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Eirgrid
by email

Our Ref: EN01-005579

7 August 2017

Dear Sir,

Re: Consultation Response - DS3 System Services Enduring Tariffs

RES is the UK & Ireland's largest independent renewable energy developer with interests in energy storage, onshore wind, wave and tidal, offshore wind, solar and demand-side response. RES is at the forefront of innovation and design around the world, and now employs over 1000 people and has developed/built over 10,000MW of wind energy assets.

Since developing our first onshore wind farm in Ireland in the early 1990s, RES has subsequently developed and/or constructed 22 wind farms across the island totalling 318MW. RES currently operates over 118MW of wind capacity and has secured planning permission for a further 59MW under/awaiting construction, and has 81MW in the planning system.

RES is one of the world's leading independent energy storage developers. RES has a global energy storage portfolio totalling more than 240 MW (275 MWh) providing multiple grid services and was identified by Navigant Research as one of the leading utility-scale energy storage integrators.

Based in Larne, County Antrim, RES' Ireland team comprises 20 staff covering environmental, planning, engineering, technical, legal, commercial, project management, construction, operations and administration disciplines.

RES is a member of the Irish Wind Energy Association (IWEA).

We consider ourselves well-placed, therefore, to comment on the important issues addressed in this consultation and are grateful for the opportunity to respond. For the avoidance of doubt, this consultation response is non-confidential.

Responses to consultation questions

Question 1: Have you any comments on the proposed tariff rates for the Enduring Regulated Tariff arrangements?

From RES' perspective as a potential developer of battery energy storage installations for provision of system services, it is difficult to comment on the adequacy of the proposed tariff rates for the Enduring Regulated Tariff arrangements given uncertainty around

- the development of SNSP

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- the procurement process

Question 2: Have you any comments on the TSOs' recommendation that the regulated arrangements be put in place for a minimum defined time duration until such a time as there is greater information available on the timeline for implementing a long-term market mechanism for System Services?

RES agrees with this recommendation. In particular RES agrees that "*a minimum of four year contract certainty is required to deliver investment"* and endorses the TSOs "*minded to recommend a minimum of six year contract certainty for these products."*

Question 3: With respect to contract certainty, are there other considerations which we should take account of or other options that we should explore further?

It is difficult for developers of new service providing assets to commit to deliver services in the proposed two phase procurement program (contract execution for 11 existing services on 1st May 2018 followed by contract execution for 3 new services on 1st September 2018). Developers may need offer of contract on a mix of existing and new services before they can commit to contracts which would require investment in new assets. The procurement program (both initially and in subsequent rounds) should align contract dates for all 14 services. The proposed two phase procurement program discriminates unduly against developers of new service providing assets and in favour of existing service providing assets. The reasons for proposing a two phase procurement program are unclear and would have to be compelling to justify such discrimination.

Question 4: Have you any comments on the TSOs' recommendation to replace an annual tariff review with a conditional tariff review, or are there alternative approaches that you think are better?

RES agrees with the TSOs' recommendations on this matter.

Question 5: Are there other considerations on the conditions under which a conditional review would be triggered?

No comment.

Question 6: Have you any comments on the proposal to exclude a high annual wind capacity factor as a consideration for triggering a conditional tariff review?

RES agrees with this proposal.

Question 7: Have you any comments on the TSOs' recommendation to use the 'Stepped' scarcity scalar design rather than the 'Linear' scarcity scalar design?

Item 2 in section 4.3 of the consultation document claims that *"the use of a 'Stepped' rather than 'Linear' scarcity scalar design limits the exposure to delays in SNSP increases"* but this is not supported by any analysis in the consultation paper and RES disagrees with this claim.

The stepped scalar design presents developers with a cliff edge risk whereby access to higher scalar values could be prevented by implementing SNSP limits just short of a scalar threshold value. While the TSOs may have no such intention, this is a risk which could be identified by investors who would discount project values accordingly and consequently prevent or delay investment in new service provider assets. A linear scarcity scalar should not be perceived by investors to be a perverse incentive to hold down SNSP limits in the same way that a stepped scalar could be perceived.

It is not clear what value of SNSP would be applied in any settlement period? The start of period value, end of period value, maximum, minimum or mean value could be applied to settlement period values. The instantaneous value could be applied on a second by second basis but this would introduce complexity. The mechanism should be clarified. RES recommends that the maximum SNSP value within each settlement period should be applied to the whole settlement period.

As higher SNSP values will trigger increased service payments due to scarcity scalar, there will need to be defined processes for determining and recording the SNSP.

Question 8: Should we decide to use a 'Stepped' scarcity scalar, are there other considerations which we should consider in its design?

The determination of the applicable SNSP value should be considered as discussed in RES answer to question 7 above.

Question 9: Do you agree with the TSOs' recommendation on the method by which to mitigate over-expenditure as a result of potential overinvestment by high availability technologies?

RES agrees with the TSOs' recommendations subject to the following point:

- The TSOs must make explicit that any review of the definition of "availability" or introduction of a volume scalar or introduction of a qualifying volume limit will not be applied retrospectively to any contracts in force at that time. Failure to do so would present a significant risk to investors in new service provider assets which may prevent investment.

RES agrees with the TSOs' recommended principle of *"technical realisability".* The definition of this important term should be included in any glossary associated with system services.

Question 10: Have you any comments on a preferred method to implement a procurement based volume limit on the level of high availability technologies to obtain system service contracts?

Please see RES' answer to question 9 above.

Question 11: Do you agree with the TSOs' recommendation to delay the implementation of taking the higher of a service provider's market position or physical dispatch, to determine the available volume of a service, for a minimum of 12 months post I-SEM go-live?

RES disagrees with this recommendation. Prompt access to all due revenue associated with an investment is an important factor in investment decisions. Delaying access to this particular revenue might prevent investment in new service provider assets.

When a battery energy storage service provider is recharging, it is able to deliver a greater volume of services than indicated by the MEC. The volume which is technically realisable would be the sum of the import volume (in a similar manner to the volume of a DSU which can be dispatched to zero MW) plus the MEC. If the TSOs wish to access this additional volume capability by redispatching the unit from its market position (normally zero or nearly zero MW) to an importing physical dispatch (subject to available unused charging capacity) then procurement contracts should reflect this capability and the unit should be rewarded for the cost of resultant additional battery degradation by implementing the higher volume resulting from the service provider's market position or physical dispatch.

Question 12: Do you have any comments on the method by which a resettlement between market and physical dispatch could occur following the 12 month delay?

Assuming that the resettlement is to implement the SEM Committee's decision that *"The higher of a unit's market position or physical dispatch will be used to determine the available volume"*, this debt to service providers should be repaid as soon as possible.

We hope the comments contained in our response will help the success of the DS3 project. Please do not hesitate to contact me if you have any questions about this response.

Yours sincerely,

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