

I-SEM

Response to Proposed Locational Capacity Constraints Methodology (SEM-17-027)

If you have any questions in relation to our response, please don't hesitate to contact Connor Powell (connor.powell@sse.com)

Thank you for giving SSE the opportunity to comment on the Proposed Locational Capacity Constraints Methodology. As stated in previous responses, while SSE recognises the locational limitations of the transmission system underpinning the I-SEM markets, it is important to preserve competitive market incentives as much as possible in resolving these.

Our response includes comments on both the methodology developed by the TSO for identifying local capacity constraints and the changes proposed to the de-rating methodology.

Proposed Local Capacity Constraints Methodology

We are pleased to see that the TSO is solely identifying power transfer constraints only under the methodology as opposed to requirements related to system service provision. We have a number of questions on various different parts of the process, with our primary concern being the inconsistencies between TSSPS, GCS and TFS assessments and the Capacity Market Security Standard in the event of non-meshed systems or meshed constraints being identified:

- **Network Topology Assessment:** As the methodology notes, in the absence of the north-south tie-line, Ireland and Northern Ireland are identified as separate non-meshed systems. The assessment methodology excludes an approach in which the actual Grid Code security standards are explicitly applied for the individual non-meshed systems. There is no explanation as to why this is so. **Consistency is important - the methodology should calculate a minimum MW requirement for the LOLE adequacy standards under each Grid Code given the hierarchy of documents¹.** An approach whereby a 4.9 hour LOLE is used under the GCS and TFS which in turn provides source data to a methodology which overrides the security standard isn't consistent or clear and is not in line with the individual Grid Code obligations on generators and the TSO. **Once the systems are meshed under the topology assessment, an 8 hour LOLE could be consistently applied regardless of the Grid Code definition, but not before.**
- **Detailed Network Assessments:** We would request clarification on the relevant LOLE adequacy standards to be applied at the detailed network assessment stage too – these should be aligned with the Grid Code standard. **If the L2 constraints sit within an area that is subject to a different Grid Code requirement, that requirement should be applied in the methodology.**
- **Methodology Outputs:** It is unclear how units will demonstrate that they are '*wholly within an area to be included in the Locational Capacity Constraint Area*' for the auction. If a unit can meet power transfer constraints by consistently being available to deliver power to transmission or distribution node under the model, does this meet the requirement, or does a Capacity Market Unit have to be explicitly connected to a relevant node? **It is important that the methodology for determining these is transparent, stable and understandable – some of the existing constraint models used by EirGrid may not fully meet these criteria.**

¹ Alternatively, the RAs could direct a modification to the relevant Grid Code to align the Northern Ireland Security Standard with the Capacity Market Security Standard.

- **Demand Forecast:** we agree with the proposed approach to use the 2021/22 Capacity Year demand forecast for both unconstrained and constrained auction stacks – this is in line with the least worst regrets approach identified by the SEM Committee in previous decisions.

Capacity Requirement and De-Rating Amendment

We agree with the proposed amendments to the de-rating methodology – more stability year on year is valuable for capacity providers, especially given the intention of the Reliability Option is to allow providers to hedge spot market volatility in exchange for a fixed revenue stream.