

Consultation Team
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10th December 2021

RE: TSO PR5 Strategic Objectives Multi-Year Plan 2022-2026

Dear consultation team,

Bord Gáis Energy (**BGE**) welcomes the opportunity to respond to this consultation on the **TSO PR5 Strategic Objectives Multi-Year Plan 2022-2026 ('Plan')**.

Overall, we do not believe that the Plan as proposed is meeting the requirements set out in the PR5 Regulatory Framework, Incentives and Reporting Decision Paper¹ as the Plan needs to have clearer overall milestones and annual targets. The planned Strategic Objectives' milestones and measures should demonstrate the appropriate path to ensure delivery of the 2030+ targets in a manner that:

- delivers optimum value for consumers from cost and service perspectives and
- provides existing and new investors with confidence around market access and opportunities.

The outcomes described in the annual milestones of the Plan should be both demonstrably challenging, and strategically important for the system or market² with the target measures being consistent with strong performance relevant to either the timing, cost, or quality of the energy transition³. We believe the current plan falls short of this expectation. The Plan must have clear milestones around actions and target outcomes at a minimum for 2022 in detail and at a higher level for each of the next three years to allow a robust year-end assessment of delivery against these that warrants payments of the incentive.

The recently published Shaping Our Energy Future (SOEF) Roadmap provides clear requirements in its four component areas⁴ and in our view provides a good foundation on which to build the initial minimum annual deliverables for the Roadmap. The annual Strategic Objective targets should map against the SOEF ambitions. The Plan should outline the annual measures to deliver the SOEF expectations for 2025 (including for example System Services Future Arrangements and post-Brexit market updates) as well the measures preparing for SOEF beyond 2025 (such as increasing SNSP limits and growth in interconnection)⁵. We note however that the SOEF is a plan for achieving 70% of renewables in electricity by 2030 so the actions/ milestones in these Strategic Objectives should take account of the increased ambition for up to 80% renewables in electricity by 2030.

PR5 envisages quantifiable outcomes for customers (such as anticipated reductions to system constraint costs from network improvements), and also for market participants (such as increasing investment signals in capacity or system services)⁶. We do not see this in the current draft and we ask that the Plan demonstrates more quantifiable value delivery in each of the years covered. While future plans are subject to change as more precise information becomes available, the TSO should make all efforts to provide reasonably accurate forecasts in the Plan on value delivery to customers and participants.

¹ (CRU/20/154)

² Section 7.10 (Strategic Incentives) PR5 Decision Paper (pg65)

³ Annex 11 (TSO Strategic Incentives) PR5 Decision Paper (pg125)

⁴ Network Infrastructure, Engagement, System Operations, and Electricity Markets

⁵ E.g., table 29 outlines Ireland networks multi-year plan which references several actions spanning the PR5 period such as determining Dublin future capacity plans and flexible non-wires strategy deployment

⁶ Annex 11 (TSO Strategic Incentives) PR5 Decision Paper (pg124) - *"The [key performance] indicators should focus on the outcomes for customers and/or market participants. The outcomes for customers will primarily relate to costs and service quality. The outcomes for market participants will primarily relate to access to market opportunities and commercial certainty."*

Overall, we see the current draft of the Plan as having insufficient detail on: the milestones to be delivered across the PR5 period against the wider SOEF expectations; the specific measures against which annual delivery can be measured; and how the PR5 milestones will evolve into PR6 forming the basis for the longer-term achievement of the 2030 aims⁷. Care is needed that targets in the Plan are not double counting or over-lapping with milestones under other TSO incentives. Business as usual activities also should not be part of the Strategic Objectives. It is with these points in mind that we offer our below feedback and proposals.

1. Networks

BGE believes the Plan should demonstrate the 2022 milestones and measures for:

- delivering the network capacity availability studies, and
- publishing the initial onshore grid plans demonstrating impacts from expected offshore grid development and growth in interconnectors, and the proposed plans to alleviate these impacts.

We expand below on these focus areas for 2022 and provide further comments on the Networks area of the Plan.

BGE believes that better milestones are needed in the Plan to providing insights to generation and large energy users seeking to connect to the electricity grid as to where capacity is presently available or where it will be available in the future. The SOEF has decided on a mainly generator-led approach to connections in Ireland and there is value in providing foresight to prospective developers as to where is the optimum location to invest all around Ireland. We ask that for 2022 there is a milestone on the completion of network studies by EirGrid that identifies those locations on the grid that have (or are expected to have) available capacity such as to support longer term locational investment signals. The value delivery could be expressed in terms of better insight on market-based investment opportunities for participants, and potentially avoiding increases to grid constraints and congestion.

BGE believes the TSO needs to incorporate into the Plan milestones for the delivery of the onshore grid plans necessary to accommodate offshore grid connections which may need to start as early as 2022 given the first offshore RESS auction timings. These grid plans will be essential in accommodating the offshore grid developments and supporting the transition to a low carbon energy system in PR5. The overall onshore grid solution delivery target should be verified by the CRU as stretching but achievable and would likely include a number of intermediate annual milestones.

Equally the onshore grid plans need to consider the impact new interconnectors will have on grid constraints over the coming decade including impact assessments and constraint abatement plans. Should the onshore grid plans not already be included under another TSO PR5 incentivisation mechanisms such as Imperfections and Constraints or IP&D (they are currently not), then we ask they are incorporated into this Plan. The milestones, measures, and targets for progressing onshore grid plans that for example mitigate the otherwise inevitable worsening of constraints in the Cork area once Greenlink and Celtic interconnectors connect should be clearly detailed in the Plan given the advanced project status of both interconnectors.

We ask that overlapping incentives (such as the TSO/ TAO joint approach⁸) are removed from the Plan unless the milestone in this Plan is demonstratable as strategic in nature and is not part of another incentive. Some milestones do have a critical importance to the TSO activities and must be correctly incentivised, such as outage planning and the flexible network strategy. But we ask the TSO to ensure that these activities land uniquely within one of the PR5 incentives to avoid initiatives or measures being double counted⁹.

⁷ Section 7.10 (Strategic Incentives) PR5 Decision Paper (pg65)

⁸ The Plan identifies in Q4 2022 a milestone of “*Implementation of an end – end TSO/TAO joint approach to optimise programme delivery time of electricity infrastructure*”. Yet “*...efficiencies through enhanced collaboration*” is separately incentivised under Section 7.9 (Joint Incentives) of the PR5 Decision.

⁹ Annex 11 (TSO Strategic Incentives) PR5 Decision Paper (pg 124)

2. Markets:

In our view, the Markets area of the Plan for 2022 needs to show milestones and measurables delivering:

- the scoping requirements for the System Services Future Arrangements (SSFA),
- participant involvement with the principles and concept of the Capacity Market alignment with a high-RES world and system requirements, and
- the integration of the SEM into the GB market and forwards trading on the interconnectors.

Further detail on these are provided below.

BGE wants to see the considerations of the SSFA ‘future arrangements’ in the Plan to be more reflective of the current status for this project. As the High-Level Design and Detailed Design will be issued by the Regulatory Authorities in 2022, we ask that the Plan identifies a milestone for scoping the system requirements in 2022 and also annual milestones (starting in 2022) to review and update the SSFA volume requirements for participants. Please see our ‘Operations’ section below for more suggestions around 2022 SSFA related milestones for the Plan.

We request more precision and detail on the milestones, measures, and targets to deliver the Capacity Market alignment with a high-RES world and system requirements as set out in the Markets - Pillar 1: Multi-year plan¹⁰ section of the SOEF Roadmap. Considering the importance of the capacity market to the security of supply and the lead times for investment decisions and asset development, we ask for the earliest possible annual milestones to engage market participants in discussions and consultations on the principles and concepts being considered by the TSO and the Regulatory Authorities.

BGE believes that more specific details, measures, and targets are needed on the steps required to integrate the SEM into the post-Brexit GB market, and subsequently into the EU market following the direct reconnection of the Irish and European grids. We ask the TSO for example to include in the Plan the indicative milestones needed in 2022 and early 2023 to understand what steps could be taken for the development of transmission rights on a forwards timeframe for interconnectors. The current post-Brexit cessation of forwards trading arrangements on the interconnectors with the GB market is impacting the hedging options for Suppliers which ultimately negatively impacts end consumers. It seems unlikely that the current deadline for re-coupling of SEM to the GB market on a Day-Ahead (DA) basis of April 2022 under the Trading & Cooperation Agreement (T&CA) will be achieved but the earliest solution to this problem is a priority for Suppliers and will ultimately benefit the end consumer.

Similarly, we ask for more detail, measures, and targets for the interim steps before 2025 for integration of SEM into the European system later in the decade including scoping the changes related to integrating the intraday and balancing markets. We ask that consideration is given to inclusion of a 2022 milestone to ensure that the choice of SSFA design will not hinder alignment with EU balancing market requirements (with a view to ensuring that upheaval around market design will not be required again within a few years on foot of misalignment between system services products for example and EU balancing market platform products).

The objective of the Strategic Objectives incentive is for the TSO to retain a share of the value to the market if the TSO “outperforms what might reasonably be expected in specified, strategically important areas”¹¹. We ask that business-as-usual (BAU) activities are therefore removed from the Plan such as the delivery of capacity auctions under the existing design.

3. Operations:

We consider that the Plan milestones and measures for Operations in 2022 must plan for:

- an earlier provision of the product definitions and high-level design of the SSFA, and
- the provision of updated SSFA product volumes requirements from the initial volumes provided in December 2021.

¹⁰ Shaping Our Energy Future Roadmap (pg 133) - Table 38: Markets - Pillar 1 multi-year plan

¹¹ Section 7.10 (Strategic Incentives) PR5 Decision Paper (pg64)

We expand below on these proposed additions/ amendments to the draft Plan.

The design and implementation of the System Services Future Arrangements (SSFA) by 1st May 2024 must be a key focus for the TSO in the next 3 years. BGE suggests the following points to improve the Operations section of the Plan with regards to the SSFA:

- BGE proposes the milestone of “High-level design of system services products for inclusion in the first Future Arrangements auction” should be delivered in collaboration with industry by Q2 2022 at the latest as we consider Q4 2022 to be far too late. Participants are keen to have this information as quickly as possible considering the current go-live date for the SSFA of 1st May 2024 and the need for investment decisions around flexibility to arise as early as possible. Our understanding from the draft milestone is that the TSO is revising the SSFA product definitions. If that is correct, we ask that the Q2 2022 timing is again used as the target.
- The Q4 2023 milestone to “Develop methodology and process for determining system services auction volumes and forecasting longer-term system services requirements” leaves this action very late against industry expectations. We believe that the milestone on the methodology and processes relating to system services auction volumes and requirements needs to be updated to reflect the initial volumes provided in December 2021 and the Plan needs to show an annual milestone to review and update the SSFA volume requirements for participants. Ideally during the course of 2022 we would see an updated version of the December 2021 document with a much more diverse and probable range of scenarios to get sound insights into the volume and technology types needed to deliver on 2030 aims. That document could then be updated annually in line with revised forecasts and assumptions around installed levels of different technology.
- We ask the TSO to ensure that a successful programme of pre go-live tests of SSFA systems and operations (including industry trials) is captured by the inclusion in the Plan of a number of pre go-live milestones for the SSFA leading up to 1st May 2024. Participant experience from the ISEM project up to go-live recognised the benefits of significant systems and operational trials leading up to go-live. We would have expected to see similar levels of trialling to be planned up to the SSFA go-live on 1st May 2024 and ask that the Plan is updated with these milestones.

Overlapping milestones in the Plan need to be removed to avoid double counting of deliverables.

- We ask that more clarity is given to the scope of the “Operational Policy Roadmap to 2030” in this Plan to demonstrate that it is not overlapping with activities captured under other incentives (namely the Operational Policy Roadmap to 2030 workstream in the TSO PR5 RES-E Multi-Year Plan incentives) to avoid being double counted. We also propose that this Roadmap is updated annually for at least the following 3 years given the considerable change expected in the industry on foot of the SSFA, RESS and ORESS auction outcomes, the connecting of the new Interconnectors, and ESBN’s “National Network, Local Connections” programme.
- Milestones relating to reducing the minimum number of large synchronous units from 8 to 7 and the inertia floor from 23,000 MW to 20,000 MW appear for both 2022 and 2023. Yet this action is a target under the ‘Imperfections and Constraints’ incentive and should not appear in this Plan. Overlapping deliverables that already appear in other incentives such as the operational procedures for the Greenlink and Celtic Interconnectors should also be removed to avoid being double counted.

We ask that BAU activities are removed from the Plan so that the Plan captures just the true strategic deliverables for PR5 and beyond. We believe this can be achieved through better precision and clarity in the Plan. For example, under the “Ongoing multi-year deliverables” in Operations we consider the studies to ensure a secure power system with increasing levels of renewables, while very important, are a business as usual (BAU) activity.

By removing this and other BAU activities, the Plan should be focused on the clear strategic deliverables that are the subject of this incentive.

4. Engagement:

BGE believes that incentivisation of engagement under the Strategic Objectives should only be for those areas of engagement that are new for the TSO due to the transition to a low carbon energy system such as the engagement and encouragement needed to develop Energy Communities or Active Customers. Otherwise, we see engagement as being adequately incentivised via Stakeholder Engagement¹². Strategic projects by the TSO do have a key requirement to engage stakeholders and the public in their project process to ensure the necessary level of acceptance to enable project delivery (such as infrastructure projects)¹³ occurs. Otherwise, some projects can fail before or at implementation. We ask the TSO to demonstrate how the proposed Engagement milestones in the Strategic Objectives are new in purpose and enable delivery of the transition by the TSO. Those milestones that do not meet this latter criteria should be removed.

I hope you find the above comments and suggestions helpful. Please let me know if you have any queries or wish to discuss any aspect further.

Yours faithfully,

Ian Mullins
Regulatory Affairs – Commercial
Bord Gáis Energy

¹² Section 7.7 PR5 Regulatory Framework, Incentives and Reporting Decision Paper (CRU/20/154)

¹³ SOEF Key Messages (pg17) – *“To enable the deliverability of electricity infrastructure the consultation process clearly identified and reinforced the need for public acceptance.”*