

EirGrid & SONI Response to SEM-24-049

Consultation on Terms of Reference (ToR) for Panel of Technical Experts (PTE) in the SEM

21 August 2024



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Glossary of Terms

Abbreviation or Term	Definition or Meaning
CRM	Capacity Remuneration Mechanism
CRU	Commission for Regulation of Utilities (RA for Ireland)
DfE	Department for the Economy
FAIP	Final Auction Information Pack
GCS	Generation Capacity Statement
NRAA	National Resource Adequacy Assessment
PTE	Panel of Technical Experts
RA	Regulatory Authority
RAs	Regulatory Authorities (the CRU and UR)
SEM	Single Energy Market
SEM-C	SEM Committee
ToR	Terms of Reference
TSO	Transmission System Operator
TSOs	Transmission System Operators (EirGrid and SONI)
UR	Utility Regulator (RA for Northern Ireland)

Summary

EirGrid, as the Transmission System Operator (“TSO”) in Ireland, and SONI, as the TSO in Northern Ireland (collectively “the TSOs”) welcome the opportunity to respond to the SEM Committee’s (“SEM-C”) Consultation on Terms of Reference (ToR) for Panel of Technical Experts (PTE) in the SEM [SEM-24-049](#) (the “Consultation”).

The TSOs have a number of areas of concern regarding the proposed ToR for PTE, in particular:

1. Existing TSO Vires and capacity auction volume requirements
2. The Vires of the PTE
3. The interaction between the TSOs and the PTE
4. Transparency
5. PTE Interaction with TSOs
6. Governance

Existing TSO Vires and capacity auction volume requirements

EirGrid, as the TSO in Ireland, is required to publish forecast information about the power system, as set out in Section 38 of the [Electricity Regulation Act 1999](#) and Part 10 of S.I. No. 60 of [2005 European Communities \(Internal Market in Electricity\) Regulations](#). In line with [Regulation 28 of SI 60 of 2005](#), EirGrid is also required to report to the Commission for Regulation of Utilities (“CRU”) on the monitoring of security of supply.

SONI, the TSO in Northern Ireland, is required to produce an annual Generation Capacity Statement (“GCS”¹) in accordance with Condition 35 of the [Licence to participate in the Transmission of Electricity](#) granted to SONI by the Department for the Economy (“DfE”). Condition 35 also states that the statement shall be based on methodologies approved by the Utility Regulator (“UR”) for Northern Ireland.

Collectively, the TSOs prepare an annual report that forecasts the likely electricity generation required to ensure that supply and demand are balanced over the next ten-year period, based on expected electricity supply and demand (the ‘GCS’). In accordance with relevant requirements, EirGrid prepares a GCS for Ireland and SONI prepares a GCS for Northern Ireland with a joint paper then developed into an overall All Island GCS.

¹ Note that the GCS will be replaced by the [National Resource Adequacy Assessment](#) (“NRAA”) from 2024.

The CRU, which regulates the electricity system in Ireland, is responsible for the security of supply of electricity in Ireland. The UR in Northern Ireland approves the GCS prepared by SONI. Collectively the CRU and the UR are referred to as the Regulatory Authorities (“RAs”). Each Regulatory Authority (“RA”) prescribes the methodology the TSOs use to prepare the GCS in Ireland and Northern Ireland respectively. The SEM-C is the decision-making authority for all matters related to the integrated Ireland and Northern Ireland electricity market (the ‘Single Electricity Market’ or “SEM”).

The GCS is now transitioning to the National Resource Adequacy Assessment (NRAA) in order to comply with Article 24 of the Electricity Regulation (EU) 2019/943 and be based on the European resource adequacy assessment methodology.

In addition, the TSOs are required under the Capacity Market Code to publish both an Initial Auction Information Pack and a Final Auction Information Pack.

Prior to each auction, the TSOs use methodologies and assumptions which have been consulted on and approved by the SEM-C in order to calculate the minimum volumes required which forms an initial Capacity Requirement. This used demand forecasts from the latest GCS. In addition to the initial Capacity Requirement, the TSOs include additional volume adjustments in their recommendations in order to support their legislative remit as TSOs. Where approved by the SEM-C, these adjustments are subsequently reflected in the all-island demand curve and the Local Capacity Constraint Areas (LCCA) minimum required volumes, which are published in the Final Auction Information Pack (FAIP).

While the introduction of the PTE is welcome by the TSOs, it is important that its role does not inhibit or cut across the legislative requirements of EirGrid and SONI as their respective roles as TSOs for Ireland and Northern Ireland.

Vires of the PTE

The TSOs have a number of significant concerns regarding the vires of the PTE.

The June 2022 EY Report² originally proposed *“Greater transparency of target setting through a panel of technical experts (PTE) assessment of EirGrid recommendations, with findings published, and explanation of process by which GCS forecasts are translated to Target Volume to procure in capacity auctions”*.

It was subsequently observed by the TSOs³ that the installation of an independent panel of experts appears neither justified, efficient or in keeping with the RAs’ respective obligations or vires. The regulatory and legislative basis on which the PTE would

² [Performance of the SEM Capacity Remuneration Mechanism \(28 June 2022\)](#)

³ [Call for comments on the EY review of the performance of the SEM CRM EirGrid & SONI response \(02 November 2022\)](#).

function is not evident, and how the PTE scope would be consistent with the existing vires of the entities and functions referred to above. This issue raises particular concerns as the proposed scope of the PTE appears to have increased significantly since the original proposal in the June 2022 EY Report.

The present Consultation notes that *“In addition to the TSO recommended target volume, the Panel may also review the TSO’s wider adequacy studies, such as the National Resource Adequacy Assessment (NRAA) in the future if requested to by the SEM Committee”*⁴. As noted above, preparation of the respective GCS (the ‘NRAA’ from 2024) and reporting on its findings are within the respective remits of each TSO, with approval functions by the UR for the GCS in Northern Ireland. It is not evident what vires the PTE would be delegated and on what basis these powers would be delegated to an advisory group of the SEM-C.

The Consultation proposes that *“The role of the Panel is a technical function and not a forum for policy commentary or for advising the SEM Committee or RAs on its objectives for the Capacity Market or wider energy issues, the policies being implemented, or policy decisions surrounding them”*⁵. As such, the TSOs would assume that the scope of the PTE would be confined to volume setting for the Capacity Remuneration Mechanism (“CRM”) and would not interact with the operation of the system / adequacy studies which are within the remit of the TSOs.

Regarding the Consultation comment that *“The purpose of the Panel is to impartially review, and quality assure the analysis carried out by the TSOs, the choice of modelling methodology employed, and to scrutinise the inputs and outputs from that analysis in terms of the methodology used. The Panel is to test whether the analysis carried out by the TSOs and the choice of modelling methodology employed is robust and fit for purpose, for the SEM Committee to decide on the final Capacity Requirement for a particular capacity auction”*⁶. The TSOs would re-iterate that this activity presumably relates to the volume adjustment process within the remit of the RAs, who ultimately retain the final decision on volume setting.

Transparency

The TSOs strongly agree that there is a need for greater transparency regarding adjustments made by the RAs to volumes submitted by the TSOs for the CRM. The calculation methodology for TSO recommendations for capacity requirements to be secured via the CRM is clear and publicly available via SEM-C Decisions⁷.

⁴ [SEM-24-049](#) Consultation pg.4.

⁵ [SEM-24-049](#) Consultation pg.4.

⁶ [SEM-24-049](#) Consultation pg.4.

⁷Original Methodology: [SEM-18-30a ‘I-SEM Capacity Market: Methodology for the Calculation of the Capacity Requirement and De-rating Factors’](#).

The TSOs have noted on a number of occasions that it is the post TSO submission adjustments made by the RAs which would benefit from increased transparency. It is not evident that the introduction of a PTE is an efficient method to improve this transparency with respect to volume setting. Instead, the development and publication of an adjustment methodology for use by the RAs would be the best means to improve transparency in this regard.

Any assessment and report carried out by the PTE however, should include the data and inputs provided by both the TSOs and the RAs, noting that any information sharing with the panel would need to align with existing obligations on the TSOs'. Any approaches and recommendations suggested by the PTE should be supported by the necessary data and solid evidence, including clear, and robust benefits / outcomes of the proposed changes. Having a clear set of KPIs and reporting outcomes expected by the PTE would also assist with this.

PTE Interaction with TSOs

Timelines

The Consultation notes that *“The TSOs will provide the Panel with the analytical information required for it to perform its independent assessment. The TSOs will facilitate information sharing with the Panel and arrange meetings and/or workshops as required”*⁸. The TSOs would note that the timelines for these engagements are very important. The need to avoid the activities of the PTE impacting on the existing remits of the TSOs with respect to capacity auctions and preparation of adequacy activities will be crucial in the continuation of the existing auction timelines.

Resource Planning

The TSOs would note that many of the same resources required to interact with the PTE would also be required in these other activities. The TSOs would need to be adequately resourced and funded through EirGrid and SONI's current and future respective TSO Price Controls to facilitate any additional activities with respect to PTE interactions.

Any agreed process of change between the PTE will need to be managed appropriately on both sides, with agreed timelines and resources in place to manage this change.

Revised Methodology: [SEM-22-097 'CRM Capacity Requirement and Associated De-Rating Factors'](#).

⁸ [SEM-24-049](#) Consultation pg.6.

PTE Governance

The SEM-C have asked for members of the PTE to have experience in one of the following areas “*demand forecasting, energy economics, codes and procedures, electrical engineering.*” And that “*All members should have some level of experience in energy modelling.*” EirGrid and SONI believe it is also very important that at least one member of the panel has experience in Electricity Transmission system operation due to the nature of the panel.

Regarding ‘Register of Interests’, EirGrid and SONI support the SEM-C’s requirement for all interested parties to declare any Conflicts of Interest when registering their interest in becoming a panel member. The TSOs would assume that any individual who has a potential or actual commercial interest and could benefit financially in the outcome of an auction would be precluded from sitting on the PTE as a potential conflict of interest⁹. Any conflicts of interest of panel members should be made publicly available and managed appropriately.

It is imperative that any prospective panel members are not currently, or have not been involved in work of the TSO or the RAs relating to the CRM for a reasonable period of time (e.g. 5 years).

The TSOs would welcome a diverse PTE membership, open to global applicants with relevant experience including energy modelling and operational experience.

Conclusion

As outlined above, EirGrid and SONI have some concerns regarding the proposed ToR for the PTE. Clear objective measures of performance by the PTE will be important in the success of the PTE. The PTEs that exist in other European countries have been very successful and provide good benchmarks for this PTE. The PTE should be collaborative and constructive in supporting the delivery of volumes in securing volumes appropriate for an All-island reliable power system transitioning to net-zero.

The TSOs look forward to constructive engagement with the PTE and the opportunity to discuss any proposed improvements and enhancements to the volume setting in the capacity market.

⁹ This includes anybody that would have a commercial interest in generation adequacy (e.g. equipment manufacturers, developers, representative bodies, supply companies etc.), and any intermediary working on behalf of a current or future market participant.