

Wind Energy Ireland,
Sycamore House, Millennium Park,
Osberstown, Naas,
Co. Kildare.
W91 D627

RenewableNI,
Arthur House,
41 Arthur Street,
Belfast BT1 4GB

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Emailed to: Karen Shiels (karen.shiels@uregni.gov.uk) and Conall Heussaff (cheussaff@cru.ie)

RE: SEMO 2021- 2024 Price Control Consultation Paper

Dear Karen and Conall,

Wind Energy Ireland (WEI) and RenewableNI (RNI) welcome the opportunity to engage with the SEM Committee and respond to the consultation on the SEMO 2021 - 2024 Price Control.

WEI is the largest representative body for the Irish wind industry, working to promote wind energy as an essential, economical, and environmentally friendly part of our low-carbon energy future. RNI is a collaboration between Wind Energy Ireland and RenewableUK and is the voice of the renewable electricity industry in Northern Ireland. Together we represent a large majority of the renewable industry supply chain on the island.

Wind Energy Ireland and RenewableNI members would like to make a submission to the consultation, with the following comments:

General Feedback on the Consultation

WEI and RNI welcome the publication of this consultation, following on from the Price Control Participant Consultative Forum (PCF). We would like to thank the Market Operator SEMO and the Regulatory Authorities (RAs) for providing the forum in recent months, giving opportunity for our members to provide insight and feedback on key priorities for the coming years and we hope that this will continue in future.

In general, whilst acknowledging the progress that has been made by SEMO in the current Price Control period, we do wish to share concern from our members that market operations have not yet reached stable, expected operation levels, over 2.5 years since I-SEM Go-Live, creating unnecessary risks and costs for all market participants. The ongoing issues as regards settlements and repricing, which are unlikely to be fully resolved until 2022, are a strong example of this.

Furthermore, WEI and RNI members do not believe that a consensus view on what constitutes a well-functioning market has yet been made clear. It is difficult, we feel, to give a view on the

appropriateness of OPEX and CAPEX requests from SEMO, or indeed the proposed allowances from the RAs, with the uncertainty on expected and minimum service levels to be delivered.

In our view, the expected and minimum service levels of the key functions to be provided by the Market Operator for the requested OPEX and CAPEX provisions need to be made clear as part of the RAs decision. Our members also believe that there is a need for the 2021 – 2024 Price Control to include commercial signals (in the form of KPIs, minimum expected services levels etc.) and controls (incentive rewards and penalties, licence requirements) to provide additional support where appropriate to overhaul underperforming SEMO functions as soon as possible.

Specific Comments on the Consultation

Based on the information provided in the consultation, we wish to highlight the following:

- Incentivising performance via KPIs and prioritising BAU.
- Approach to “known unknowns” (incl. Brexit, EBGL, Clean Energy Package).
- Additional resources to support policy ambition.

Incentivising performance via KPIs and prioritising BAU.

As discussed in detail during the PCF, underperformance against KPIs is a concern for industry, as well as the Market Operators’ expectation that many KPIs will continue to be a challenge to achieve. We believe it is important that consideration be given by the RAs to sharpening price signals - considering minimum service levels and KPIs in the recoverable sums (i.e., a greater share of cost recovery is linked to the delivery of a minimum level of service against KPIs). Price signals on under or over performance of KPIs should be made sharper to improve their effectiveness on delivering outcomes by SEMO. Our members also feel that performance against KPIs should be reported on to market participants regularly.

WEI and RNI members believe that Business as Usual (BAU) projects should be clearly defined and handled separately to business improvement projects and monitored. As noted above, minimum service levels, and sharpening price signals to ensure a stable environment as part of the BAU operation, is important and needs to be considered as part of the RAs determination.

Approach to “known unknowns” (incl. Brexit, EBGL, Clean Energy Package).

In relation to CAPEX projects, and specifically “known unknowns”, we strongly recommend that high priority projects, such as Loose Volume Coupling, EGBL, storage facilitation and the implementation of the Clean Energy Package are expedited. These projects will require considerable market changes that should be handled as discrete projects, with co-ordination across the industry once the detailed market changes are agreed upon. This is required to

ensure timely delivery. For example, the lack of progress in implementing the Clean Energy Package to date is already having a significant impact on the investment signal for new renewable generation and increasing risk to the current pipeline of renewable projects which will result in higher prices seen in renewable auctions. Further detail on this issue was provided as part of WEI and RNI's response to SEM-21-026 and SEM-21-027 in July 2021.

We are aware from the PCF that SEMO highlighted the need to carefully define projects before commencing them, as a key learning from the I-SEM project. In general, we agree with this approach, however it is our view that where "known unknowns" cannot be clearly defined now, handling these as discrete projects within the 2021 – 2024 Price Control window might be more efficient than including coarse provisions as is currently proposed.

Additional resources to support policy ambition.

Finally, in relation to resources, WEI and RNI members wish to highlight the step change that is taking place across industry, underpinned by government policy ambitions for 2030 and beyond. We would encourage the RAs to consider the capability of SEMO to support these ambitions, considering the Market Operator's pivotal role within the overall system.

Given the scale of market evolution over the coming years, and the fact it has already been noted that there are deficiencies in the existing market, it is reasonable to assume that more resources will be needed to manage multiple parallel workstreams going forward. We would be concerned that limiting this resource capability will mean SEMO will not be able to deliver all the required changes over the next few years. In setting out resource allowances, we believe it is also important that the expected delivery for SEMO's core functions should be made clear. This will help identify areas where resource is needed most.

Conclusion

We thank the SEM Committee for the opportunity to make this submission in regards the consultation on the 2021 – 2024 Price Control, and we look forward to engaging with you on the next steps in the process.

Best Regards,

Dave Linehan

Dave Linehan

Head of Research, WEI

On behalf of WEI and RNI