120 Malone Road, Belfast, BT9 5HT
Phone 03457 643 643 nienetworks.co.uk

Gary McCullough
Wholesale Markets
Utility Regulator
Queens House
14 Queen Street
Belfast
BT1 6ED

2 July 2021

Dear Gary,

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

NIE Networks welcomes the opportunity to engage with the Regulatory Authorities (RAs) regarding the implementation of Regulation 2019/943 in SEM through this consultation. This consultation provides good clarification on topics discussed in previous consultation papers.

This response has been structured based on the SEM Committee proposed decisions presented in the consultation and requests for feedback in relation to the future role of the DSO. Responses have not been provided to some proposed decisions intentionally.

Regulatory Authority Proposal:

- **In the SEM, dispatch relates to the scheduling and dispatch of units to meet the energy requirements of the market, noting the complexity of identifying dispatch and redispatch separately in the central dispatch system with an integrated scheduling process, which is carried out through the identification of energy and non-energy actions as part of the flagging and tagging process.**
- **Redispatch in the SEM relates to deviations from the market schedule for generation for both local network and broader system reasons, including TSO-instructed reduction in generation due to localised network issues (constraints) and reduction in non-synchronous generation due to other system-wide reasons such as levels of System Non-Synchronous Penetration (curtailment).**
- **The Regulatory Authorities acknowledge that future market developments may include new forms of dispatch and redispatch at the distribution level.**

NIE Networks welcomes the clarity that dispatch and redispatch in SEM are TSO instructed actions to meet the energy requirements of the market and TSO-instructed reduction in generation due to localised network issues (constraints) and reduction in non-synchronous generation due to the other system-wide reasons such as levels of System Non-Synchronous Penetration (curtailment). NIE Networks agrees that in the current SEM the TSOs are responsible for dispatch (central dispatch market model) and redispatch (curtailment and constraint).

NIE Networks welcomes the acknowledgement from the RAs that future market developments may include new forms of dispatch and redispatch at the distribution level. NIE Networks would highlight the work they are currently doing in this area and welcome discussions with the RAs to allow for any efficiencies in market systems developments.

The RAs requested feedback on the management of constraints which limit access to the energy market as more generation connects to the distribution network (including DSUs).

NIE Networks view is that if these constraints are not addressed or managed then access issues will continue to increase as the volumes of generation and low carbon technologies connecting at distribution level continues to increase to meet decarbonisation targets. NIE Networks is committed to maximising

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access to the distribution network through the most efficient use of existing capacity and is developing advanced IT systems to facilitate the dynamic allocation of capacity for customers participating in various markets.

This concept has been supported by stakeholders and funding to develop a suitable flexible system has been approved by the Utility Regulator. This system is known as a Network Capacity Allocation Platform (NCAP) and utilises real-time power flow monitoring, forecasting, and actual network topology to calculate available headroom and dynamically allocate capacity to market participants on an ongoing basis. NIE Networks plans to continue to engage further with SONI and industry stakeholders on the detailed development and implementation of the NCAP to ensure its functionality deliver benefits to the distribution connected customers and the TSO, and will also ensure that the proposed architecture and running sequence are fully detailed and understood by all relevant stakeholders prior to implementation.

Cognisant of the clarity offered that dispatch and redispatch in SEM are TSO instructed actions, the implementation of Articles 12 & 13 should not create undue barriers for the DSO to maximise access for distribution connected SEM participants through the allocation of capacity on a dynamic basis.

NIE Networks would also note that while the NCAP proposals will maximise existing network capacity there will still remain a requirement for suitable regulatory allowances for network investment to increase access and alleviate network constraints associated with demand and generation growth.

NIE Networks would also highlight that it has commenced its FLEX project, establishing the end to end processes for procuring and operating Flexibility markets (Congestion Management) in line with relevant legislation and licence requirements as a cost-effective alternative to network investment in Northern Ireland. While this project is outside the remit of the SEM, NIE Networks will engage with the RAs in relation to the outcomes of pilot projects but would note that any SEM decisions should not create undue barriers for the DSO to use market-based solutions or for customers to participate in multiple markets i.e. stacking services.

The RAs acknowledged that although the TSOs are best placed to manage the risk of curtailment and constraints and should compensate for these in order to provide certainty to investors and to correctly incentives the TSOs in how they plan, build and operate the system in order to transmit the large volumes of renewable energy, this area may need to be considered further where in future the DSOs may have a role in dispatch and redispatch in the SEM.

We would acknowledge that at present all generation connected to the NIE Networks distribution system is done so on the basis that connections are designed to export a generator's MEC under normal system operation only. It should be noted that non-firm offers relate to the ability of the transmission system to facilitate the full MEC of a connection under an N-1 scenario. This distinction is important in relation to the future role the DSO may play in dispatch and redispatch on the distribution system and the associated considerations regarding compensation.

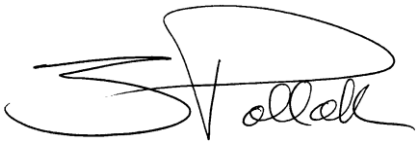
Interactions between distribution system limitations and the information provided to and available in the market systems will also need to be carefully considered.

Bearing in mind the distribution connection design methodology discussed previously and the functionality of DSO markets which are not part of SEM, it should be understood and accepted that any decision relating to compensation through this consultation process is based on analysis carried out by and on the impact of compensation on the TSO. Equivalent analysis has not and cannot yet be carried out specific to the DSO and therefore any future decision on DSO roles and compensation should not be biased towards the outcomes of this consultation process and be based on the relevant analysis at the appropriate time.

Due to the large volumes of generation and other dispatchable technologies on the distribution system, which is forecast to increase with the uptake of LCTs and the announcement of new Energy Targets in

Northern Ireland, and given the timelines for development of appropriate tools and capabilities, early engagement with the DSO by the SEMC and TSOs will work to ensure compatibility of systems and tools. NIE Networks would encourage further engagement regarding the future role of the DSO in respect to dispatch and redispatch in SEM.

Yours sincerely



Jonathan Pollock
Network Development Manager