology. Please provide reasons and rationale for any views provided.

ESB GT agrees with this approach but believes an incentive mechanism is required to improve the TSO's deliver of the Transmission Development Plan. Please see response to Question 13 for consideration on incentive mechanisms.

Q.12 Comments are invited from respondents on the proposed look-back and look-forward approach, and the interaction between these steps. Please provide reasons and rationale for any views provided.

In Appendix D “Step 2 Look Forward Approach” it states “[t]he early projects to connect in these areas are made firm until constraints increase beyond the Firm Threshold”. It is unclear what this statement means as throughout the rest of the paper the methodology seems to determine that once a project is provided with firm access it retains it. This statement in Appendix D would appear to allude that a project that has energised and is made firm can subsequently loss firmness in the following annual

reviews. Clearly this is not an acceptable approach for developers so could further clarity please be provided?

From the detail provided in the consultation paper, ESB GT agrees with applying the same approach to both the look-back and look-forward steps. It simplifies the process and makes it more transparent for developers. As identified in the TSOs methodology, it seems the most acceptable approach to apply the look-back approach for any contracted assets first before applying the look-forward step for assets not yet at the connection offer stage.

Q.13 Comments are invited from interested parties on the interaction of delivery incentives with the proposed Firm Access methodology. Please provide rationale for to support these views

In terms of imperfection and constraints, if it is possible to identify the volume of constraints due to delayed ATRs it may be possible to place a double-sided incentive on the TSOs that would pay the TSOs for every 1% of reduced ATR induced constraints below a set target and a penalty for every 1% above a set target.

In the current RESS3 Terms and Conditions consultation the DECC have proposed that successful projects are compensated, to the level of Firm Access, for oversupply and curtailment. However, no such compensation is provided for constraints. Firstly, ESB GT is surprised with this proposal considering the SEMC decision and direction that it would not be unjustifiably high to compensate assets for constraints and curtailment. There is no clear justification for not implementing the SEMC direction. Secondly, this DECC proposal will effectively remove any meaningful signal for the TSO to deliver the ATRs as per their original timeframe. ESB GT believes the implementation of the SEMC decision to compensation up to the RESS strike price for constraints and curtailment as an important decision that should be implemented in full and one that will incentivise the TSO to delivery on reinforcements on time.

Q.14 Views are invited from interested parties on how the TSO should be incentivised to alleviate constraints. Please provide supporting rationale for these views.

Please see answer to Question 13.

Q.15 Comments are invited from respondents on the need for independent assurance around the Firm Access process. Please provide rationale to support these views.

ESB GT supports the need for independent assurance around the Firm Access process especially if the SEMC decide to approve a first committed-first firm approach as this will place a greater scrutiny on the role and performance of the TSO is achieving the required milestones. Considering the significance of firm access to the business case of a generating unit (meeting RO obligations, retaining energy market revenues or PSO/RESS compensation), if it is a TSO action, or inaction, that results in a project falling behind another generator and missing out on firm access, an independent assurance will be necessary.

Q.16 General comments are invited from interested parties on whether they agree with EirGrid's proposed Firm Access methodology. Should a party disagree with EirGrid's approach, please provide reasons and rationale for this.

As discussed in the answers to the above question, ESB GT **agrees** with a number of elements in the EirGrid proposed Firm Access methodology;

1. Time bound Firm Access dates
2. Partial Firm Access quantities
3. Allocation frequency
4. Firm Threshold rather than 0

As discussed in the answers to the above questions, ESB GT **does not agree** with;

1. Stage of development – FAQ at CID
2. Treatment of Batteries and other service providers
3. Order of allocation – First to be committed first to be Firm

Q.17 Suggestions and/or alternative approaches are invited from interested parties on EirGrid's proposal. Please provide rationale to support this.

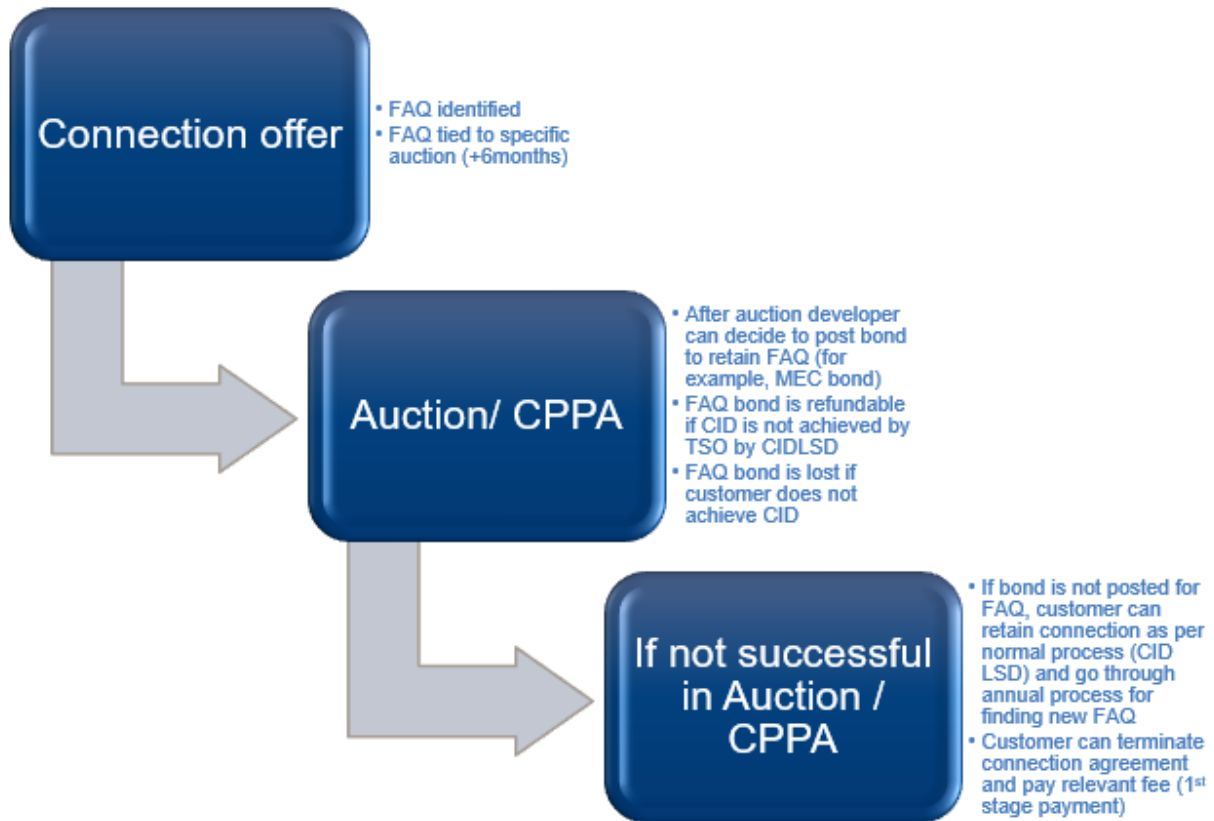
As answered in Question 4, below is the ESB GT alternative proposal.

It is essential that Firm Access certainty is provided earlier in the project timeframe, ideally before any RESS or CRM auction bidding. Therefore, ESB GT believes a more suitable approach would be to provide a new project a timeframe for firmness when awarded a connection agreement and that the developer's right to associated Firm Access follows a use-it or lose-it approach. At a high level:

1. At the point of the connection offer (which could be the GCA for ORESS projects), the firm access quantity (FAQ) is identified for the project.
2. This firm access allocation (or right to hold the firm access) is tied to a specified auction (next RESS, ORESS or CRM) plus an additional time period (for example 6 months but this could vary for each funding mechanism).
3. Following the specified auction, the developer has the ability to post a bond⁴ (possibility is to use MEC bond) that would allow the developer to retain the Firm Access Quantity.
4. If the developer decides to post the bond the next stage on the connection agreement process is CID.
 - 4.1 If CID is not achieved due to EirGrid issues the FAQ bond is refundable.
 - 4.2 If CID is not achieved due to developer issues the FAQ bond is non-refundable and the cost risk to the customer is reduced due to the compensation from the bond.
 - 4.3 It is possible that at the stage of CID approval there is enough evidence/expenditure to say that hoarding of FAQ is no longer an issue and that the FAQ bond could be removed rather than holding the bond until energisation.
5. If the developer decides not to post the bond in advance of the FAQ deadline (in this example auction + 6 months) the FAQ is released, and the connection agreement no longer has a FAQ until the next annual review.
 - 5.1 The released FAQ goes back into the next annual review of firm access and is available to all participants, including the developer who did not post the FAQ bond.
 - 5.2 A decision not to post the bond will not result in a connection agreement termination and the connection agreement should remain valid (once all other connection agreement conditions are still being met i.e. CID etc). This is to ensure all of the work performed by EirGrid and the participant on the connection agreement method is not lost and require an inefficient usage of resources requiring it to be performed again.

The figure below illustrates the above high-level description of a potential approach that would provide certainty for the developers while ensuring hoarding of Firm Access is mitigated.

⁴ What ever the bond is it must be with the TSO. A RESS bid bond is with the Department so this may not be applicable



While this approach addresses the certainty required for generators and mitigating the potential for FAQ hoard, the approach to allocating FAQ to a number of developers still needs to be considered. Under this proposed approach to allocate FAQ at the connection offer there would appear to be two obvious means to allocating the FAQ; (1) based on earliest date of connection offer application or (2) pro-rata based on batch processing of connection offers. Under option 1 (earliest date) there is a risk that this will incentivise a race to submit speculative connection offer applications which would not be in the interest of the customer of best usage of EirGrid resources. Option 2 is a fairer allocation of FAQ but could result in some inefficiencies of FAQ being spread across a number of projects⁵. While option 2 may have some inefficiencies, no option is flawless, and considering the potential dispatch-down to new RESS assets from the SEMC CEP decision to apply grandfathering ESB GT believes an allocation of FAQ on a pro-rata basis is the most suitable and equitable approach to apply to the above proposed approach. Additional to this proposal is an introduction of priority allocation to assets that are closest to delivering capacity. For example, the available firm access quantities could be allocated in the following order:

1. Project with non-firm status (partial or full) that have energised

⁵ It is unclear how often a sharing of FAQ could result

- a. First to be energised is first to be allocated FAQ
2. Project with non-firm status (partial or full) that have achieved CID
 - a. First to achieve CID is first to be allocated FAQ
3. Project in the ECP batch phase/annual review with a connection offer/agreement
 - a. Allocated on a pro-rata basis

ESB GT believes the above approach of allocating FAQ would ensure available FAQ is allocated to projects that are most likely to deliver, and reduce the potential for Firm Access hoarding, in a fair and equitable manner.

Q.18 Comments are invited from interested parties on the benefit of providing firm access to connected legacy generation in Ireland which currently have non-firm access. Should legacy non firm generators be considered in any new firm access methodology? Please provide rationale to support this.

The aim of this question is unclear as it would be reasonable to assume that the look-back approach would take into consider connected legacy generation. Is there a view from the SEMC that the look-back approach does consider non-firm connected assets? ESB GT believes all connected and contracted assets should be considered in the look-back approach and if there is Firm Access available, or future ATRs that will provide Firm Access, than such assets should be able to obtain the relevant FAQ.

Finally, the proposed methodology is light on examples and how additional MWs on top of existing firm MWs will be treated. Is it the intention to continue with the current approach that existing firm remains firm and the new MWs are treated separately until firm? Further clarity is required on the treatment of new MW capacity on top of existing Firm capacity.

Q.19 Comments are invited from respondents on the need to consider this proposed methodology in relation to the equivalent approach taken in Northern Ireland. Do respondents have any views on the interactions and differences between these different approaches.

Due to the time restrictions and other SEMC consultations that are currently outstanding, ESB GT was not in a position to assess this question.