

All interested parties,
stakeholders in Northern Ireland,
and other regulatory bodies.

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Date: 15/11/2019

To whom it may concern

Utility Regulator (UR) Decision on the Northern Ireland TSO's proposal for Synchronous Area Operational Agreement of Ireland and Northern Ireland, and the Load Frequency Control Block Operational Agreement Ireland and Northern Ireland

This letter provides detail on the Decision reached by the UR on SONI's submission of the amended Synchronous Area Operational Agreement (**SAOA**) of Northern Ireland and Ireland, and the Load Frequency Control Block Operational Agreement (**LFCBOA**) of Northern Ireland and Ireland. The UR's decision has involved engagement with the Commission for Regulation of Utilities (**CRU**) and taken into account their decision which has considered the Ireland TSO's (EirGrid) submission.

Background

Under Article 118 of the System Operation Guideline EU Regulation 2017/1485 (**SOGL**) all Transmission System Operators (**TSOs**) of a Synchronous Area must produce a series of proposals for submission to the relevant regulatory authorities as per Article 6.3(d) of the SOGL. Additionally, in accordance with Article 119 of the SOGL regulation all TSOs of a Load Frequency Control Block must develop a series of proposals for submission to the relevant regulatory authorities in accordance with Article 6.3(e).

The TSOs of Northern Ireland and Ireland, SONI and EirGrid respectively, submitted their joint proposals for the SAOA and the LFCBOA on the 21st December 2018, to the Regulatory Authorities (**UR and CRU**) in line with Article 6 (3) of SOGL. As required under Article 6(3) (d) and (e), only a subset of the common proposals contained within an SAOA and an LFCBOA are subject to regulatory approval.

The Regulatory Authorities have engaged intensively with the TSOs since the submission of the two proposals in December 2018 and issued a Request for Amendment to the two documents on the 24th June 2019. The TSOs subsequently developed amendments and consulted on these proposals for 4 weeks in July and August 2019. At the request of the Regulatory Authorities the TSOs have included, an LFC Area Operational agreement as Title 4 of the LFC Block Operational Agreement, to meet the requirements of Article 120 of SOGL. The TSOs

subsequently submitted their amended proposals to the Regulatory Authorities on the 23rd August 2019.

The SAOA and LFCBOA offer important insight into the processes and practices of the TSOs in scheduling and dispatching plant, providing greater transparency to market participants while maintaining a high level of operational security. In addition, these documents lay the groundwork for the wider integration of SEM into pan-EU markets, in particular new balancing platforms, provided for under the Guideline on Electricity Balancing.

Decision

The Regulatory Authorities have thoroughly reviewed the amended proposals and have also engaged with the TSOs following the submission.

This decision has been taken by the UR, and both organisations are issuing a joint decision paper (Annex 1). However this letter outlines the UR publication of the decision paper as the responsible competent authority in Northern Ireland, and the actions imposed on the TSO that we regulate; SONI.

As the SAOA and LFCBOA provide important transparency and insight into control centre operations and market interactions the UR wish to ensure that our Decision aligns with the requirements of Article 4(2) of SOGL by ensuring we seek improvements that;

- *apply the principles of proportionality and non-discrimination;*
- *ensure transparency;*
- *apply the principle of optimisation between the highest overall efficiency and lowest total costs for all parties involved;*
- *ensure TSOs make use of market-based mechanisms as far as possible, to ensure network security and stability;*
- *respect the responsibility assigned to the relevant TSO in order to ensure system security, including as required by national legislation;*
- *consult with relevant DSOs and take account of potential impacts on their system; and*
- *take into consideration agreed European standards and technical specifications.*

In general, the TSOs have provided improved detail and increased transparency on the operational processes and methodologies used to ensure system security and Load Frequency Control within the All-Island synchronous system.

The UR considers that the proposals can be approved conditional on the following two changes being made by SONI in advance of the conclusion of the SAOA and LFCBOA (within 1 month following approval);

- i. SONI must outline explicitly the legal precedence of the various SAOA, LFCBOA and LFC Area Operational Agreement documents and methodologies in relation to other existing agreements. The TSOs are requested to ensure that all affected existing agreements are revised and published (as required) to recognise the primacy of the SOGL Regulation (EU Regulation 2017/1485 of 2nd August 2017) requirements and provide transparency to industry.
- ii. SONI are requested to ensure they include in Article 11 of the SAOA a commitment to conduct annually an assessment of the evolution of the risk of FCR exhaustion. This should provide a holistic assessment that takes account of future expected changes to levels of non-synchronous generation, the ability of demand side response to provide FCR response and the integration of fast acting providers (and potentially energy reservoir limited providers) of reserve services.

Notwithstanding our approval (subject to SONI addressing the two points above), the UR have remaining concerns on a number of areas which involve interactions with Grid Codes and Distribution Codes, market operations, control centre operations, operational constraint lists, scheduling of fast acting plant, procurement of reserves and system services and linkages with innovation programmes, which we outline in further detail in Section 5 of the Decision paper.

The timeline we have outlined for resolution of these issues is outlined in Section 6 of the paper, and is as follows:

- SONI to provide a roadmap to the Regulatory Authorities for delivery of the work required within 3 months of approval of the SAOA and LFCBOA (by 15th February 2020).
- SONI Updates provided monthly on progress.
- Interim report on progress achieved within 6 months submitted to the UR (by 15th May 2020).
- Completion of all work required within 12 months (by 15th November 2020), with report provided on completion by 15th December 2020.
- Updated SAOA and LFCBOA submitted within 15 months to reflect changes achieved.

Next Steps

The UR has decided on the amended terms for SONI to make the two amendments necessary within 1 month of this Decision and in accordance with Article 118 (2) and 119 (2) of the SOGL regulation conclude the SAOA and LFCBOA within 1 month of this decision, enter into force within 3 months of this decision and must publish the relevant articles in accordance with Article 8 of SOGL.

In relation to the remaining issues SONI are required to report to the Regulatory Authorities in line with the timelines outlined above. If you have any queries regarding the information contained within this letter, please contact;

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Yours sincerely



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