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26<sup>th</sup> November 2021

**RE: TSO Investment Planning and Delivery multi-year incentive**

Dear consultation team,

Bord Gáis Energy (**BGE**) welcomes the opportunity to respond to your consultation on the TSO's Investment Planning and Delivery (**IP&D**) multi-year Balanced Scorecard 2022-2026.

Our views expressed below are in the context of the PR5 CRU decision<sup>1</sup> around this incentive. The objective of the IP&D incentive is to ensure efficiency, quality and rigour of end-to-end processes for IP&D and that 'clear consumer benefits' are delivered. BGE does not believe that this proposed multi-year (MY) incentive plan goes far enough to achieve the objective the CRU has in mind for the incentive.

In this proposal the TSO refers to its "six step" approach<sup>2</sup> to planning and delivering projects. Reference is made to how oversight of the quality and robustness of the decision making around IP&D is provided by the six-step approach which ensures that IP&D "*is effective and fully comprehensive in its considerations*". Looking at step 1 ("how do we identify the future needs of the electricity grid") of the TSO's 6-step process changes in demand for electricity are the main driver for determination of scenarios to explore future electricity needs. As a potential need becomes more certain and is confirmed, then a formal process of project development commences (leading to step 2 – "what technologies can meet these needs" e.g., overhead/ underground lines), and so on to steps 3-6.

**BGE's concern with the deference to this six-step approach as evidence of an efficient, rigorous end to end process, and reference to the Transmission Development plan (TDP)<sup>3</sup> for a list of ongoing projects, is that it does not appear that a quantitative assessment is being carried out at the outset of a project to determine whether it is the right choice solution or not. Such an assessment in our view is required if clear consumer benefits are to be delivered in line with the intent of the PR5 decision.** To evidence a robust end-to-end process that delivers benefits for consumers a quantitative assessment of the costs and benefits (**CBA**) of a project must be undertaken in the very early stages of the planning and choice of project process (~step 1). A CBA of a particular project should for example quantify what the calculated benefits of it are versus its costs and what its payback period might be. Take constraints issues for example, constraints have had and continue to have a major impact on the efficient running of markets. In Dublin for example, constraints have led to a locational scarcity scalar being applied for certain DS3 products in Dublin. Constraints have also led to a Dublin constrained capacity zone which zone is cleared in the capacity market separate to the capacity market's initial auction (unconstrained) run. Constraints too also lead to a significant number of non-energy actions being taken in the energy balancing market which have driven higher costs for consumers. These DS3, capacity and balancing market inefficiencies lead to higher overall costs for consumers<sup>4</sup> and unforecastable outcomes for investors. Constraints could also be said to have ultimately led to the security of supply risks we face in SEM today.<sup>5</sup> A CBA assessment of constraints that could be alleviated in Dublin, or Cork for example with the arrival of Celtic and Greenlink interconnectors, could help inform to what extent a project(s) should be prioritised or not. It is the case too that a particular suite of projects can fix multiple constraints and CBA assessments of

<sup>1</sup> S. 7.8 <https://www.cru.ie/wp-content/uploads/2020/12/CRU20154-PR5-Regulatory-Framework-Incentives-and-Reporting-1.pdf>

<sup>2</sup> [http://www.eirgridgroup.com/\\_uuid/7d658280-91a2-4dbb-b438-ef005a857761/EirGrid-Have-Your-Say\\_May-2017.pdf](http://www.eirgridgroup.com/_uuid/7d658280-91a2-4dbb-b438-ef005a857761/EirGrid-Have-Your-Say_May-2017.pdf)

<sup>3</sup> <http://www.eirgridgroup.com/site-files/library/EirGrid/Transmission-Development-Plan-2020-2029.pdf>

<sup>4</sup> BGE notes also that network issues have a binary impact on imperfections costs for consumers but the incentive to reduce imperfections costs is being addressed under the separate TSO imperfections incentive

<sup>5</sup> Please see BGE's response to the consultation that closed last week on Multi-year DSO/TSO Work Plan Covering 2022 – 2026, Joint System Operator Programme October 2021 where we discuss the negative impacts on consumers and investors of constraint driven inefficiencies in the energy, capacity and DS3 markets

possible projects with this objective in mind should be undertaken too to help determine prioritisation of projects by reference to the quantified benefit it gives end consumers.

**Part of that CBA we envisage would also for example include the transparent contribution of a project to security of supply.** The consultation points readers to the TDP for drivers behind projects. While almost all of the Dublin based projects tick the 'security of supply' box in the summary tables it is apparent from our assessment that only one listed project may help alleviate a Dublin constraint. It is not sufficiently transparent why or how a project is assigned a marking that it contributes to security of supply or to what extent. While the TDP offers visibility of the throughput of projects, this does not mean that the right projects at the right time are being planned and delivered. Considering constraints in Dublin and across Ireland have profound impacts for markets, consumer costs and security of supply, we ask that this changes. We therefore ask that CBAs for what are currently known to be major constraints in Ireland like Dublin and Cork are undertaken to help prioritise planning and delivery of those projects of most benefit to consumers this decade. If projects are not initially quantified for costs/ benefits then it is very difficult to ensure improvements and achievements under this IP&D are being targeted, achieved and therefore measured in the correct manner.

**Regarding the proposed metrics and measurement of success under this incentive, simply targeting that a number of projects will be completed through steps 1-6 with no reference to their value or benefits to customers/ end consumers is insufficient in our view. Targets and metrics applied under this incentive should be focused on progressing the priority projects, determined via our proposed CBAs, as having the most quantifiable benefit to consumers.** This is more in line with the spirit of the CRU's intention for this IP&D incentive. Otherwise, it is possible that even with an independent audit, the report could be focused on projects that are not as quantifiably beneficial as those that might be determined as most beneficial to consumers under a CBA. This approach could result in delivery of projects to the volume set out in the targets but not of the value to the end consumer that they could or should be.

**Regarding the Transmission outage programme (TOP) under step 6 metric, for better transparency we ask that a distinction is made between capex projects and maintenance projects driving the outages.** We understand that capital-project related outage planning is overlaid with maintenance related outage requirements which tend to be of shorter duration and the overall plan is called the TOP. For TOP:

- BGE asks that the TOP incentive is weighted more heavily towards the capex side and that a large percentage of delivery under any TOP plan is applied to the delivery of capex as opposed to maintenance TOP projects at step 6. The reason for this ask is that while annual maintenance projects are important they are more a core competency of the TSO akin to business as usual. Capex or reinforcement outages on the other hand contribute to expanding system capabilities. Furthermore it may be necessary to mitigate any perverse incentive from a metric of "delivery percentage outturn" possibly resulting in less capex projects being incorporated in the IP&D. Consideration could for example be given to requiring a focus in delivery of projects that are on the top end/ portion of the savings that a wide range of capex projects examined under CBAs could deliver.
- We also ask that the metrics include evidence that the TOP was taken at the optimal cost as the cost of taking certain outages at one time versus another time can be extremely high. An outage may for example require must run generation which is very costly. Robust planning of outage works, and timings would also help ensure that the risk of having to return and carry out another outage to complete the work started during a previous outage is mitigated. Planned and actual timings of outages and their actual cost to the market compared to a forecast cost for the outage should also be measured and monitored under this incentive for TOP.

Finally, we ask that re-consideration is given to the step 4-5 targets around CPPs issued to the TAO. While timely issuance of CPPs to the TAO is very important we understand that this timely issuance is already being incentivised through the TSO/ TAO joint incentive.

In conclusion, we ask for more transparency about how projects will in PR5 be prioritised in terms of the quantified benefits for end consumers as per the CRU's stated intention for this IP&D incentive. The six-step process does not appear to include a CBA / quantification process whereby pursuing one project over another has clear consumer benefits. Prioritising projects using CBAs would also make the targets and metrics against which the TSOs are being assessed much more impactful and valuable for consumers. Constraints in Dublin, Cork and the West for example are key examples of issues that could be assessed to determine projects that could be prioritised to alleviate constraints and lead to overall consumer benefits

given the above noted market inefficiencies that are largely driven by constraints. We also ask that the TOP metric splits capex and maintenance outages, so it is more transparent which types of TOP are being delivered and the value to the consumer. This would make TOP delivered much more transparent.

I hope you find the above suggestions and views helpful. Please contact me should you wish to discuss any aspect.

Yours faithfully,

**Julie-Anne Hannon**  
**Regulatory Affairs – Commercial**  
**Bord Gáis Energy**

*{By email}*