



Response to Consultation by the DG Energy on

Ireland's and Northern Ireland's Market Reform Plans

Electricity Association of Ireland

Date: 7th February 2020

A decarbonised future powered by electricity

Electricity Association of Ireland

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Date: 07/02/2020

EAI response to DG Ener Consultation on Market Reform Implementation Plans for both Ireland and Northern Ireland

By email to ener-market-reforms@ec.europa.eu

EAI is the representative body for the generators, suppliers and distributors of electricity on the island of Ireland. In response to this consultation we propose to address both implementation plans (ROI and NI) together, focusing on wholesale market reforms.

Our objective is for the continuation of a coordinated approach to market reforms on the island of Ireland and we welcome the cooperation that has taken place between DCCAE and DFE in the preparation of these plans. We also welcome this opportunity to provide feedback to the EU.

EAI notes the respective implementation plans for ROI/NI and would welcome a timely opinion from the EU to minimise any regulatory uncertainty for potential capacity providers.

The remainder of this brief submission provides comments and observations pertaining to the continued need for a capacity remuneration mechanism (CRM) in the Single Electricity Market (SEM) of Ireland and Northern Ireland to ensure security of supply and meet decarbonisation objectives.

The necessity for a CRM in the SEM, has been recently identified and approved. It should be noted that the physical characteristics of the power system, including its size, the high penetration (and ambition for significant growth) of renewables, with the resulting system operational and constraint challenges, together with its relative isolation from the rest of Europe, where, notwithstanding the planned increases in interconnection levels and being mindful that such interconnectors will be HVDC rather than meshed AC lines more common on the continent, are factors which had a material impact in the recent assessment and approval of the extant CRM.

Therefore, whilst it is important to ensure that whatever market reforms can be achieved, and particularly those indicated in the State aid approval like removal of over-procurement the approval was based on the need for this framework for at least a 10-year period. EAI believes this is readily justified taking the following structural factors into account:

1. **Small market size** – The all-island market is a small synchronous system, with no AC interconnection to any other market. It is one of the smallest electricity markets in the EU. Its small size and relative isolation (as discussed further below) generates a concern about the sensitivity of the capacity margin to plant entry and exit, which supports the use of a CRM. The significance of small system size for requiring a capacity mechanism is well illustrated by reference to a saw-tooth analogy. In a competitive energy-only market with perfect information, average prices will over time tend to follow a saw-tooth pattern. This reflects prices rising to scarcity levels as demand grows over time, until new entry is triggered which causes prices to drop again, and the process repeats. This simplified analogy illustrates a reliance on extreme prices to attract investments which in practice is highly susceptible to political and regulatory intervention to prevent prices rising to these levels – i.e. an *implicit* cap is placed on prices. The resulting non-credibility of reliance on peak prices to reward investments is a form of market failure leading to under-provision of capacity. A capacity mechanism addresses this market failure that is exasperated in a small market that is also susceptible to indivisibility issues and coordination problems.
 - a. Indivisibility issues – related to small market size is the indivisibility issue which refers to the size of individual units compared to the total market demand. The minimum efficient scale of CCGTs and OCGTs in the SEM relative to total market demand is such that the entry of one new plant could satisfy demand growth for a number of years which would have the effect of depressing its own market revenues making it difficult to make the investment case. The indivisibility issue is also relevant to market exit, i.e. the closure of relatively large generation could create security of supply issues that would not exist in larger markets.
 - b. Coordination problem - the small market problem is made worse by relaxing the assumption of perfect information which can give rise to coordination problems. For example, it raises the possibility of ill-timed entry, perhaps coinciding with an unforeseen demand shock such as recession. The resulting impact would be particularly severe in a small system, leading to a protracted period of low revenues and poor returns for investors that may not be sustainable financially. A capacity mechanism dampens the impact of such shocks.
2. **High penetration of renewables** – The market / system features discussed briefly above are further impacted by an increasing penetration of renewables, as this significantly reduces the market running of even highly efficient thermal generation, reduces the likelihood of securing revenues from peak prices and extends further the payback period and required return for investments. The Irish Government has set a target of 70% renewables by 2030, with similar proposals for Northern Ireland, and the SEM has currently the highest penetration of renewable

generation, as a percentage of system size, in Europe. Currently the maximum instantaneous penetration of wind that can be managed on the system is 65% and this is planned to increase to 75% in the near future, with an ambition to reach 90% thereafter to facilitate the 2030 renewable targets. This level of renewable penetration is simply not sustainable without a capacity mechanism to retain and invest in the capacity needed to run the power system and keep the lights on when the wind does not blow and where system and / or network constraints prevent renewable generation from being fully utilised. In addition, where RESS-1 is serving as a new support mechanism for wind and other renewables in Ireland, the Capacity Market framework is non-discriminatory as to technology type. This can provide a transitional framework for a longer term and sustainable move towards greater volumes of merchant renewables capable of operating in the market. This is in line with the aspirations of the State aid approval which indicated that DSUs needed to be supported to operate in the CRM, as equally exposed and benefited parties. This would be the same for wind projects outside of support mechanisms and is another benefit of a CRM. Finally, it is worth noting that several battery storage projects have participated successfully in the CRM.

3. **System operational and constraint challenges** – Management of transmission and system security constraints is an important aspect of the system operator dispatch process in the SEM. This is because of locational physical transmission constraints and the importance of non-energy related issues (such as system inertia and frequency response) in managing the small synchronous island system, particularly with a high penetration of wind and a relatively large swing in demand within the day between peak and off-peak hours. This leads to high levels of re-dispatch (in both directions) from market positions. Reduced market running associated with a high penetration of (non-synchronous) wind generation results in less revenues for other generation types but yet non-energy services and binding transmission constraints require such plant for security of supply. This presents a revenue adequacy challenge relevant to considerations of a capacity mechanism.
4. **Limited interconnection** – The island of Ireland as a market is lightly interconnected with the rest of Europe. It is only connected to Great Britain via two long distance sub-sea interconnectors, Moyle and EWIC, both of which are HVDC, rather than the meshed interconnectors in place in Europe. Furthermore, Ireland is operating at less than optimal interconnection between the two jurisdictions on the island (ROI and NI), given the delay to construction of a second North-South tie-line that is currently estimated to be commissioned, at the earliest, in 2023. Given the advent of Brexit and the potential for disruption to ex-ante markets (e.g. to market coupling using Euphemia), Ireland could become further isolated from Europe in terms of interconnection and market exchange. The Celtic and Greenlink interconnectors are planned for delivery in the mid to late 2020's which will provide a direct link to the continent. This is to be welcomed as the first opportunity that we can demonstrate at least a degree of direct interconnection to Europe

(though still HVDC), but as an island market, we will still be relatively loosely interconnected in comparison to mainland European volumes of interconnection across borders. The existence of the CRM helps to counter these geographical challenges.

EAI concludes that, noting the structure and physical characteristics of the all island power system which supports and underpins the SEM (and the proposed market reforms), a capacity remuneration mechanism is a necessary and central feature of this particular power system/market nexus.

EAI supports the ongoing reform of the SEM, which has brought our island market to the fore in terms of being one of the most compliant electricity markets in the EU.

A separate, but integrated, revenue stream for capacity will continue to be required on the island of Ireland for at least the next decade, given the points elaborated above, in addition to the adequacy issues and the specific characteristics of our isolated energy system that are detailed in both implementation plans.

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European Commission
Directorate General for Energy
Unit B2 - Internal Market, Wholesale markets; electricity and gas
1049 Brussels
Belgium

07 February 2020

Energy UK response to Ireland's and Northern Ireland's electricity market reform plans

I am writing you in response to your Consultation on Ireland's and Northern Ireland's electricity market reform plans.

Energy UK recognises the similar market failures of the Integrated Single Electricity Market (I-SEM) to that of the GB electricity market. The implementation, therefore, of a capacity mechanism (the "Capacity Remuneration Mechanism") is appropriate and as noted in the Implementation Plans the Capacity Remuneration Mechanism will be essential to maintain resource adequacy, whilst facilitating decarbonisation objectives. To enable these outcomes, Energy UK considers it essential to maintain fair and equal participation in I-SEM for power generators based in Northern Ireland under both current and future and market rules.

The small market size of the I-SEM makes it very sensitive to generation exiting the market, whilst the high penetration of renewable generation serves to amplify the 'missing money' challenge. As is noted by the Single Energy Market (SEM) committee, this renewable generation in such a small island system increases the "missing money" market failure. The reliance on smaller generators, limited interconnection options, and the prospect of Kilroot Unit 1 and 2 exiting the market from 2024, means that the Irish market will likely enter into an adequacy deficit from 2025.

In order to address the adequacy issues as outlined in the Implementation Plans, there is a need for a capacity mechanism; and, the Capacity Remuneration Mechanism has effectively delivered in this regard since 2017. The Capacity Remuneration Mechanism provides a stable and predictable income to relevant generators, thereby maintaining security of supply in case of high stress scenarios, and in turn supporting the high deployment of renewable generation. Energy UK advocates its continuation, underpinning investment from a wide range of market participants, ensuring security of supply, at least cost to the consumer.

If you have any questions, please feel free to contact me.

Yours sincerely

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7 February 2020

Emailed to: ener-market-reforms@ec.europa.eu

RE: EU Commission Consultation on Ireland's Market Reform Plans

Dear Sir/Madam,

The Irish Wind Energy Association (IWEA) welcomes the opportunity to engage with the European Commission and respond to the consultation on Ireland's Market Reform Plans.

IWEA is the representative body for the Irish wind industry, working to promote wind energy as an essential, economical and environmentally friendly part of the country's low-carbon energy future.

In general, IWEA welcome and is very supportive of many of the proposals put forward in the Market Reform Plan by DCCAE. We also acknowledge the ambition set out in DCCAE's Climate Action Plan 2019¹ in relation to the goal of achieving 70% renewable electricity in Ireland by 2030, and IWEA and our members are fully committed to realising this goal. Many of the proposals set out in the Market Reform Plan will be critical to achieving this. IWEA believe the most important aspects of the plan to achieve our 2030 targets are:

- A continued evolution of I-SEM to provide investment certainty for the generation portfolio and complementary technologies required to achieve 70% renewable electricity including development of the Capacity Remuneration Mechanism;
- Early and considered development of electricity grid infrastructure;
- New interconnection with member states of the Internal Energy Market;
- The early rollout of the next phase of the DS3 System Services programme.

¹ DCCAE - Climate Action Plan 2019 - <https://www.dccae.gov.ie/en-ie/climate-action/publications/Pages/Climate-Action-Plan.aspx>

I-SEM & CRM Evolution

The scale of investment required in new renewable generation to meet Government climate ambitions has never been seen in Ireland and Northern Ireland before. Providing certainty and demonstrating progression of a functioning and efficient market will be essential to encourage both domestic and foreign investment in the All-Island energy market. IWEA would encourage the DCCAE, System Operators and Regulatory Authorities in Ireland and Northern Ireland to take these considerations into account in the governance and objectives of future market development.

As we near 40% renewables on the Ireland and Northern Ireland power system and with a target of 70% renewable electricity set on the Irish electricity system for 2030, it will be necessary to dispatch down renewables at times of excess generation in order to maintain secure power system operation. However, it is important that this dispatch down is minimised because this will mean that less renewable installed capacity will be required to achieve these targets.

Some of the most important tools for minimising dispatch down are the interconnectors. In perfectly coupled markets, interconnectors should be scheduled to flow efficiently according to price signals. However, the Irish market is not yet fully integrated with European markets and so the interconnectors are not operating as efficiently as they could be at present.

Closer integration of the Single Electricity Market (SEM) with European markets will improve the efficiency of interconnectors. **Single Intraday Coupling (SIDC)**, formerly known as XBID, allows pan-European trading based on available interconnector capacity one hour in advance of dispatch. Forecast errors one hour in advance of dispatch are low and so SIDC will vastly improve interconnector efficiency.

IWEA believe there will be immediate benefits to renewable electricity levels should this be introduced. We would therefore encourage the DCCAE, System Operators, Market Operator and the Regulatory Authorities to actively progress this work in advance of the 2021 start-date of this work which has been indicated at present by the System Operators². IWEA note that the timeframe for delivery of SIDC is uncertain as it has not yet been scoped. We encourage this exercise to begin in 2020, and we recommend the Regulatory Authorities factor the immediate benefits of introducing SIDC for the consumers of Ireland and Northern Ireland into their Price Review considerations for the System Operators.

² EirGrid & SONI Roadmap for Market Development - https://www.semopx.com/documents/general-publications/ROADMAP_Nov_2019.pdf

Additionally, the ability to balance on a pan European basis, as envisaged through the **Energy Balancing Guidelines (EBGL)**, can ensure that where participants are unable to balance their position before gate closure, they are not excessively penalised for this. This will enable more players to enter the market improving competition and security. Given in particular the nature of balancing renewable generation – be it onshore or offshore wind or solar – a fair balancing price will significantly improve the ability of renewable generation to participate in the market – improving sustainability and helping to deliver Ireland and Europe’s commitments under the Clean Energy Package.

This will also have a positive impact on reducing balancing risk for renewable generation, which is an active consideration for renewable projects bidding into future Renewable Electricity Support Scheme (RESS) auctions. Reducing this risk will have a positive impact and should lead to a depression of bid prices in future auctions.

In relation to the **Capacity Remuneration Mechanism (CRM)**, IWEA acknowledge the role this mechanism currently plays in ensuring security of supply on the power system. As we progress towards a system predominantly powered by renewable generation, it will be important to develop the CRM in tandem with that to ensure security of supply and capacity adequacy is a considered element of this transition. In developing this future vision, IWEA would encourage the key stakeholders developing the future CRM in Ireland and Northern Ireland to be cognisant of the role which zero-carbon technologies can play in helping to meet capacity adequacy. In addition to Demand Side Management which has been referenced in the consultation document, consideration should also be given to the role of short-duration and long-duration energy storage in ensuring capacity adequacy in future. These technologies are developing rapidly and IWEA would encourage continuous review and consideration as to how they can provide a low carbon alternative to capacity adequacy in future.

Electricity Grid Infrastructure

A lack of grid capacity is likely to be Ireland’s biggest challenge in terms of meeting our 2030 RES-E targets and future decarbonisation goals. In Ireland we are forecasting significant increases in demand for electricity driven primarily by large energy users and by significant increases in electrification of heat and transport. In a timeframe out to 2030 this would appear to involve almost a 50% increase in demand for electricity combined with almost trebling the capacity of renewables currently on the system in order to meet our 2030 RES-E target. The existing transmission and distribution grids simply weren’t designed for these volumes of power flows and will require significant investment if they are going to be fit for the needs of 2030 and beyond.

There is currently a lack of grid capacity in areas of the country where large numbers of renewable projects are planning to connect. Many connected renewable generators are already seeing constraint levels over 5%, particularly in the north, west, north-west and south-west of the island due to network limitations. There is a high risk these constraint levels will reach into double figures, for both existing and future projects, if the grid isn't reinforced in time for the future renewable pipeline.

If the system operators wait until renewable projects have been consented, or have received a connection offer, before starting to design and consent grid reinforcement projects, then there will be insufficient network capacity to accommodate the volume of renewables needed for 2030. Historically, significant new transmission projects have taken a very long time to develop e.g. the complete development timeline for a new overhead line or substation can be as much as 10-15 years.

As we look at the pipeline of renewable projects under development, and the recent timelines needed to deliver transmission infrastructure, the traditional model of beginning to examine grid reinforcement options once a project has been consented or a new generation customer has signed a connection offer will mean the new generator is likely to be operational for several years before any grid reinforcement materialises.

This is likely to result in high constraints being incurred by the new generator, which will affect the commercial viability of projects entering the development pipeline. It will also lead to lower renewable energy levels for Ireland and higher costs to the consumer as developers will price anticipated constraint levels into their RESS bids.

Investment in grid development enables cost effective delivery of new renewable projects and this has the potential to deliver much of the transformational change at reduced costs to consumers. The advent of renewable auctions globally has shown that where best in class technologies are deployed in favourable policy and regulatory environments, renewable energy (MWh) can be delivered at extremely low costs, in many cases well below existing wholesale prices. Providing long term certainty to high capex technologies with close to zero marginal cost of operation allows auction bidders to drive down prices for consumers. The Baringa '70by30' study commissioned by IWEA indicated that 70% RES-E could be cost neutral for consumers at an onshore wind Levelised Cost of Energy (LCoE) of €60/MWh³. International experience would indicate that this should be fully achievable in Ireland with the right policy framework.

It is essential that significant investment is made in grid infrastructure to facilitate the integration of the required levels of renewables and to alleviate constraint levels for the future renewable pipeline. Grid development should also be progressed in consideration of existing network constraints and allowing renewables to meet more demand in constrained areas of

³ 70by30 Report: <https://www.iwea.com/images/files/70by30-report-final.pdf>

the network such as Dublin. Grid development, in parallel with low-carbon alternative solutions, should be progressed as a priority where this presents a viable alternative to commissioning new fossil fuel generation in constrained areas of the grid. This is particularly relevant for areas such as the east coast where large volumes of offshore wind are planning to connect by 2030.

Interconnection

As well as enabling competition and driving costs down for the consumer, interconnection also facilitates growing amounts of renewable generation onto the grid. Additional interconnection could also improve capacity adequacy, reducing the need for additional conventional generation to replace retiring plant by sharing capacity across jurisdictions and better utilising renewables. Furthermore, interconnection provides flexibility and system services which are essential for higher penetrations of renewable electricity and for reducing electricity costs.

The development of variable renewable generation such as onshore and offshore wind and solar go hand in hand with increased interconnection. Interconnectors are essential to reducing curtailment of wind energy. The Baringa 70by30 report envisaged Ireland having two new interconnectors (Celtic and Greenlink) as well as the North-South interconnector built in the mid-2020s. The study assumes 2030MW of available all-island interconnector capacity for export by 2030, including 1450MW of additional interconnection from Celtic and Greenlink and the removal of the existing export constraints on the Moyle interconnector. With these in place, curtailment levels were manageable at around 5-7 per cent, which lowers the cost of renewable deployment and leads to better outcomes for consumers.

While not explicitly modelled, if this level of interconnection was not present, curtailment could be up to 20% higher and the consumer cost case would be much less compelling or even negative.

EirGrid's Tomorrow's Energy Scenarios 2019 report⁴ set out two scenarios which meet 70% RES-E that include both Greenlink and Celtic interconnectors being delivered on time (2023 and 2026 respectively). The Climate Action Plan 2019 also sets out a Marginal Abatement Cost Curve for Ireland to achieve 70% RES-E by 2030, which shows increasing onshore and offshore wind capacity are the most economical options for electricity production, and assumes that the two planned interconnectors are delivered by the mid-2020s.

Adherence to these delivery timelines and development of this additional interconnection as early as possible is therefore essential to minimising curtailment and facilitating increased renewable generation onto the grid. Clear timelines and certainty of delivery on additional

⁴ EirGrid TES 2019 report <http://www.eirgridgroup.com/site-files/library/EirGrid/EirGrid-TES-2019-Report.pdf>

interconnection also sends a positive signal to the market regarding future curtailment mitigation that will likely reduce RESS auction prices for support contracts that will be in place for up to 15 years.

IWEA welcome and support the consideration made for interconnector development in the consultation paper on Ireland's Market Reform Plan. We ask that future interconnector development be considered in tandem with the issues raised on the development of I-SEM in future, in order to ensure efficient operation of these interconnectors once operational.

System Services

The "Delivery a Secure, Sustainable Electricity System" (DS3) programme has been an extremely successful initiative to date that has enabled Ireland to be a world-leader in the integration of renewable electricity onto the grid.

The DS3 programme has so far successfully delivered the tools, policies and system services needed to allow the current SNSP operational limit to be increased to 65%, up from a 50% limit when the programme began in 2011. Further trials to increase SNSP to 70% and 75% respectively are expected in 2020 and 2021.

Going forward, achieving a 70% renewable electricity target will require the continued development of the DS3 programme as achieving even higher levels of renewable integration will bring significant system challenges that must be addressed. As such it is important that the system operators have the resources and support needed to ensure Ireland continues as a world leader in this area and that a comprehensive programme of work is put in place to allow the system to accommodate the volumes of renewables needed to reach 70% renewable electricity.

It is extremely likely that operating a system capable of achieving 70% RES-E will require increasing the SNSP operational limit to 90%, or above, and removing many of the other existing operational constraints which limit the penetration of renewable generation on the system. The DS3 programme has so far maintained curtailment at manageable levels of less than 5% but, as the volume of renewables connecting to the system continues to grow, it is certain that without a strong DS3+ programme and further SNSP increases, that curtailment levels will increase substantially.

Uncertainty regarding future curtailment levels significantly impacts the commercial viability of renewable projects and will lead to higher costs for consumers via RESS auction bids as developers will price in this added uncertainty and anticipated curtailment.

Meeting the ambitious 2030 targets for renewable energy and decarbonisation will require a fundamental re-think of how the power system has been operated up until this point. An area of work under the DS3 programme which has greatly improved the flexibility of the operating fleet and already delivered huge value to the consumer is that of System Services. It is also an area which can deliver greater system flexibility, further savings and emissions reductions over the next decade.

The design of System Services has contributed to conventional fossil fuel generators transforming their operation and substantially reducing their Minimum Generation (Min Gen) levels from what was seen at the beginning of this decade. This reduction in Min Gen allows for more 'space' for renewable generation on the system and, alongside increases in operational SNSP limits, is essential to minimising curtailment.

Currently, the majority of System Services are provided by fossil fuel generators, that are often constrained on or dispatched up or down by the TSOs to meet System Service requirements (as set out in the TSOs operational constraints updates).

However, if we are to achieve our 70% RES-E target in the most cost-efficient manner, the power system will need to accommodate non-synchronous renewable penetration levels of over 90% at any one time. This will likely mean that, at these times, all system services requirements will need to be met by non-energy zero carbon service providers, such as wind, solar, DSUs, storage and synchronous condensers, as there will be no room on the system for fossil fuel generators.

A recent study carried out by Baringa titled '*Store, Respond and Save – Cutting two million tonnes of CO₂⁵*' estimates that removing system operational constraints and procuring all System Services from zero-carbon sources would avoid 700,000 tonnes of CO₂ emissions per year by 2021, increasing to 1.9 million tonnes avoided per year by 2027. Baringa also estimated that the system cost savings of not having to constrain on and compensate out of merit fossil fuel generators to provide these services would equate to €117 million per annum by 2030.

As noted, the implementation of a DS3 System Services Procurement Framework has improved the capability and flexibility of providers and has increased the volumes of System Services available to the TSOs. Since May 2018, System Services have been procured under the Regulated Tariff arrangements with procurement gates scheduled to run every six months where new providers can enter, and existing providers can adjust their contracted volumes.

However, the framework for the DS3 Regulated Tariff arrangements is only set to run until 2023 with no certainty for providers or new build investments beyond this. Two extensions of 18 months each to the arrangements are possible but these are subject to regulatory approval.

⁵ Store, Respond and Save: <https://www.iwea.com/images/files/iwea-baringastorererespondsavereport.pdf>

There is also potential tariff volatility if System Services expenditure is projected to exceed the €235 million cap set by the Regulatory Authorities.

In September 2019, a DS3 Volume Capped fixed contract auction process was carried out that resulted in 110 MW of new build battery storage being procured to provide a sub-set of System Services (i.e. fast-acting, short-term reserve products). Providers procured under this process will rely on the six-year contract terms and revenue certainty guaranteed under these arrangements for investability. It is clear that 110 MW of fixed auction-based contracts will not provide sufficient reserves as more will be needed from zero-carbon providers to displace fossil fuel generators.

However, there is no visibility or certainty on further Volume Capped auctions and no route to market exists for new-build units providing other types of System Services- e.g. reactive power, inertia.

In order to provide certainty to potential new low-carbon providers of System Services, that will be needed to help manage our future energy system, clarity is needed on the long-term enduring System Services procurement framework beyond 2023. The focus should be on minimizing conventional units being dispatched on or positioned by the TSOs for System Services provision and so mechanisms must be put in place to incentivize new units to connect and provide these services at zero-carbon emissions and at a cheaper cost to the consumer. Going forward, System Services policy should be to prioritise the procurement and dispatch of sources of System Services from low or zero carbon sources, with the goal of bringing such emissions to zero from System Services and meeting all system operational constraints from zero-carbon sources.

IWEA welcome and support the consideration made for the future DS3 Programme in the consultation paper on Ireland's Market Reform Plan.

Other Considerations

Article 13 of the Electricity Regulation of the Clean Energy Package in relation to Compensation for Dispatch Down

While IWEA welcome this consultation as a means of engaging in consultation on Articles 3 and 20.3 of the *EU Regulation 2019/943 – The Internal Market for Electricity*⁶, IWEA must also note our significant concern with the lack of implementation in relation to Article 13 of the

⁶ EU Regulation 2019/943 – The Internal Market for Electricity - <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32019R0943&from=EN>

regulation in relation to compensation for dispatch down which came into force on 1 January 2020.

IWEA have carried out detailed analysis on how SEM and RESS can be aligned to implement the 'Redispatch' and 'Priority Dispatch' provisions of EU 2019/943 in a manner that is compliant, cost effective and provides certainty to participants. A comprehensive position paper⁷ on these two issues has been issued to the CRU and the System Operators.

Article 13 of the Electricity Regulation deals with redispatching. Redispatching is clearly defined in the Regulation and is solely for maintaining the technical secure operation of the electrical system. It ensures energy comes from sources which do not jeopardise secure system operation and defines actions to facilitate this, for example curtailment to deal with global system stability issues, and constraint to deal with power line capacity limitations. In SEM terminology, redispatching may be considered "Non-Energy Actions", taken by the System Operator.

Paragraph 7 of Article 13 sets out that non-market redispatching should be compensated at the higher of the increased costs arising from redispatching, or the day-ahead market energy sales foregone including any financial support that the redispatched source would have otherwise received.

The draft Terms and Conditions of the RESS 1 auction⁸ appear to suggest a continuation of the existing system where there is a requirement to return constraint payments to the PSO customer, which in itself is no longer compliant with EU 2019/239 and is against both the both the letter 'and spirit' of EU 2019/943. Article 13, paragraph 7(b) of the Electricity Regulation specifically states that "financial support that would have been received without the redispatching request shall be deemed to be part of the net revenues." IWEA's position is that this means that RESS payments (and current REFIT payments) should be based on actual generation plus any lost generation due to redispatching.

IWEA also notes and welcomes the Commission of Regulation for Utilities' intention to consult on the implementation of Article 13 of Regulation (EU) 2019/943 as outlined in CRU/19/129 ; however, it is very concerning that the Electricity Regulation is now in force yet we have not seen any element yet implemented nor consulted upon.

Clear guidance on this by both the CRU and DCCAE is essential prior to the RESS 1 auction as it will have a significant impact on RESS 1 auction bid prices.

⁷ IWEA Position Paper on Priority Dispatch and Compensation for Constraint and Curtailment, arising from EU Regulation 2019/943 - <https://iwea.com/images/files/20191115-iwea-position-paper-on-priority-dispatch-and-compensation-for-constraint-and-curtailment.pdf>

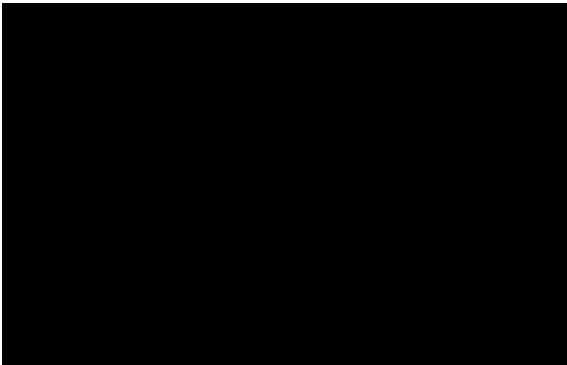
⁸ DCCAE - RESS 1 Draft Terms and Conditions Consultation - <https://www.dccae.gov.ie/en-IE/energy/consultations/Documents/47/consultations/RESS%201%20Draft%20Terms%20and%20Conditions.pdf>

Conclusion

Finally, we would like to thank the European Commission for the opportunity to respond to the consultation on Ireland's Market Reform Plan. We are available to discuss any of the points raised above in more detail.

As the largest association in the Irish energy sector, IWEA would consider ourselves a proactive partner, willing to step out in explaining the benefits of an effective, modern and climate friendly Irish electricity system, and we look forward to continuing our work alongside the EU Commission and DCCAIE in this regard.

Please feel free to contact us should you have any questions.



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7 February 2020

Dear Sir/Madam,

Electricity Market Implementation Plan for Northern Ireland

Energetický a průmyslový holding (**EPH**) is a leading Central European energy group that owns and operates assets in the Czech Republic, the Slovak Republic, Germany, Italy, the UK, France, Hungary, Poland and Ireland.

In 2019, EPH invested in the acquisition of three generating assets on the Island of Ireland; Kilroot and Ballylumford Power Stations in Northern Ireland (**NI**) and Tynagh Power Station in Ireland. These assets operate within the Single Electricity Market on the island providing critical capacity, energy and flexibility services now and into the future.

This response to the Department for the Economy (**DfE**) Electricity Market Implementation Plan is on behalf of EP's Northern Irish businesses EP Kilroot Ltd (**EPK**) and EP Ballylumford Ltd (**EPB**).

Our primary comment relates to section 7.5 of the Implementation Plan. Surprisingly, the DfE has singled out only one private investor (Belfast Power) in terms of providing generation capacity to ensure security of supply for NI and we are concerned that this could be interpreted as an endorsement of that project by the DfE.

Belfast Power is only one of a number of market participants who are actively seeking to compete new capacity in the ISEM CRM mechanism. There is a diverse range of technologies which we understand to have qualified for the next T-4 CRM auction including Combined Cycle Gas Turbines, Open Cycle Gas Turbines, reciprocating engines, battery energy storage, renewables and demand side response. The all island CRM is the mechanism by which this diverse range of technologies should be able to compete on a non-discriminatory basis and ensure that capacity is procured for NI and Ireland at least cost to customers.

EPK and EPB are seeking to compete in the upcoming CRM auctions and would emphasise that it is essential that the DfE should not be seen to endorse or promote any particular participant or technology in advance of those auctions taking place.

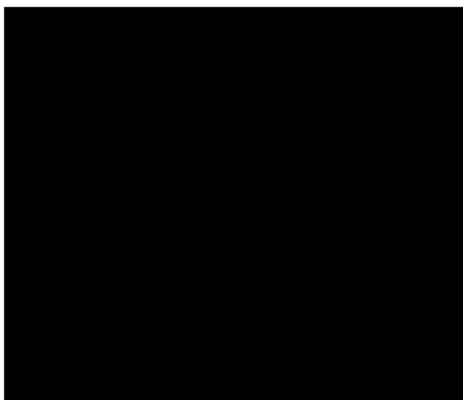
EPK and EPB would separately comment on section 2.6 of the Implementation Plan in which the DfE states:

“The high penetration of renewable energy sources magnifies the “missing money” problem. This coupled with the size of the generating units on the island means that although measures addressing these problems are being pursued (e.g. treatment of DSUs as mentioned above) they are not expected to ensure an adequate level of generation capacity in the short or medium term. A competitive and non-distortionary 13 CRM is required in conjunction with those other measures identified in the Guidelines on State Aid for environmental protection and energy 2014-2020 to ensure the island of Ireland has adequate generation in the future.”

We strongly agree with the conclusion drawn and would make the point that given the strident moves on the Island of Ireland to decarbonise the energy sectors north and south, a CRM is a vital element in the market to ensure that new investment is attracted to the Island. This is for the purpose of delivering clean, flexible technology which facilitates the maximum deployment of renewables on an all island system such as ISEM and ensuring security of electricity supply.

We welcome this opportunity to comment on the proposed Implementation Plan and are available to clarify any points raised in this submission.

Your Sincerely



Department for the Economy

Implementation plan for Northern Ireland

With reference to the recast Electricity Regulation (2019/943)

For DG ENER Opinion

Power NI Response

7 February 2020

Introduction and Background

Power NI welcomes the European Commission Directorate General for Energy's publication of the Department for the Economy's (DfE) Implementation Plan for Northern Ireland and the opportunity to respond in advance of the Commission issuing an opinion on its content.

By way of background, Power NI is the former monopoly supplier and was part of a single company who acted as Transmission System Owner/Operator, Distribution System Owner/Operator and Supplier at the time of privatisation in 1992. As the monopoly supplier at that time a price control which gives effect to end user regulated prices was introduced for Power NI.

Since privatisation the electricity industry in Northern Ireland has undergone significant change. The transmission and distribution ownership and operation has been divested and wholesale and retail market competition introduced. As described within the DfE Paper, Power NI remains the largest electricity supplier in Northern Ireland. Power NI's market share however has steadily decreased and the local regulator has determined that sufficient competition exists in the non-domestic sector for price regulation to be removed.

Despite a declining market share and multiple other suppliers active in the domestic market the regulator has maintained domestic price regulation on Power NI alone.

General Comments

Power NI has limited this response to commenting only on Section 4 – Retail Markets: Regulated prices; questions 21 -29.

The DfE have described how end user regulated prices are available only to domestic customers in Northern Ireland and that other market-based energy offers are available; Power NI would however like to take this opportunity to provide the Directorate General for Energy's further detail in relation to the Northern Ireland retail electricity market:

- Regulated tariffs are only available to Power NI customers. There are no 'special' characteristics or requirements to be a Power NI customer i.e. there are no vulnerability criteria for example.
- As is evidenced in the table provided in the answer to Question 24 all other standard p/kWh offered in the market by other suppliers are higher than the Power NI tariff.
- The regulated tariff is implemented via licence conditions placed upon Power NI alone. Alongside these conditions are several other prescriptive conditions which restrict the offers Power NI can make to the market. These restrictive conditions are not placed on Power NI's competitors.

- Power NI's current domestic market share is 56.1% by connection number and 53.3% by consumption.
- There has been a significant voluntary uptake of prepayment meters in Northern Ireland. This solution is offered with a discount and has proved extremely popular with customers as a lifestyle choice. 44.8% of domestic connections are supplied via the prepayment solution. This equates to 43.1% of domestic consumption.
- Power NI supplies 43.9% of domestic prepayment connections or 42.3% of domestic prepayment consumption.
- Domestic end price regulation is implemented via a price control process which assess the full Power NI business i.e. a price control process akin to a monopoly network provider is completed then further disallowances are made in relation to the sectors of the market where end user price regulation has been removed.

When considering the above information Power NI remains disappointed that the DfE continues to state in response to Question 28 that "*There is no definitive timeline for when we might move to market based pricing as we are not in a position to know when Power NI market share will have fallen to below 40-50%*". This statement is both vague and non-committal. It provides no timeline, no definitive trigger point and the DfE has made no provision for the arrangements which would prevail in the market following the removal of end user regulation.

The continued application of licence conditions which were implemented at the time of privatisation circa. 30 years ago, fails to recognise that the market has changed. Supplying 53.3% of domestic consumption cannot result in the same treatment as supplying 100%. There is active competition in Northern Ireland and the DfE should ensure that Power NI can compete on an equal footing.

In addition to the competitive impacts, the additional licence conditions placed on Power NI are restrictive, burdensome and potentially discriminatory. There has been no clear plan produced or 'roadmap' to market pricing published. This provides no clarity to Power NI and impacts the business planning process in an inequitable manner.

Conclusion

Power NI welcomes this opportunity to input into the Directorate General for Energy's considerations. In respect to the retail electricity market in Northern Ireland, Power NI believes that sufficient competition exists to relax the restrictive provisions which are placed on Power NI and Power NI alone. An inequitable position exists without any clarity on how this will be addressed.