



Energy for
generations

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ESB Generation and Trading Response:

CRU proposed Direction to the System Operators related to Data Centre grid connection (CRU/21/060)

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1. INTRODUCTION

ESB Generation and Trading (GT) welcomes the opportunity to respond to the CRU's consultation on CRU proposed Direction to the System Operators related to Data Centre grid connection (CRU/21/060). The purpose of this Consultation Paper is to outline for consultation the proposed criteria against which the SOs will continue to process and connect data centres to the grid, in order to mitigate some of this risk.

2. COMMENTS ON CONSULTATION PAPER

ESB GT asks that it be acknowledged that the number of consultations over the same period has been an extremely difficult ask and one that is not conducive to ensuring the most optimum response from industry members on such material topics. In future ESB GT hopes that a schedule of expected consultations and their related timeframes can be published ahead of publication to support the industry in managing its resources.

The consultation raises a number of issues;

- **Unclear / No market signals**
 - In the Final Auction Information Pack¹ for the T-4 CY24/25 auction the capacity requirement was set as 7,170MW. Compared to the T-4 CY23/24 capacity requirement this was a reduction of 340MW from 7,510MW. However, the EirGrid letter to CRU, dated 27th of May 2021, which was approximately two months after the T-4 auction CY24/25² identified a resurgence in application for data centres at least three months before the auction³. On top of the reduced capacity requirement there was also the adjustment made to the demand curve, the explanation of which is still unpublished. On this occasion we do not understand why this revised data was not used in the 24/25 auction and why in the first instance the demand requirement had been reduced when even the central scenario showed increased entry. Can clarity be provided on whether this increase in demand has been reflected in the Capacity Market T-4 CY24/25 as it would appear the capacity requirement did not include this increase in MIC application and that the market was not given the opportunity to respond.
 - If it is the intention of the CRU to facilitate the market functioning appropriately then reliable signals, like an increase in demand, should be provided to the market as soon as possible. The current approach of only finalising the capacity requirement and the demand curve in the FAIP two weeks in advance of the capacity auction needs to be reassessed. To reliably build any type of new capacity requires investing significant time and costs in advance of an auction and the current approach of delayed information does not facilitate the efficient delivery of new capacity.
 - To this end, we support the CRU in its need to carry out a wider review of the assumptions underpinning capacity requirements and forecasted demand but it should be complete by the next T-4 auction (CY25/26).

¹ FAIP2425T-4

² March 2021

³ Q3 2020

- **Potential for unintended consequences**
 - There is little information provided in the consultation on the requirements for such backup generation participating in the capacity market.
 - Is it intended that the backup generation will participate in the CRM?
 - If so, will the CRU seek to remove the dec tolerance provided to other DSUs?
 - If the backup generation doesn't participate in the CRM then de-rated generation capacity will have to be procured from other generators via the CRM auctions for the full level of the Data Centre demand.
 - As identified in the proposed direction; "*There are many interfacing elements to the security of supply risk, but at its core is the interplay of scarcity of generation capacity and the scale and speed of the new demand seeking connection in constrained regions*". Considering the potential implications with the CRM and unknown consequences of option 3, as mentioned above, this consultation would appear to be less about security of supply, through securing sufficient generation, and more about requiring greater flexibility from data centres.

ESB GT believes that the proposed Option 3 is only a prioritisation for processing data centre connection applications and does not prevent a security of supply issue arising from generation scarcity. There is nothing within the proposal that would stop a data centre without backup still being processed, albeit at the end of the queue. If security of supply via scarcity of generation is the core issue then sufficient signals to the market will need to be provided or else the fundamental objective remains unmet and we could still end up in a position where demand outpaces de-rated generation.

ESB GT agrees with the CRU that Option 1 (Do Nothing) and Option 2 (Moratorium on Data Centre Connections) are not acceptable and should not be progressed. Large customers such as data centres should be incentivised to be as flexible as possible in terms of how they interact with the electricity system, but a level playing field must also be maintained. Demand Side Unit design in SEM and tariff design such as time of use more generally should be considered in this light to encourage reduction in demand where possible. The need for Data centres to develop and implement data processing and management systems, to better manage their own power demand, will be key to such demand response. Option 3, however, needs further refinement with improved signals to the market in order to address the security of supply concerns while allowing the Irish economy to continue to benefit from facilitating data centres.