

FERA Response to Imperfections Charges Consultation SEM-24-048

FERA's members operate in the Demand Side Response sector of the electricity industry and perform a significant role in supporting the operation of the I-SEM balancing market and facilitating the continuous introduction of renewables. The FERA members have together a registered capacity above 160MW, which carries a significant contribution to system support and stability.

The following comments are in relation to the published SEMC consultation and clause reference numbers are used where possible.

Introduction

FERA members have some concerns regarding the underlying assumptions within the approaches taken in calculating the forecast charges. Specifically, there is a removal of the cost associated with payment of Energy to DSUs. This was to be implemented at the later part of 2023 and now the TSOs are suggesting removing the payment from the budget for 2024/25. This was a recommendation from Europe and the SEMC had initiated a workstream to deliver it.

The delay has been somewhat frustrating and the indications within this paper are altogether worrying.

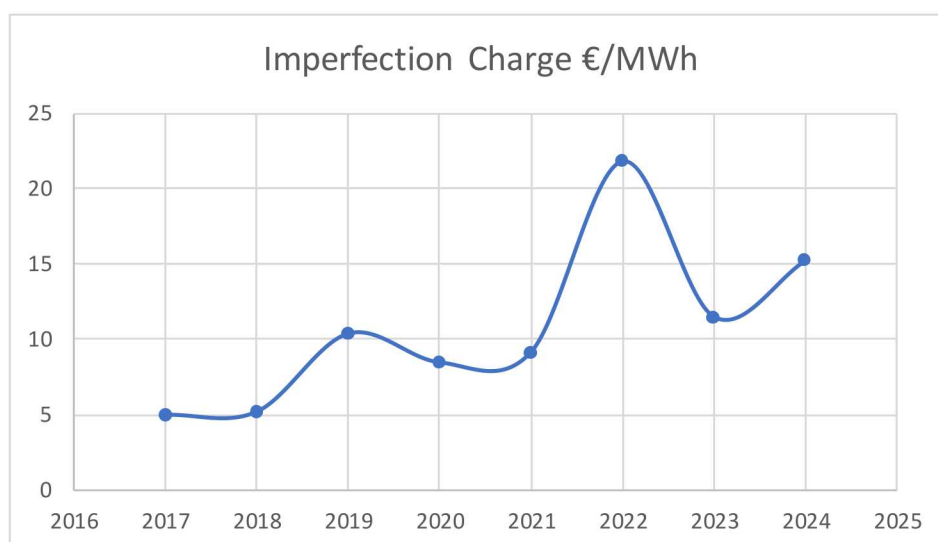
Comments on proposals

Section 2

It is mentioned that the Imperfections Charges allow SEMO to recover the costs associated with managing the transmission system, and widely contains costs due to network constraints. ***Does this mean that network investment at Distribution level is not incentivised under the Imperfection Charges?***

Section 3

The increase, 2023/24 to 2024/25, in Imperfection Charges is stated as 32% and the chart below shows the trend since 2017. The continuous increasing trend can be clearly seen, even with the 2022 high value. ***Since 2017 the charge has increased by 205% which is an average of 29% per year. FERA would ask why this is and is and if it is purely a reflection of global fuel prices.*** If so, then could the SEMC provide supporting evidence, and correlate it to the imperfection charges.



The inclusion of the provision of €158 million, regarding the High Court judgment is a correct approach as it is expected that this cost shall be required to be paid out. FERA would question why no payments would be made until a regulatory approved methodology is in place. If the High Court rules that the payments should be made, then there should be no further delay in developing a “methodology”.

It is interesting to note that the TSOs have stated that increasing Renewables have had an inflationary impact on their imperfections charges. ***Is it acceptable for consumers to pay more for the introduction of renewables, which are actually expected to reduce consumer bills?*** See section 3.2.1.5 below.

Section 3.2.1.4

Reference is made to transmission outages and refurbishment of critical elements of the Ireland grid. There is no mention of similar work on the Northern Ireland grid. ***Should the NI consumer pay for this sole investment in the network in the ROI?***

There is no mention of costs associated with the 2nd North/South tie line. ***Has the 2nd North/South tie line been postponed, or have the costs been applied elsewhere?***

Section 3.2.1.5

The TSOs mention that Interconnectors and Renewables reduced overall system generation costs. They also state that constraints associated with these increased the imperfection costs. ***It would be useful to have the comparisons of savings versus costs provided in order of transparency.***

Section 3.2.2.2

The running of Pumped Storage has a supplementary cost of €17.98 million. Does this €17.98 million mean double counting against the European Article 14 decision? We are paying Wind for being



turned off and then paying Pump Storage so that the Wind isn't turned off. This is a cost that the consumer cannot afford. Priority Dispatch should be removed, and wind limited to what the grid can handle. Note that the system cannot handle over 100% SNSP and therefore at some time wind shall be curtailed/constrained and the consumer cannot expect to be expected to pay for that.

Section 3.2.3.1

The removing of the provision of payment to DSUs for energy should not be approved. The TSOs mention that the costs associated with this remain uncertain. The TSOs know the dispatch MWh for DSUs, and they know the market prices associated with the MWh, therefore they are able to model the costs and have done so. They have a proposed €56 million.

In July 2019 the SEMC published SEM-19-029 regarding an interim solution for DSU energy payments

The SEMC decided in NOVEMBER 2022 (SEM-22-090) on how an enduring solution should be put in place. The T&SC mods committee voted for approval in the February 2023 meeting.

There has been an unacceptable delay in providing this work and not including it in the 2024/25 year should be considered as scandalous and verging on technology discrimination.

It is unclear to FERA as to why this provision has been removed and we suggest that it is placed back in and that the payments to DSUs for energy dispatch are processed as soon as possible.

Section 3.6

Other System Charges are currently treated on a jurisdictional basis under Grid Code. ***Are they actually part of the imperfections charges***, which is an ISEM issue only?

Section 3.7

Regarding the High Court judgement on Article 13.7 costs. For transparency the TSOs and SEMC should clarify if previous actions by the CRU were applicable to NI, through any similar action by UREGNI. There should be analysis provided on the impact on a jurisdictional basis. ***Savings or additional payments to Renewables in RoI should not be paid for by NI Consumers***, especially when there are different support mechanisms in each jurisdiction for such Renewables.

Section 4

The TSOs have identified a total constraint costs of €658.41 million for 2024/25. This means that Constraint Costs have increased 270% since October 2017. In line with that the Imperfections price has increased 205% since October 2017, which is of course impacted by the forecast MWh.

That is an average of 39% increase for constraint costs and 29% increase for imperfections charge every year. ***There needs to be some significant explanations regarding this statistic and specific comparison to / analysis against governmental targets.***

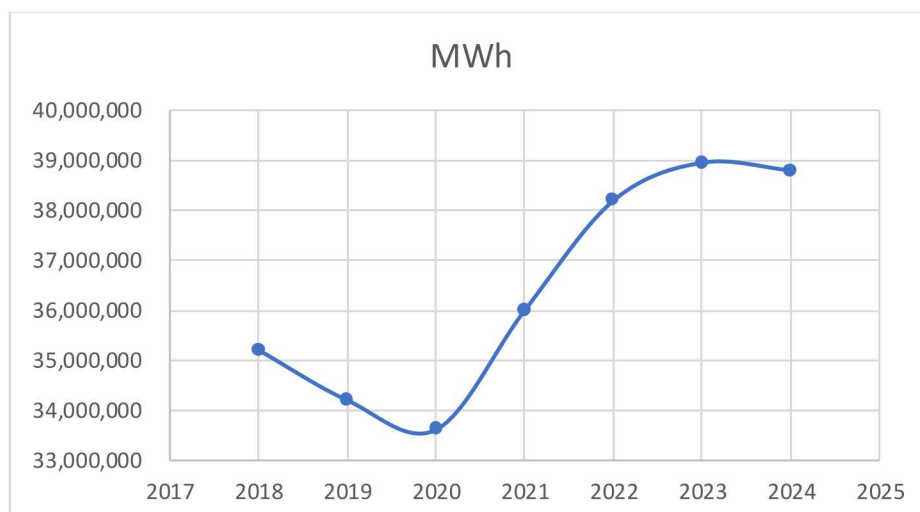


It would be beneficial for consumers to see what the individual costs of government targets is having: such elements as Clean Energy Package, Renewable prioritisation, transmission outages, etc.

We notice that the forecast MWh has reduced from that of 2023/24. The graph below shows an upward trend from 2020. As mentioned previously the forecast MWh has an impact on the Imperfections Charge and reducing the MWh value has increased the value of the imperfections charge for 2024/25.

Are the TSOs expecting a recession and a drop in Demand or is it a mathematical correction to reflect the over recovery for previous years?

FERA would point out that the Capacity Auctions are reflecting a potential lack of generation to meet the expected demand and such market signals are not showing a recession nor a demand reduction.



Conclusion

FERA does not agree to the exclusion of the amount forecast for the payment of energy to DSUs. This payment workstream was begun in 2019 and it is more than frustrating for it not to have been implemented by now. It was expected late in 2023, and the lack of progress in providing this to a specific technology may be seen by some as discrimination. Deliberately excluding it from the 2024/25 year adds some significant concerns to all those in the Demand Side Response arena. The delay in implementing SEMC decisions, regarding nonpayment of DSU's, may be viewed by some as discriminatory and against European policy, so it is potentially legally challengeable.

The year-to-year increase in the Constraint Costs and the Imperfections Charges is significant and a burden to the consumer. The implementation of each and individual Government target should be financially identified for transparency and cost benefit analysis.