Introduction

RenewableNI is the trade association and voice for the renewable electricity industry in Northern Ireland. We represent over 30 businesses, fostering knowledge exchange, sharing best practice and supporting policy development. Our members make up a large majority of the renewable industry supply chain in Northern Ireland.

RenewableNI welcomes the opportunity to respond to the consultation on Guidance for the Evaluative Performance Framework.

The Department for Economy's new Energy Strategy which is due for publication in November 2021, has the potential to re-energise renewable investment in Northern Ireland. It is clear we will see an increased target over and above our 2020 RES-E goal, in line with the UK's next zero emissions target by 2050 and the Climate Action Plan in the Republic of Ireland. RenewableNI has proposed an 80% RES-E target by 2030 as ambitious but achievable and at a minimum we are likely to see it increase to 70%. However, the Energy Strategy will only be a success if the various strands of public policy once again align to create a supportive environment for renewables. Vital to this will be investment in grid infrastructure and system tools to increase the System Non Synchronous Penetration (SNSP) level and reduce the levels of constraint and curtailment.

Based on SONI's *Tomorrow's Energy Scenarios*[1] the achievement of an 80% target would require 2.8GW of additional renewable generation. With 100MW of new connections expected in 2021 and the pipeline is only likely to increase once the new Energy Strategy is published, it is easy to see the level of demand that is coming. It is vital that SONI has the right funding and incentives structure in place to deliver the necessary grid and system changes needed over the next 5 years if we are to accommodate these significant increases in renewable volumes to put us on the right path to 2030.

Evaluative Performance Framework

From the outset we would ask how is it intended to form the evaluation panel? We did not see information on this in the consultation. Will there be allowances for industry representation?

In general, we see the merit in adopting a holistic assessment of SONI's activities and an outcomes focused approach to performance. We agree with this objective and the outline proposal for the

[1] SONI, *Tomorrow's Energy Scenarios*

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evaluative performance framework. There are two main points we would like to note in relation to the proposals.

1. Strategic Planning

The draft framework proposes that an annual forward plan is prepared and reviewed during the price control period. While we agree with ongoing assessment of SONI's work activities we believe the framework would benefit from taking a more strategic approach from the outset and allow SONI to adopt a 5-year plan that could be reviewed in terms of performance milestones on an annual basis and perhaps re-evaluated at specific points if necessary.

The reason for this is that the necessary system and operational changes that SONI will need to bring into place are generally long-term in nature, whether it be grid reinforcement or operational changes to facilitate renewables. Taking a longer-term strategic approach would allow SONI to develop plans and proposals for this 5-year period in areas such as increasing SNSP, minimising dispatch down and developing the grid, which necessarily must be planned over a wider timeframe. This would also help provide a better frame of reference and inform the annual performance milestones that need to be reached to achieve these wider strategic objectives.

Our concern with the draft framework is that the annual planning approach, which entails multiple steps and possible consultations, would be overly burdensome for SONI, as well as stakeholders and the evaluation panel and would lack the necessary strategic oversight.

2. Specified Performance Information

We note that in Appendix 3, specified performance information that SONI could report on under the framework is outlined. This takes onboard feedback from the price control consultation in 2020 including potential metrics for SNSP, RES-E and dispatch down.

While recognising that there will be additional information required from SONI to demonstrate how exactly their actions have contributed to certain outcomes, we reiterate that there are specific performance metrics that are useful as a baseline to evaluate performance. These quantitative metrics can and should be incorporated alongside more qualitative features of the performance framework.

We highlight three particular areas of importance; renewable dispatch down, SNSP and RES-E which are relevant here. Annual performance targets in these areas, notwithstanding the wider strategic approach, would not be prescriptive in determining exactly how SONI would achieve these targets rather they are outcome focused and allow SONI to best determine how to innovate and deliver on the targets.

We also strongly emphasise the need for all-island alignment in this area between SONI and EirGrid. The CRU's decision on EirGrid's price control (2021-2025) has set annual targets for dispatch down. RES-E and SNSP. We do not believe these targets should, or even can, be progressed on a jurisdictional basis as SONI/EirGrid operate an all-island system. Divergence in incentive targets and

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objectives also leads to an uneven playing field for industry and could potentially distort investment signals on the island.

Dispatch Down

RenewableNI supports the objective of incentivising SONI to minimise the dispatch down of renewable generation. In the context of the future development of renewable support schemes which will likely be auction based, and the cost implications of generators bidding in forecast constraint and curtailment estimates, a specific incentive to minimise dispatch down would be very welcome and provides a positive signal to industry that these issues are being focused on and that the TSO is being incentivised to manage them. This is particularly welcome if it is combined with approved funding for key strategic enabling initiatives and is one of a number of inputs that developers can use in their financial models to determine their bid prices.

We believe that the incentive should reward performance for dispatch down reductions below a baseline annual target (set at 5% for EirGrid) and likewise there should be a downside with a penalty that increases for dispatch down above the target (the downside kicks in above 7% for EirGrid). This reduces the potential for a 'cliff-edge' mechanism and helps ensure the TSO are incentivised to minimise dispatch down as much as possible and have the scope to use their own initiative as to how this is best managed rather than a specific process being defined for them. Dispatch down is an all-island issue and we strongly suggest that the incentives are aligned between the TSOs in this regard.

We note that there are variables outside of the TSO's control that will impact the level of annual dispatch down (e.g. high/low wind years, changes in electricity demand) therefore we believe there may have to be allowances in the incentive mechanism to account for these so as not to unduly reward or punish the TSO. This is where the evaluation panel would be of benefit to make an overall assessment of SONI's performance in certain circumstances where there are factors outside the TSOs' control that could not be adequately managed. This is why we also believe there are other incentive mechanisms that, in combination with the dispatch down targets, will help ensure the TSO are incentivised to operate the system effectively and manage what they can control (e.g. SNSP and Minimum Generation levels).

SNSP & Min Gen

RenewableNI would welcome an incentive on the TSO to achieve annual SNSP increases with an overall target of achieving 85% SNSP by 2025. We believe this incentivises the TSO to manage what is in their control and will facilitate the integration of renewables on the system. Again, this focuses

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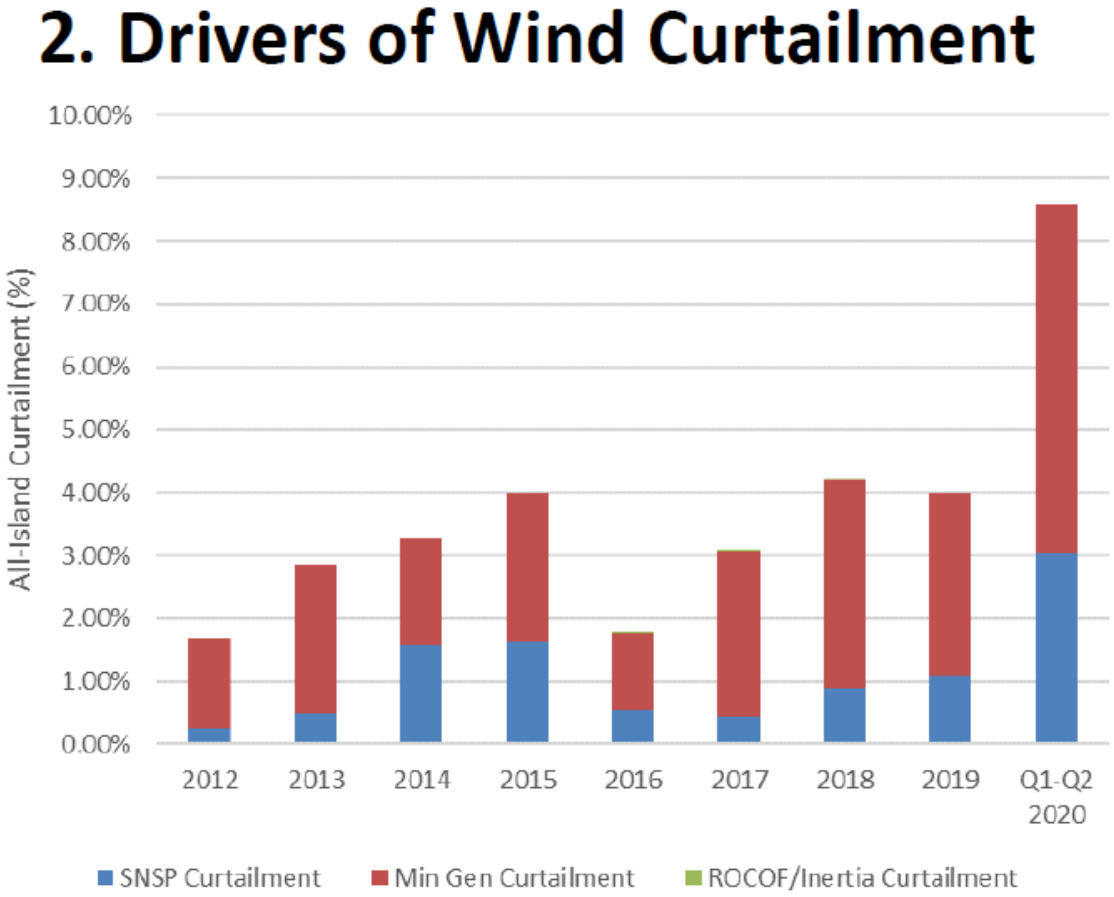
the TSO on achieving positive outcomes for consumers and the renewables industry without being prescriptive in the approach they need to take to achieve this.

However, we note that conventional unit minimum generation (Min Gen) levels are the main drivers of curtailment over the last number of years as the graph below demonstrates. Analysis by MullanGrid shows that there are a lot of conventional units operating well in excess of their declared minimum generation levels. We would stress that an SNSP incentive should be progressed in combination with an incentive on the TSO to reduce minimum generation levels out to 2025. This would be a more effective means of addressing the causes of renewable curtailment. We would propose that the incentive would target a certain MW reduction year on year in system Min Gen (currently estimated at around 1400-1500MW all-island). We propose the aim should be to reduce the Min Gen operational constraint by half by 2025. The same logic for the dispatch down incentive would be good to apply where the TSO is incentivised on a sliding scale to deliver beyond this target and penalised for poor performance.



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RES-E

While appreciating that there are factors outside of SONI's control that may influence the level of RES-E achieved year on year, it is RenewableNI's position that there is no other stakeholder in Northern Ireland that has as much control over the level of annual RES-E achieved than SONI. From grid connections to gird development, managing the system and putting in place the tools and services to integrate renewables, it is clear that SONI has a significant impact on the level of renewable energy on the system. Indeed, putting in place an annual RES-E target incentive would be a holistic, outcome focused approach that incorporates a number of business areas under SONI's management. In the absence of an energy strategy and 2030 RES-E target, we would welcome further engagement in this area but do recognise that any target should be ambitious and above and beyond business as usual processes.

Infrastructure Delivery

This is very important area for RenewableNI and does not appear to be addressed in Appendix 3. There is a clear need for grid reinforcement at present which will only increase as we move towards 2030. Constraints in Northern Ireland in 2020 were around 6.6% (total dispatch down 14.8%).

We believe this is an area where incentives should be introduced and these should be based on both a qualitative and quantitative framework that ensures that not only are SONI developing the 'right' projects but that they are progressing these through the various grid development stages in a timeframe that will allow us to deliver on our 2030 target.

We propose that there should be a qualitative and quantitative assessment of overall adequacy, i.e. are sufficient projects being brought forward in time to meet the needs of existing policy and is due consideration being given to the longer term policy trends (i.e. full decarbonisation) for re-enforcements that are very likely to have long delivery times.

While this would look at a whole of system approach and could form an independent analysis of end to end SONI processes, we also propose that metrics could be introduced in tandem to help ensure the TSO is incentivised to progress projects that contribute towards policy aims against a range of adequacy assessment criteria.

For instance, it is fully plausible that in some circumstances, a cheaper capex solution with slower deployment timelines, might have greater consumer cost impacts than a higher cost capex solution that could be deployed more quickly onto the system (the consumer cost impacts could be through higher dispatch balancing costs or higher constraint assumptions being factored into auction bids).

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In order to ensure that incentives drive forward projects with the most benefits, the following quantitative metrics could be useful to consider in this regard:

- % constraints for wind and solar projects with targets by area and year (this would have the added benefit of generating some degree of investor confidence in constraint assumptions – risks of higher than forecast constraints are extremely difficult for developers to quantify and price in auctions)
- % contributions to RES-E targets
- % emissions reductions
- Dispatch balancing costs attributable to network constraint issues
- Another metric which is a good performance barometer for the TSO is the volume of Firm Access Quantity (FAQ) issued every year. This could be linked to the reinforcements that are due to be completed under the price control and focuses the TSO on reinforcements that provide the most FAQ. It should be possible to calculate the volume of FAQ released by the grid reinforcements that are scheduled to be completed each year.

It is important to provide transparency and up to date information to the renewables industry on ongoing and future grid development. We would propose that a programme is established for every grid reinforcement once the need has been established. This would be a joint SONI/NIEN programme.

The first stage is covered off by the Tommorrow's Energy Scenarios and System Needs Assessment but once a need has been established SONI should then be incentivised to complete the optioneering phase within a fixed time period. After this step the project should have enough definition to allow a high-level programme to be developed mapping out how long it will take for the project to pass through each of the remaining stages until it is handed over to NIEN. The TSO should be incentivised to meet or better these timelines but would be penalised if they exceed the agreed maximum duration. We would suggest a sliding scale incentive mechanism so there is no cliff-edge that would then remove the incentive on the TSO to progress the project. Some consideration would also have to be given for potential delays outside of the control of the TSO in the design of the incentive mechanism.

Finally, we suggest that quarterly reporting for all grid reinforcement projects could be achieved via a live register published and maintained on the SONI website.

Stakeholder Engagement

RenewableNI believes that a customer satisfaction survey for generation customers should be introduced with KPIs to measure outcomes and incentives against performance targets. We suggest an annual survey should be introduced on generator customers experience of the System Operators' stakeholder engagement activities and this could be a means of measuring and incentivising improvements in outcomes for renewable generators connecting to the system.

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We are happy to provide more information on what such a survey could like.

Emissions Reporting

We strongly recommend that the TSOs should be required to measure and report on energy market and non-energy market (i.e. non-energy action) emissions as part of the existing quarterly dispatch down reports. The TSOs often position units away from the energy market schedule in order to meet system service requirements. These are known as non-energy actions. The recommendation is for the TSOs to model electricity system CO2 emissions to compare energy market emissions and actual electricity generation emissions to calculate the non-energy market emissions contribution. Or in other words, the emissions solely related to actions that are required to ensure the electricity system remains stable. As new low carbon system service and other flexible technologies come on the system it will be important to track and measure how these are being utilised and their impact on power sector emissions. Right now this is not being measured and so it cannot be managed.

Conclusion

In conclusion, we would like to thank the Utility Regulator for the opportunity to respond to this consultation. The next five years will be critical for us if we are to have any chance of achieving our 2030 targets and we emphasise the importance of SONI being adequately funded and incentivised to deliver the changes needed to put us on the right path to 2030.

Yours Sincerely,

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