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9th July 2021

G. Kelly,
Single Energy Market Committee,
Commission for Regulation of Utilities,
The Exchange,
Belgard Square North,
Tallaght
D24 PXW0

Dear Sirs

Codling Wind Park Response to the Single Energy Market Committee's (SEMC) Consultation Papers on the Implementation of Articles 12 and 13 (SEM-21-026/SEM-21-027)

The Codling Wind Park (CWP) project is a proposed offshore wind farm being developed approximately 13-22km off the coast of County Wicklow, between Greystones and Wicklow Town.

With a potential capacity of up to 1.5GW, Codling Wind Park could provide enough locally produced, low-cost renewable electricity to power the equivalent of up to 1.2 million Irish homes – 70% off all households in Ireland – and to save almost two million tonnes of carbon emissions every year. This will make a significant contribution to the Irish Government's commitment to generating 70 per cent of Ireland's electricity from renewable energy by 2030, including 5GW from offshore wind. It will also go a long way towards reducing our dependence on imported, fossil fuel-based energy.

The CWP project is being developed jointly by Fred. Olsen Renewables and EDF Renewables, two experienced renewable energy companies with many years' experience in the offshore wind sector. It is one of the Irish Government's Phase 1 offshore wind projects.

Representing one of the largest energy infrastructure investments in Ireland this decade, the project will deliver substantial benefits to the regional and national economy, including more than 1,000 construction jobs and around 70 long-term, locally based jobs.

Subject to all necessary permits and consents being received, Codling Wind Park could begin construction in 2024/25. Construction is expected to take two to three years to complete.

In this response, CWP would like to highlight the following points, in addition to supporting the detailed joint WEI and RNI response.

We believe the proposals in the consultations are contrary to the already passed EU CEP legislation. As this EU legislation does not need to be ratified by member states, it came into force in January 2020. Therefore, CWP believes that

- There should be pro-rata allocation for constraints as constraints are clearly classified as non-market based redispatch
- There is a need for a process for new generators to get firm grid access
- Compensation should be paid to generators to reduce generators' risk
- Existing generators are exposed to a risk for which they cannot be compensated

Codling Wind Park Limited is a company registered in Ireland with registered number 358470

Directors: John Houston (British), Ivar Brandvold (Norwegian), Carolyn Heeps (British), Michele Schiavone (Italian) and Kevin Daly (Irish)

- New renewable generators which have yet to go through a RESS auction can attempt to seek compensation by including such in their bid, but this will distort the auction and the market
- The risk should be carried by the stakeholder which can best manage this, thereby reducing costs to consumers.

If the generator is expected to cover this, then it will be reflected in their RESS bid which potentially will be a more costly outcome than being paid the compensation as and when it is needed. CWP believes that there is a high probability that the outcome of future RESS auctions will be distorted as result of developers looking for compensation through their CfD award. CWP believes that this is an inefficient and higher cost approach compared to being paid compensation as required, thereby achieving constraint payments indirectly rather than directly.

CWP recommends that the Regulatory Authorities make appropriate code changes urgently, to ensure access for all generators to appropriate compensation payments for constraints.

CWP also notes that:-

The Electricity Regulation (EU) 2019/943¹ came into force on 1st January 2020 and was designed to allow “*greater access to renewable energies and ensure a better response to demand and storage*”². The Regulation sets out a binding legislative framework for facilitating the necessary levels of investment at least cost to consumers. The Regulation aims to “*set the basis for an efficient achievement of the objectives of the Energy Union and in particular the climate and energy framework for 2030 by enabling market signals to be delivered for increased efficiency, higher share of renewable energy sources, security of supply, flexibility, sustainability, decarbonisation and innovation*”. However, CWP believes that the proposals in the consultations will, in practice, increase cost, which would create a risk to Ireland’s renewable energy and climate ambitions. Consequentially, the practical outcome of these proposals will be counter to the objectives of Regulation (EU) 2019/943.

SEM-21-026 Dispatch, Redispatch and Compensation Pursuant to Regulation (EU) 2019/943

CWP response to the SEM Committee’s minded-to position on the implementation of Articles 12 and 13 of Regulation 2019/943 focusing on the definitions of dispatch, redispatch, non-market-based dispatch and arrangements for compensation under Article 13(7) is set out below.

In our understanding, Article 13 of Regulation EU/2019/943 describes the redispatch of energy market participants to resolve system security issues. This, in the SEM, is referred to as “constraint and curtailment”. In other words, Article 13 addresses how generators should be dispatched away from their contracted energy position, where this is necessary to achieve a safe, secure dispatch. The Article specifies that the TSO should select market participants for redispatch based on market-based criteria, i.e., that those providers should compete on price in order to be selected in a merit order to be dispatched to resolve system security issues. If, however, one of a number of criteria are met, the TSO may utilise “non-market” based resources to resolve system security issues. This allows the TSO to distort unconstrained price-based competition in the market when selecting resources to resolve the system constraint.

CWP’s main concerns are that to earn dispatch down compensation for constraints (for either market-based downwards redispatch under the Balancing Market rules or non-market based redispatch under Article 13(7)), renewable generators need to have a firm connection offer in place. If priority dispatch is removed, then renewables must be given a fall-back option of access and remuneration in the balancing markets to help stabilise the system or be able to receive clear levels of compensation at the level of financial support foregone (not just at the ex-ante trade price) in the event that curtailment is necessary. Under current EU rules, priority dispatch is a mandatory status.

As a future generator, CWP is concerned about the impact on new generators (contracted post-July 2019) due to the issue of grandfathering of constraints. Concern has been raised by RESS-1 projects with no priority dispatch with fixed prices in areas of constraint, because modelling has shown material increases in potential constraint for this category, due to legacy priority dispatch generators being protected. It is noted that existing priority dispatch generators are likely to support the grandfathering of constraints. To earn dispatch down compensation for constraints, existing market rules state that:

- The Generator needs to be traded uniquely in the ex-ante markets

¹ [EUR-Lex - 32019R0943 - EN - EUR-Lex \(europa.eu\)](#)

² [New electricity rules enters into force | European Commission \(europa.eu\)](#)

- The Generator needs to have a firm connection offer to receive compensation only at the level of ex-ante trade achieved for being constrained (can be much lower than even average market prices). This is due to the fact that Generators' offers are regulated at avoided cost of generation (€/MWh)

It is CWP's position that constraint of renewable generation which occurs on the power system today is a form of non-market based redispatch and therefore should be fully compensated up to the value of the unit's financial support.

SEM-21-027 Proposed Decision on Treatment of New Renewable Units in the SEM

CWP's response to the SEM Committee's proposed decision on the treatment of renewable units (SEM-21-027) that do not qualify for Priority Dispatch in scheduling and dispatch is outlined in this section.

CWP's understanding is that Article 12 of Regulation EU/2019/943 proposes to end the designation as Priority Dispatch of all but the smallest new renewable generation projects. Priority Dispatch has been very important for the development of the renewables industry. All renewables are currently priority dispatch, so the proposals are appearing to be changing a fundamental principle without due consideration of all the consequences.

CWP is concerned with the SEM Committee's proposals relating to the management of redispatch (constraints) which the consultation sets out:

“that constraints would be market based for new renewable units and based on the principles for submission of Commercial and Technical Offer Data (COD and TOD) outlined in previous sections. The RAs also proposed that under Article 13(5)(b) of the Regulation, downward re-dispatching of electricity produced from renewable energy sources or from high-efficiency cogeneration (i.e. the application of constraints and curtailment) regardless of priority dispatch status, should be minimised in the SEM. Under this interpretation, such units without priority dispatch, would only be constrained according to an economic merit order after conventional units.”

It is CWP's position that constraint of renewable generation which occurs on the power system today is a form of non-market based redispatch and therefore should a) only occur after all market-based resources have been used to resolve the constraint (Article 13(3)(b) and b) be fully compensated up to the value of the unit's financial support. CWP does not support the proposal that constraints can be seen as market based redispatch. Generators that are subject to constraint actions are not chosen with reference to any submitted prices or to the supply/demand balance, but solely due to local system limitations. Furthermore, it is often the case that there is insufficient competition amongst generators behind a constraint to develop an efficient commercial outcome. This is one of the conditions under Article 13(3)(c) where actions should be classified as non-market based redispatch.

CWP's concerns include the following:

- New renewable generators face material constraint dispatch down risk – this is particularly difficult for generators which have already committed to firm prices for delivered power (e.g. corporate PPAs, RESS-1 projects).
- There is a great degree of uncertainty for generators under development with firm delivery timeframes specified for their requirements for interfacing with the TSO (SCADA vs EDIL) and associated trading requirements. The impacts of these decisions vary between new and old renewables, controllable vs dispatchable generation, etc.

In CWP's view, if constraints on either Priority Dispatch generators or new renewable generators were treated as market-based, all such generators would want to recover their full lost revenues through the market. These lost revenues include the amount of any subsidy, which is currently a disallowed cost in the formation of short-run marginal cost offers in relation to “non-energy actions” under the Balancing Market Principles Code of Practice. In CWP's view, defining constraints as market based but denying generation the opportunity to “be financially compensated”, noting that the intent of the Regulation is that compensation for re-dispatching will be based on balancing energy bids, is an inconsistent approach.

CWP is concerned about these proposals and urge the SEM Committee to consider the potential unforeseen impacts, such as higher PSO Levies resulting from higher RESS pricing, due to increased risk.

Recommendations

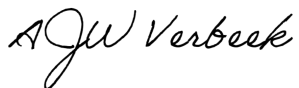
CWP requests that the SEMC reconsiders the proposed interpretation of Regulation (EU) 2019/943 in the Consultations and request caution is exercised in making any decisions on matters in Regulation (EU) 2019/943 in respect of which the Regulatory Authorities have a discretion. Placing incentives on system operators to minimise constraint and curtailment will reduce investment risk and lead to the most cost-effective method of meeting 2030 renewable energy targets.

The Electricity Regulation came into force on 1st January 2020. With this in mind, CWP recommends that a clear roadmap to implementation of Article 12 and 13 is set out as soon as possible. It is important that the next steps are cognisant of interactions with future RESS generators and existing REFIT & ROCs generators.

In conclusion, we would like to thank the SEM Committee for the opportunity to engage on this matter and look forward to continuing our work with you in future.

Should you wish to discuss this further please contact Paul Concannon at paul.concannon@codlingwindpark.ie or myself.

Yours faithfully



Arno Verbeek
Project Director