Response to Consultation on Aggregated Generator Units (AGU) and Demand Side Units (DSU) Licencing Arrangements

4 September 2014

Introduction and Context

SONI welcomes the opportunity to respond to the Utility Regulator's consultation on the Aggregated Generator Units (AGU) and Demand Side Units (DSU) Licencing Arrangements. SONI is licensed as Transmission System Operator (TSO) and Market Operator (MO) for Northern Ireland. It is owned by EirGrid plc, the licensed TSO and MO in Ireland.

This brief response is prepared in the context of the impact that the AGUs and DSUs have on all aspects of SONI's business and that of its affiliates, whether specifically in Northern Ireland or across the island of Ireland.

We welcome and support a move to a consenting regime that creates a level playing field for all market participants; however we have some concerns around the details of how this is proposed to be implemented and the proposed content of the draft licence. In particular we would ask you to consider:

- Requiring DSUs and AGUs to enter into TUoS agreements and interface agreements, or equivalent, to facilitate equal incentives on all market participants;
- Obliging the DSU to obtain the consent of the DSO before adding a site into its scope;
- Removing the link between the definitions contained in these licences and the grid code, to avoid the complications that could arise through an overlap of the modifications processes.

Level playing field

SONI and SEMO are required under their licences to ensure that we do not unduly discriminate either in favour of or against any parties. A formal consenting framework for AGUs and DSUs will help ensure that the SONI and SEMO have the necessary agreements in place to facilitate equal treatment of all market participants. This is particularly important in the context of the obligations imposed on those parties that trade through the SEM.

In the SEM committee's decision paper SEM/10/001. The RAs stated: "In a relatively small power system, such as the all-island SEM, it is very important for the efficient and economic operation of the system to ensure that the generators maintain the performance required in the Grid Codes. Otherwise the safety, security and efficiency of the system could be compromised and/or costs could be imposed on other (compliant) users of the system, for example through higher constraint costs, which is neither efficient nor, arguably, fair."

SONI as TSO is responsible for the charging regime that implements this decision in Northern Ireland; however in the absence of a TUoS agreement with the relevant market participants, we have no mechanism to apply the incentives. A 50MW AGU or DSU failing to comply with a dispatch instruction or a Grid Code provision has a similar impact to that of a 50MW generator. To ensure a level playing field, the consenting framework should oblige the AGU or DSU to enter into the necessary agreements with the TSO.

The TSOs are required under licence and statute to operate the transmission system in a manner that does not compromise the stability and security of the distribution system. The DSOs have raised concerns that individual demand sites acting in unison and reducing demand as part of a DSU may lead to overloading and voltage issues on the distribution network, particularly in cases where a number of individual demand sites are connected to a particular bulk supply point. Consequently the TSOs cannot dispatch a DSU registered in the

market if the relevant DSO has informed the TSO that doing so may cause security or safety issues on the distribution system. In the worst case, this could lead to a scenario where an entire DSU may be available in the market and receiving capacity payments but could not be dispatched for system reasons related to a subset of sites within that DSU. It is important that the regulatory consenting regime ensures that only participants who could be safely dispatched are permitted to enter the wholesale market.

SONI and SEMO fully support and are actively encouraging and facilitating DSUs and AGUs and welcome the work that NIAUR is doing to create a level playing field for these market participants.

Governance Framework

It is important that the licencing regime is legally robust, supported by government policy and within the Utility Regulator's (UR) legal vires. In this context we welcome UR's description of the legal vires available to it to grant these licences, and trust that this has been verified appropriately. Our comments are based on an assumption that is correct.

We have a concern that the reliance on the grid code for definitions of key terms places an additional responsibility onto the Grid Code Review Panel, as modifications to these terms would also constitute licence modifications. We ask that this is reviewed, and the possibility of inserting the current definitions into the licences considered. This would then permit the governance arrangements for the Grid Code and the Licences to operate in parallel, within their individual legal frameworks.

Detailed Provisions within the draft licence

We have reviewed the draft licences and have some concerns about the some of the details with the proposed text. These are:

1. **Interaction with DSO :**

TSO interfaces are covered to a certain extent, however these units, which comprise a number of small scale sites, are connected to the distribution system[1] and SONI must be in a position to operate the transmission system in a manner that does not compromise the stability and security of the distribution system. This requires the DSO to be in a position to provide us with information about the impact the DSUs and AGUs will have on its system. The consenting framework should place an obligation on the DSU to obtain the consent of the DSO before including an individual site within its scope. To facilitate informed discussion between ourselves and the DSO, the licences should also provide an obligation on the DSUs and AGUs to provide information to the DSO.

The Distribution code is vital for the integration of these small scale distribution connected generators onto the system. Condition 4 should also include the Distribution code within the provisions of paragraph 3.

2. **Require a TUoS agreement**

It is essential that the consenting framework ensures that the DSU and AGU face consequences of failing to comply with the grid code and with dispatch instructions similar to other generators. Currently market participants are required to enter into a TUoS agreement, which provides SONI with the right to levy charges for non-compliance. A TUoS agreement

[1] Unlike Ireland, no demand customers are currently connected to the transmission system in Northern Ireland.

is also required to allow the units to provide ancillary services under the HAS framework (Condition 7). The consenting regime should oblige the DSU or AGU to enter into such an agreement or equivalent.

3. **Require interface agreements**

In the absence of other agreements that oblige interface agreements between the TSO and the AGU/DSU, the consenting regime should oblige the AGU/DSU to enter into a formal interface agreement with the TSO.

Conclusion

SONI and SEMO support the participation of AGUs and DSUs in the wholesale market, and consider it essential that a consenting regime is put in place that will facilitate our compliance with our own statutory and licence obligations. We would welcome the opportunity to discuss the issues raised in this response.