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Emailed to: Jim Gannon (jgannon@cru.ie)

CC: Barry Hussey (bhussey@cru.ie), John Melvin (jmelvin@cru.ie).

RE: Ongoing Consultations on SEM Committee papers SEM-21-026 and SEM-21-027

Dear Jim,

I hope this finds you well. I am writing to you to raise with you concerns relating to the ongoing SEM Committee (SEMC) consultations on SEM-21-026 Dispatch, Redispatch and Compensation Pursuant to Regulation (EU) 2019/943 and SEM-21-027 Proposed Decision on Treatment of New Renewable Units in the SEM.

Wind Energy Ireland members have discussed the recently published SEMC papers in detail in the past month and several concerns have come to light based on the arguments put forward by the RAs within the papers. Two of the primary concerns are outlined below. We would greatly appreciate the opportunity to discuss these two issues, and other issues, with the CRU at the earliest possible opportunity.

Treatment of constraints as market-based re-dispatch for new generators

SEM-21-027 states that:

“The Regulatory Authorities propose that constraints will be applied to all non-priority dispatch units based on a market-based merit order based on the bids and offers of such units, accounting for operational constraints and system security.”

Given that all future wind and solar generation connecting onto the system will be non-priority dispatch, this statement implies that they will be subject to market-based re-dispatch first to address a network constraint on the power system. It will only be once all market-based re-dispatch options are exhausted that generators with priority dispatch will be constrained down on a pro-rata basis.

This has very significant ramifications for new renewable generation connecting to the grid as the levels of constraint which they will experience is substantially higher than the constraint levels which will be seen by the existing priority dispatch generators on the grid. This will have a very detrimental impact to future RESS auction prices as the generators will need to price in the increased constraint levels to their auction bid.

More pressingly, the implications for projects which have already been successful in RESS-1 is very serious. These generators bid into the RESS-1 auction last year on the assumption that constraints would be prorated across both priority dispatch and non-priority dispatch generators. The ECP constraint reports carried out by EirGrid had these assumptions included when they were provided to generators in advance of the RESS-1 auction bidding.

If the new ruleset for constraints is implemented as set out in SEM-21-027 then this means the constraints analyses used by generators in setting their bid prices for RESS-1 last year are completely out of date and no longer relevant. The bid prices submitted would in no way reflect the constraint levels which will be imposed upon them.

For some developers who were successful in RESS-1, this proposal has halted all progress in progressing projects towards financial close as it has created enormous uncertainty on the financeability of these projects. Several of our members have commissioned consultants to carry out new constraint analysis since the SEMC papers were published and, in some cases, initial results are highlighting a four-fold increase in constraints. A number of projects may experience an increase in constraints from an initially forecasted range of 5-8% to 25-40%.

If the proposal proceeds in its current format, it will mean that every successful RESS-1 generator will need to assess again whether proceeding with the project is economically viable. Investors and banks will also re-consider their investment in these projects making it difficult to achieve financial close for those projects that do decide to progress.

Furthermore, it will also mean a substantial increase in costs for those projects which are expected to proceed as Corporate Power Purchase Agreements (CPPAs), raising a question over their viability. The implications also apply to future RESS and CPPA projects, and as such we believe such a move would have far reaching consequences for renewable development.

We are also aware that this issue is halting the development of several renewable generation projects which were progressing in Northern Ireland.

We would welcome any clarity which the CRU can provide on this issue and any proposals the RAs may have in resolving this point in the very immediate future. In particular, it would also be useful to understand how the RAs expect any amendments to the BCOP/BMPCOP to be implemented if these are part of the solution, and what the process and timeframe for this would be.

Compensation for dispatch down

Article 13 of the Electricity Regulation of the Clean Energy Package provides for compensation for units which are subject to non-market based redispatch to the net value of their lost generation – i.e., including lost financial supports such as REFIT, ROCs, RESS, GoOs, REGOs, or Corporate PPAs top-ups.

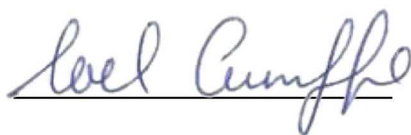
The proposals put forward in SEM-21-026 clearly fall substantially short of meeting these requirements, regardless of whether the renewable generator is priority dispatch/non-priority dispatch, firm/non-firm, or REFIT/RESS/ROCs/Corporate PPA supported. They also do not appear to take account of any of the legal baseline issues which were raised in the IWEA and NIRIG response to the SEM-20-028 consultation last year¹.

Furthermore, the proposals put forward by the SEMC also require substantial progress to be made in firm access policy, the integration of non-dispatchable renewable generation into market systems, and substantial changes to the BCOP/BMPCOP, in order for any of the proposals to be effective - none of which are tackled or given timelines for addressing within the SEM-21-026 paper. The SEM-21-027 paper, on page 25, states *‘Under this Decision, the BMPCoP will similarly apply to new renewable units in the SEM and this Paper does not propose any changes to its application to any particular unit type’*. Workable solutions to the proposals do not seem possible without changes.

We would welcome the opportunity to discuss this fundamental divergence in viewpoints between Wind Energy Ireland members and the CRU in advance of any wider industry workshop to better understand the RA’s reasoning for proposals.

In conclusion, we would welcome an opportunity to meet you and your colleagues in the CRU to discuss these issues at the nearest opportunity. Any clarity which can be provided in the near term, particularly in relation to the treatment of non-priority dispatch generators under constraint situations and the subsequent impact on RESS-1 projects, would be appreciated.

Best Regards,



Noel Cunniffe

Acting CEO, Wind Energy Ireland

¹ IWEA and NIRIG response to the SEM-20-028 consultation:
<https://www.semcommittee.com/sites/semc/files/media-files/SEM-20-059%2833%29%20IWEA%20and%20NIRIG%20Response%20to%20SEM-20-028.PDF>