

## **Single Electricity Market**

# **Ancillary Services Rates and Other System Charges for 2012-13**

**Decision Paper**

**24 July 2012**

**SEM-12-062**

## **Cover Note and Background**

ALL Island arrangements for Harmonised Ancillary Services (HAS) and Other System Charges (OSC) went live on 1<sup>ST</sup> February 2010. The initial review was carried out with revised rates and charges, with the changes implemented and applied in the tariff year beginning 1<sup>ST</sup> October 2010.

The second annual review of HAS and OSC began on the 18th April when the Transmission System Operators (TSOs) published consultation papers on Revised Ancillary Service Rates and Other System Charges in April 2011. A decision paper was published by the RAs in August, and the rates were implemented in the tariff year beginning 1<sup>st</sup> October 2011.

In its decision paper the Regulatory Authorities (RAs) requested that the TSOs look into developing the bilateral agreements for HAS into harmonised services where possible. A harmonised service, across the whole industry, would promote greater certainty and transparency. It was also recommended that a transparent rate should be determined and published along with the service.

## **Delivering a Secure Sustainable Electricity System (DS3)**

Separate from the HAS and OSC consultations a review of system services is currently being undertaken as part of the wider DS3 programme. The core aim of DS3 is to manage the operational element and facilitate the increasing penetration of renewable power generation in the system. Governments in Ireland and Northern Ireland have committed to increasing the level of renewable electricity consumption to 40% by 2020.

This level of renewable generation will bring about unique challenges in order to manage the integration of very high levels of instantaneous renewable penetration on the island. Among the many areas need addressing are managing system voltage, balancing the system in real time, ensuring the compliance of plant with the Grid Code requirements and system frequency management.

A draft consultation was published on DS3 in December 2011. Responses to the consultation will form part of the development of options for products and services required. This will be presented to stakeholders in a number of further consultations in 2012. TSOs are investigating system services and required quantities and it is expected that this will also form a key element in the second round of consultations.

## **HAS and OSC Document Submission**

The TSOs published separate consultation papers for HAS and OSC on 4<sup>TH</sup> April 2012. Comments were received from fourteen respondents, of which two were confidential. Following consultation the TSOs have forward on their recommendations for HAS and OSC payments and charges for the tariff year beginning 1<sup>st</sup> October 2012. These have been reviewed and discussed by the RAs and SEM Oversight Committee.

### **HAS**

The TSOs have proposed to keep the rates unchanged and adjust for inflation. An inflation rate of 2% has been proposed and accepted by the RAs on the basis that it reflects the predicted increase in RPI that is likely to be experienced over the two jurisdictions.

Other HAS recommendations proposed are:

1. Reduced Time to Synchronise from Instruction
2. Flexible multimode operation
3. Lower minimum generation with/with-out reserve
4. Synchronous Compensation
5. Static Frequency Reserve

A summary of the RAs decision is as follows

1. **Reduced Time to Synchronise from Instruction:** Option two has been accepted by the RAs as offering the best method to incentivize a reduction in Synchronisation times. Option one was discounted on the basis that current uncertainty exists around regional integration. There are also other issues such as the timescales involved in implementing a TSC mod before the current tariff process rates are implemented. The RAs have requested that the TSOs look into modifying option two whereby Generators are paid a fixed element on the basis of the time it takes for them to synchronise. This fixed payment would increase the shorter the timescale. A variable element would also be paid on the percentage decrease generators have achieved in reducing their timescales.
2. **Flexible multimode operation:** Option two has been accepted by the RAs whereby generators are paid a fixed maintenance and incentive rate along with variable fuel cost recovery.

3. **Lower minimum generation with/with-out reserve:** RAs agree that maintaining the status quo represents the best option. The commercial incentives that exist in the current framework are sufficient.
4. **Synchronous Compensation:** RAs have selected Option two as the payment mechanism whereby generators are paid import energy costs on a pass through basis and a HAS rate for associated costs.
5. **Static Frequency Reserve:** The RAs have been concerned with the provision of static frequency service for EWIC and potential conflict of interest that could arise over its provision. However after further investigation it was agreed that the HAS rate would be accepted. Any money that would be earned by EWIC for the provision of Static Frequency would be netted of underlying TUoS support resulting in the provision being cash neutral overall.

## OSC

For the forthcoming tariff period the TSOs have proposed no change to the rates from the previous tariff year.

Other OSC recommendations proposed are:

1. Short Notice Re-declarations (SND)
2. Trip Charge
3. Late Synchronisation charge
4. GPI loading Rate
5. Secondary Fuel GPI

A summary of the RAs decision is as follows

1. **Short Notice Re-declarations (SND):** The RAs agree with the proposal to freeze the SND charge as there is no requirement to increase the rate at this time.
2. **Trip Charge:** The RAs agree with the proposal to publish a list of all tripping events along with the response of the units which are on load at that time. The RAs feel that if the problem of tripping in sympathy continues to be an issue then the introduction of a tripping in sympathy charge should be revisited.
3. **Late Synchronisation charge:** The proposal to continue with the status quo is accepted by the RAs.
4. **GPI Loading Rate:** The RAs support the revision to the loading rate calculation.
5. **Secondary Fuel GPI:** The RAs agree that this cannot be provided as an OSC at this time. As work is currently progressing around this issue on a jurisdictional basis it would be inappropriate to issue an OSC.

## **Conclusion**

The RAs and SEM Oversight Committee approve the HAS and OSC rates and services as recommended by the TSOs for the tariff year beginning 1<sup>ST</sup> October 2012. It is the RAs view that the rates proposed will help to establish an environment of certainty and transparency.

Over the coming year it is recommended that further work be carried out on Reduced Time to Synchronise. The RAs also feel that further investigation should be carried out into the provision of a Static Frequency service and whether this could eventually be opened to tender, if it is in the interests of the consumer.