

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

Ref: NET/E/TH/329

Date: 26 March 2021

To whom it may concern,

Decision to Approve the TSO proposal requesting not to implement an aFRP

Article 145(2) of Commission Regulation (EU) 2017/1485, of 2 August 2017 establishing guidelines on electricity transmission system operation (SOGL) states, that the TSOs of NI/IE synchronous areas (SONI and Eirgrid) may submit a proposal to their competent regulatory authorities requesting not to implement an automatic Frequency Restoration Process (aFRP).

This proposal would include a cost-benefit analysis demonstrating that implementation of an aFRP would lead to higher costs than benefits. If this proposal is approved by the competent regulatory authorities (RAs) in this case, the Utility Regulator (UR) and the Commission for Regulation of Utilities (CRU) the respective TSOs and RAs shall re-evaluate this decision at least every 4 years.

Background

In September 2019, the TSOs made their initial submission of a proposal requesting not to implement an aFRP in the SEM. The RAs reviewed the proposal and considered that the cost-benefit analysis on the initial submission needed more detail to conclude the need to reject the implementation of an aFRP in the NI/IE synchronous area.

The RAs responded to the submission in March 2020, to clarify several sections of the proposal and to raise some questions on the contents of the submission. In particular, the correspondence queried the lack of financial estimates for the benefits to an aFRP, and noted the challenge of being able to undertake a thorough analysis of the costs and benefits if only rough figures were being provided. As a result, more detail was requested on how estimated costs were calculated to allow the RAs to carry out a comprehensive review. Additional questions were also raised to gain a better understanding around the technicalities of implementing an aFRP.

The TSOs provided a response to the RAs feedback in March 2020, however there were still further clarifications which the RAs determined were needed prior to accepting the proposal. These considerations were communicated to the TSOs in May 2020, where further detail and quantitative information was again sought for the cost-benefit analysis.

Following correspondence throughout June and July 2020, the TSOs provided supplementary slides in September 2020, in response to the points raised. These slides outlined;

- The technical and geographical challenges and system security issues which would be experienced if an aFRP was to be implemented;
- Cost considerations for re-dispatch, joining, maintenance and implementation;
- Benefits which were based on the estimated theoretical cost reduction for absolute value of cost imbalances in the SEM; and
- A summary identifying that the costs of implementation outweigh any potential benefits and a conclusion that aFRP should not be implemented in the IE/Nl synchronous area.

The RAs considered the contents of the slides to be high-level and again communicated the need for a stronger analysis to be presented for the cost-benefit analysis. The TSOs and RAs had ongoing discussions between September and December 2020, with the RAs requesting further detail on how certain values which were presented in the initial submission and in the slides were calculated. In response to this in February 2021, SONI submitted a supplementary note to UR on analysis of benefits and costs from aFRP.

The supplementary note provided a thorough step-by-step explanation of how the calculations were carried out to assess the redispatch and other key costs, as well an explanation on the methodology to determine the benefits of aFRP imbalance netting. The results of the analyses provided financial evidence that allowed for a like-for-like comparison of the costs and benefits of implementing an aFRP, which concluded that the costs outweighed the benefits and an aFRP should not be implemented.

The RAs were satisfied that the information provided in the supplementary note clearly displayed a thorough cost-benefit analysis on the impact of implementation of an aFRP in the NI/IE synchronous area and agreed with the conclusion of the assessment.

Decision

In line with Article 6(7) of SOGL, UR has closely cooperated and coordinated with the CRU to reach an agreement on the proposal.

UR jointly reviewed the submitted proposal from the TSOs with CRU, and has jointly concluded that with this analysis demonstrates that the implementation of aFRP in the SEM would lead to higher costs than benefits. In accordance with Article 6(1), UR approves this proposal in line with the requirements of Article 145(2) of SOGL.

Next steps

In accordance with Article 145(2) of SOGL the TSOs and RAs are required to re-evaluate this decision at least every 4 years. UR notes that the next evaluation on the implementation of aFRP may need to be carried out sooner than 4 years in order to capture and evaluate the impact that any new interconnector may have on the current SEM market arrangements and to be able to effectively reflect this in other work streams as required. On this basis, the RAs intend to commence work with the TSOs

on the review of aFRP in April 2023, to ensure that consideration of the implementation of aFRP can be undertaken well in advance of the energisation of any new interconnector.

If you have any queries regarding the information contained within this letter please contact jody.oboyle@uregni.gov.uk or kenny.mcpartland@uregni.gov.uk.

Yours sincerely,



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