



By email only

Our Ref: OSC-C-22-029

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Dear Noel, Steven,

RE: SEM Committee Decision Paper SEM-22-009

I refer to your letter to the SEM Committee, dated 20 April 2022, seeking further clarification in a number of areas in relation to the SEM Committee Decision Paper SEM-22-009.

I hope the response letter issued to both Wind Energy Ireland and RenewableNI, recently published on the SEM Committee website¹ (SEMOC response letter), has provided initial clarity on the SEM Committee decisions in this area.

Some further clarification in the areas you have queried is provided in appendix 1.

In relation to your queries on Firm Access Policy, the EirGrid proposal is being progressed by the CRU. The Regulatory Authorities will continue to engage with TSOs in relation to Firm Access policy in both jurisdictions.

¹ [SEM-22-019 RA Response Letter to WEI and RNI relating to SEM-22-009 | SEM Committee](#)

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I hope this provides further clarity on this matter and welcome future engagement. As with the previous SEMOC response letter, we propose to publish this letter on the SEM Committee website in the coming days.

The Regulatory Authorities will be in touch with you, your members and wider stakeholders in due course in relation to any events or industry wide communication.

Yours sincerely



Paul McGowan
Chairperson, SEM Committee

cc: Aoife MacEivilly (Chair of CRU)
John French (Chief Executive of UR)

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Appendix 1: Clarification questions

1. *Can the SEMC please confirm that a DECISION has been made that prior to some point post 2026 downwards redispatch for constraint and curtailment will be considered non-market based for all renewables subject to the Priority Dispatch hierarchy? Can the SEMC confirm that NO DECISION has been made with regard to the ability of variable renewables to avoid negative Day-Ahead Prices and the classification of actions necessary to deal with periods of oversupply?*

SEMC response:

The SEM Committee has decided, that as matters presently stand, it is appropriate to treat all redispatch applied to both priority dispatch and non-priority dispatch units, in relation to constraints and curtailment in the SEM, as non-market based redispatch.

The SEM Committee does not see it has a role in the trading activities of market participants in terms of periods of negative pricing. As per our previous correspondence, oversupply, as the RAs understand it, is the scenario where available generation is in excess of market and system needs. The RAs understand this to relate to energy balancing by TSOs, and no new market rules are required in this regard.

2. *Can the SEMC please confirm that a DECISION has been made to implement market-based re-dispatch at some point post 2026, or is this simply a notification of a 'minded-to position', with a further consultation and/or a SEMC Decision anticipated when the specific re-dispatch regime is clarified through engagement with industry and the TSOs?*

SEMC response:

The Regulation requires an introduction of market-based solutions for redispatch, referred to in places in the Decision as market-based redispatch. The enduring solution is for the TSO systems to reflect these requirements insofar that new renewable generators should be able to submit bids and offers for energy balancing and redispatch. Due to the significant system changes required, this will require extensive engagement with industry. Following this engagement, a final proposal setting out the modalities of the implementation of market solutions for redispatch from the TSOs will then be subject to SEMC approval. The Regulatory Authorities will continue to engage with the TSOs and interested stakeholders in relation to this project.

It should be noted however that the implementation of market solutions for redispatch does not change the SEM Committee's position that, given the

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inability of units freely to submit bids and offers for constraints or curtailment, redispatch in the SEM (both applied to priority dispatch and non-priority dispatch units) has features associated with non-market based redispatch, and therefore the provisions of Article 13(7) apply in all cases. As stated in the Decision, as matters presently stand, it is appropriate to treat all redispatch applied to both priority dispatch and non-priority dispatch units, in relation to constraints and curtailment in the SEM as non-market based redispatch.

As stated, there is no plan to revise the BCOP in relation to the submission of bids, but may be changes in time regarding the modalities of submission of technical and commercial offer data.

The reference to ‘as matters presently stand’ was referring to the continued application of bidding controls for constraint actions, and not the period before and after the implementation of market solutions for redispatch.

The implementation work that the TSOs will be doing will be to bring units fully into the market and dispatch tools on a more granular basis, which will impact on energy balancing and system operation, and allow, if considered appropriate fully market-based redispatch – i.e. without bidding controls in place - to occur.

3. *Subject to the clarification of Question 2 above, if a DECISION has been made to move to market-based re-dispatch at some point post 2026, can the SEMC please confirm whether all generators would be free to bid a price at which they are prepared to be redispatched in an enduring system?*

SEMC response:

See response to Question 2

4. *In relation to the specifics of an enduring regime, we note reference in the Paper to non-Priority Dispatch units being redispatched first, ahead of Priority Dispatch generators (termed “grandfathering”) and it is our current understanding that this would apply to both constraint and curtailment (inc. oversupply). Can the SEMC please confirm if our interpretation is correct, and if this a DECISION?*

SEMC response:

As per above, the requirement of the Regulation is to introduce market-based solutions. The SEM Committee proposed in SEM-21-027 that new renewable units should be treated in a market-based merit order with other non-priority dispatch units, prior to application of constraints to priority dispatch units.

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In practice, this indeed means that non-PD units would be redispatched first under the enduring arrangement in the case of constraints, but would draw attention to the contents of the SEM Committee's response to Question 2 regarding the continued applicability of Article 13(7), where such redispatch has occurred. Article 13(7) would not be applicable in the case of energy balancing.

The SEM Committee also indicated a preference for a continued pro-rata approach to curtailment, if this could be facilitated in systems. Due to the unique nature of curtailment, the SEM Committee prefers that curtailment would continue to be allocated across all relevant units pro rata – new and existing. It should be noted that the TSOs raised some concerns as to the implementability of such a distinction, hence the SEM Committee's comment that such an approach will be subject to the TSOs' implementation work.

5. *Can the SEMC please confirm that we are correct in our understanding of the following in relation to Priority Dispatch units during the Interim Regime?*
- a. *DECISION: Traded energy on firm capacity that is constrained will be compensated as per the market rules as today. No change to the Bidding Principles is envisaged during the interim period.*

SEMC response:

All units will initially receive compensation in the SEM for non-market based redispatch (in relation to both constraints and curtailment), where firm, with wind and solar units essentially retaining their ex-ante revenue, as such volumes are settled at a deemed decremental price of zero.

- b. *DECISION: Further compensation for constraints up to the level of any foregone support, if any, will be managed outside the market, on a jurisdictional basis (see further clarification questions in section 4).*

SEMC response:

The SEM Committee has decided that in order to implement the requirements of Article 13(7), there is a need to separate compensation mechanisms in terms of costs associated with lost revenues in the market and revenues associated with foregone government support associated with the jurisdictional renewable support schemes.

- c. *DECISION: Traded energy on firm capacity that is curtailed will be compensated as per the market rules for constraints and will be paid retrospectively from January 1st, 2020, with payments commencing in October 2024 throughout the interim period.*

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SEMC response:

Yes, this is correct.

- d. *DECISION: Further compensation for curtailment up to the level of any foregone support, if any, will be managed outside the market, on a jurisdictional basis (see further questions in section 4). This will follow the same time-period (retrospectivity to January 2020, commencing October 2024).*

SEMC response:

Yes, this is correct.

- e. *Generators (both during the retrospective period, and until the end of the Interim Regime) will need to demonstrate an energy position through participation in the ex-ante energy markets, registration as a participant Generator Unit in the balancing market, and trading of an individual forecast in the ex-ante markets to capture the available firm power. De minimis generation are entitled to no non-market downwards redispatch compensation. If a generator has not met all those requirements, it will not be entitled to compensation for dispatch down (regardless of the timeliness of the SEMC in making this Decision)*

SEMC response:

All units will initially receive compensation in the SEM for non-market based redispatch (in relation to both constraints and curtailment), where firm, with wind and solar units essentially retaining their ex-ante revenue, as such volumes are settled at a deemed decremental price of zero.

This will effectively extend the settlement arrangements in place for constraints in the market to curtailment for all units.

Generation below the De Minimis threshold have a choice to participate in the market, on a voluntary basis, to avail of redispatch compensation, or may remain outside the market and retain existing De Minimis benefits.

6. *It is the view of members that there are a number of important points which were not addressed in the Decision Paper regarding operation during the Interim Regime:*

- a. *Can the SEMC please confirm if there is any opportunity to discuss alternative ex ante trading structures, where it can be demonstrated that firm, available, but constraint or curtailed power was/will be traded on a portfolio basis but not linked explicitly to a Generator Unit?*

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SEMC response:

The SEM Committee is happy to engage through the Regulatory Authorities on possible alternative trading arrangements that meet the core elements of the Decision. Such market changes seem appropriately progressed through existing fora and engagements, such as the TSC Modifications Committee or SEMOpx Rules and Procedures Group.

- b. *The paper does not expressly state how non-firm curtailment for Priority Dispatch plant will be managed. Can the SEMC please confirm if this will it be treated the same as non-firm constraint today? Will energy traded on non-firm capacity which is curtailed also be subject to retrospective settlement to January 2020?*

SEMC response:

The SEM Committee has decided that in relation to market revenues, all units, where firm, will initially receive compensation in the SEM for non-market based redispatch (in relation to both constraints and curtailment).

In terms of non-firm units, the current market rules will continue to apply.

7. *Subject to the introduction of the Enduring Regime, it is our understanding that compensation for curtailment for Priority Dispatch units may be subsequently withdrawn if the SEMC believes that the protection provided by Priority Dispatch (relative to other non-priority dispatch renewables) renders such curtailment compensation unjustifiably high. Can the SEMC please confirm if this is a DECISION? Subject to clarification of this, if so, what are the tests that will be applied to determine if such compensation will be removed?*
- a. *Following on from point 3 are there any market-based tests, such as enduring high market prices post 2024 or enduring high or low market prices in the enduring regime which may result in the SEMC changing their position on compensation for curtailment for Priority Dispatch renewables?*

SEMC response:

The SEM Committee will keep the arrangements under review. Following a final decision on implementation of enduring technical solutions, the measures introduced through this decision for compensation associated with curtailment for priority dispatch units will be phased out, based on the expected change in the value of Priority Dispatch at such a point in time. It will be important for the SEM Committee to consider that the technical solutions have not materially

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changed the situation for different units that may prompt a need to revisit the contents of the decision.

8. *The Decision Paper signals that a mechanism for compensation of redispatch for units under support schemes, will still need to be developed. Can the SEMC please confirm whether DECC and DfE have been notified, and what the timescales are associated with this work?*

SEMC response:

Both Departments have been briefed and are aware of the SEMC's Decision. The individual Regulatory Authorities will progress this work in consultation with their respective Departments. This work will clarify the process by which market participants can request any additional compensation from the relevant TSO.

9. *How will this be paid, to whom (the generator or trader, noting that there can be two different traders representing a generator, one in the balancing market and another in the ex-ante markets) and when? It is our understanding that under a proposed Enduring Regime, at some point post 2026 this will be facilitated in the market. Can SEMC please confirm that our interpretation is correct? Is this a DECISION?*

SEMC response:

Further decisions in relation to the financial compensation related to the Government incentive schemes or support mechanisms, including the modalities of the compensation approach – on a GU basis, intermediary, or supplier - will be made jurisdictionally by the Regulatory Authorities within the parameters laid down in the principles of the Decision paper. No decision on the specific party, who would request and receive any additional compensation, where appropriate, has been made.

10. *Can the SEMC please confirm whether the intent of these guidelines is that they should endure post the interim arrangement, and whether this applies for one or both of priority dispatch and non-priority dispatch units? Or is it the intent to replace jurisdictional compensation mechanisms with full market-based competition for physical downwards redispatch in an Enduring Regime (and associated compensation through market mechanisms)?*

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All elements of the decision are considered to apply to the enduring arrangements, unless stated. As stated, as the BCOP, or BMPCoP when in force will not change, under the enduring market-based arrangements, units will not be able to reflect lost compensation in their complex bids. While these units will be redispached before priority dispatch, as stated in the Decision, these units will be dispatched down on the basis of a deemed decremental price of zero as per today. They will then be able to apply for additional compensation under the separate, jurisdictional compensation mechanism.

11. *It is our understanding that this concept of a jurisdictional support mechanism is a “guideline” and therefore NO DECISION has been made in this regard (for either RESS, ROC or REFIT projects). Can the SEMC please confirm that our understanding is correct?*

SEMC response:

A decision has been made by the SEM Committee to separate market revenues and support revenues for the purpose of the implementation of Article 13(7) of the Regulation and to establish principles for the payment of financial compensation related to Government incentive schemes or support mechanisms.

Further detailed decisions relating to the implementation of the SEM Committee decision, in relation to such financial compensation, will be made jurisdictionally by the Regulatory Authorities within the parameters laid down in the Decision paper.

12. *No equivalent guideline was provided during the Interim or Enduring Regime regarding corporate Power Purchase Agreements. When, if ever, and how will corporate PPAs be able to reflect in a) physical market-based redispach, and b) appropriate compensation, the costs of downwards redispach with respect to their cPPA loss arising from such redispach?*

SEMC response:

The SEM Committee does not consider CPPAs as a form of financial support as part of ‘net revenues’ associated with compensation for non market-based redispach, and therefore the provisions of Article 13(7) do not apply.

13. *Can the SEMC please confirm that subject to clarification from DECC/DfE on the mechanism for payment of revenues for foregone support, there will be a further SEMC consultation, prior to a FINAL DECISION on Article 13(7)?*

SEMC response:

No further decisions on the provisions of Article 13(7) are envisaged by the SEM Committee. A final proposal setting out the modalities of the implementation of market solutions from the TSOs will then be subject to

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SEMC approval, following on from the extensive industry engagement foreseen in the Decision.

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