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COMMISSION OPINION

of 30.4.2020

**pursuant to Article 20(5) of Regulation (EC) No 2019/943 on the implementation plan of
the Republic of Ireland**

(ONLY THE ENGLISH VERSION IS AUTHENTIC)

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I. PROCEDURE

On 16 December 2019, the Commission received an implementation plan from the Department of Communications, Climate Action and Environment prepared pursuant to Article 20(3) of Regulation (EC) No 2019/943¹ (hereafter “Electricity Regulation”). Article 20(3) of the Regulation requires Member States with adequacy concerns to set out measures to eliminate regulatory distortions or market failures on their markets in an implementation plan.

Pursuant to Article 20(5) of the Regulation, the Commission is required to issue an opinion on whether the proposed measures and the timeline for their adoption are sufficient to eliminate the regulatory distortions or market failures.

II. DESCRIPTION OF THE IMPLEMENTATION PLAN

In its implementation plan, Ireland largely describes reforms and measures, which took effect between 2007 and 2018. Some of them are still ongoing, aiming at the implementation of the Integrated Single Electricity Market (I-SEM) on the Island of Ireland. The implementation plan also describes measures designed to support renewable energy and climate policy ambitions of the Irish Government. In the following, the Commission only describes measures from the implementation plan, which directly relate to the required actions in Article 20(3) of the Electricity Regulation.

1. General wholesale price conditions

In its implementation plan, Ireland states that the new market design introduced under I-SEM has led to the removal of price caps and restrictions on the wholesale electricity on the island of Ireland.

2. Balancing markets

DS3/ Competitive System Service procurement – According to the implementation plan the aim of the DS3 programme is to ensure that power system will operate safely under the increasing amounts of variable renewables. This will include new balancing products in order

¹ Regulation (EU) 2019/943 of the European Parliament and of the Council of 5 June 2019 on the internal market for electricity, 14.06.2019, OJ, L 158, p.54.

to manage challenges to the system, such as frequency oscillations, low electromagnetism and network congestions, which might arise in power systems with high shares of renewables.

The regulatory authority will recalculate the Value of Lost Load (VoLL) as part of the implementation of the Electricity Regulation². The regulatory authority in cooperation with the TSO will develop a conceptual approach to convert I-SEM bids into standard products for the EU balancing energy platforms (Q2/3 2020).

3. Demand side response

According to the implementation plan, the National Smart Metering Programme (NSMP) is a multi-year investment project aiming at the roll-out of new digital electricity (and gas) meters and related communications networks and IT systems. It envisages the installation of new meters to 2.25 millions of customers (which would account for around 90% of households and small businesses in Ireland) with a view to delivering smart services such as time-of-use tariffs and smart bills by 2021. The programme started in January 2019 with a planned delivery of 250,000 meters between 2019 and 2020, and approximately 500,000 meters in each of the four subsequent years.

4. Retail markets: regulated prices

According to the implementation plan, the regulation of retail market prices for electricity in Ireland ended in 2011.

5. Interconnection

(a) Grid development

The Irish TSO is pursuing a ten-year development plan for Irish transmission network and interconnections in order to overcome current transmission capacity constraints. There are two major transmission system upgrades ongoing at different levels of maturity:

- The North South Interconnector Project is a 138 km 400 kV overhead line connecting Ireland and Northern Ireland, aiming at improving the reliability of both grids.
- The West Dublin Project is a response to a significant local increase in demand for electricity.

(b) Enhanced Interconnection

Ireland has only limited interconnection with its neighbours, one 500 MW HVDC interconnector between Ireland and Great Britain and one 300 MW interconnector across the border between Ireland and Northern Ireland. Currently there are three proposed interconnector projects, all three on the 4th PCI list, connecting Ireland with the UK and France with expected commission dates between 2023 and 2025/26.

² Article 23(6) of the Electricity Regulation requires Member States to set their VoLL based on a methodology which is proposed by ENTSO-e and approved by ACER

Ireland also plans to develop an offshore electricity grid, in tandem with new interconnections to balance its significant renewables potential with security of electricity supply.

III. COMMENTS

On the basis of the present notification, the Commission has the following comments on the implementation plan. As a general consideration, the Commission reiterates that the thorough implementation of the rules proposed as part of the Clean energy for all Europeans package³ is essential to making sure that the transition to a climate neutral energy system takes place at least cost and that the security of supply is maintained during transition.

1. General wholesale market considerations

The Commission welcomes that there are no price caps or regulated prices in the Irish wholesale electricity market. The Commission invites Ireland to maintain its commitment not to intervene in price formation other than applying harmonised maximum and minimum clearing prices for single day-ahead and intraday coupling in accordance with Article 41(1) and 54(1) of Commission Regulation (EU) 2015/1222⁴.

2. Balancing markets

The Commission understands that Ireland does not apply price caps or regulated prices in its balancing market. The Commission invites Ireland to maintain its commitment not to intervene in price formation.

The Commission takes good note of Ireland's commitment to adjust its balancing market to the requirements of Commission Regulation (EU) 2017/2195 (hereinafter "Balancing Guideline"). The Commission understands that Ireland has had plans to join the EU platforms for Replacement Reserve and for manually activated Frequency Restoration Reserve in accordance with Articles 19 and 20 of the Balancing Guideline. The Commission considers that Ireland should join the EU platforms as soon as it becomes interconnected with the integrated electricity market of the EU. The Commission encourages Ireland to adopt a timetable for this.

Article 20(3)(c) of the Electricity Regulation requires Member States to consider the implementation of a shortage pricing function. In the implementation plan, Ireland describes the administrative scarcity pricing mechanism as applied in I-SEM.

In the Commission's view, it is important that this mechanism is well designed so that it does not only provide incentives for short term flexibility but also sends appropriate signals for investments to maintain system adequacy. In this context, the Commission invites Ireland to consider whether the price adder which the referred function creates in times of scarcity should apply not only to balance responsible parties but also to balance service providers which provide balancing energy to the TSO.

³ <https://ec.europa.eu/energy/en/topics/energy-strategy/clean-energy-all-europeans>

⁴ Commission Regulation (EU) 2015/1222 of 24 July 2015 establishing a guideline on capacity allocation and congestion management, 25.7.2015, OJ, L 197, p.24

The Commission understands that the shortage pricing function is designed as a price floor, which requires that when the system runs out of reserves, the imbalance settlement price reaches a level of at least 25% of VoLL, i.e. 2,994.89 EUR/MWh⁵. The Commission also understands that in the context of determining the volume of capacities procured under its capacity mechanism, Ireland applies the VoLL which is currently set at 11,979.57 €/MWh for the 2023/24 capacity year. While the Irish balancing regime allows for prices to increase above 25% of VoLL it is unclear why the value applied in the shortage pricing function (i.e. short term adequacy) should be different from the value applied in the capacity mechanism (i.e. long term adequacy). Therefore, the Commission invites Ireland to consider harmonising the two values as soon as possible and no later than 1 January 2022.

3. Demand-side response

The Commission notes progress achieved in participation of demand side response on the electricity market in Ireland. While dynamic pricing is currently not applied in the retail market, Ireland has committed to enable dynamic pricing as of 2021 when smart services will be introduced following the 1st phase of the roll-out of smart meters.

Ireland has indicated that the procurements for Phase 1 of the Smart Metering programme commenced in January 2019, and that this date can be taken as the ‘start of work’ under Article 19(6) of the Electricity Directive.

The DSO will collate and manage the flow of data from smart meters in line with customers’ data preferences. Access arrangements for suppliers, service providers and third parties will be put in place to ensure market participants can provide the services customers are entitled to.

These measures should help to enable access to metering data by eligible third parties, so as to support novel energy services such as price-based demand response.

To further improve market functioning and comply with its goals the Commission invites Ireland to continue with the introduction of measures aiming at non-discriminatory deployment of price-based demand-side response as well as to continue developing explicit demand side flexibility products which can be traded.

4. Interconnections

The Commission notes that with the UK’s departure from the EU Ireland’s power system is currently not connected to any other power system in the EU. The Commission therefore encourages Ireland to continue developing existing projects, such as the Celtic Interconnector⁶

⁵ <https://www.semcommittee.com/sites/semc/files/media-files/2024-25%20T-4%20Parameters%20Consultation.pdf>

⁶ See the 2017 list of Projects of common Interest – Commission delegated regulation (EU) 2018/540 of 23 November 2017 amending Regulation (EU) 347/2013 of the European Parliament and of the Council as regards the Union list of projects of common interest, 6.4.2018, OJ, L 90, p.38.

project to France, and to explore whether new projects could be identified, with a view to meet its interconnection target as set out in Article 4(d)(1) of Regulation (EU) 2018/1999⁷.

5. Capacity mechanism

The Commission invites Ireland to make sure that the design of its capacity mechanism complies with the requirements of the Electricity Regulation and to adapt its mechanism, where necessary, as required by Article 22(5) of the Electricity Regulation.

IV. CONCLUSION

Pursuant to Article 20(5) of the Electricity Regulation, the Commission invites Ireland to amend its implementation plan to take utmost account of the above comments of the Commission. Ireland is invited to publish its amended plan within three months and inform the Commission.

Pursuant to Article 20(6) of the Electricity Regulation, Ireland shall monitor the application of its implementation plan and shall publish the results of the monitoring in an annual report and submit that report to the Commission. In this report, Ireland is invited to explain whether and to what extent the market reforms have been implemented according to the planned timeline, and if not explain the reasons why.

The Commission's position on this particular notification is without prejudice to any position it may take on the compatibility of any national implementing measure with EU law.

The Commission will publish this document on its website. The Commission does not consider the information contained therein to be confidential. Ireland is invited to inform the Commission within ten working days following receipt whether and why they consider that, in accordance with EU and national rules on business confidentiality, this document contains confidential information which they wish to have deleted prior to such publication.

Done at Brussels, 30.4.2020

For the Commission
Ms Kadri Simson
Member of the Commission



⁷ Regulation (EU) 2018/1999 of the European Parliament and of the Council of 11 December 2018 on the Governance of the Energy Union and Climate Action, 21.12.2018, OJ, L 328, p.1.