

Single Electricity Market

Ancillary Services Rates and Other System Charges for 2013-14

Decision Paper

8 July 2013

SEM-13-043

INTRODUCTION

The fourth annual review of Harmonised Ancillary Services (HAS) and Other System Charges (OSC) commenced on the 16th April 2013 when EirGrid and SONI, the Transmission System Operators (TSOs) published two separate consultation papers on proposed HAS and OSC rates and services/charges for the tariff year 2013/2014¹.

Following the consultation process, the TSOs submitted recommendation papers to the Regulatory Authorities (RAs) which are published along with this Decision paper. These papers include both the TSO's response to queries raised by the 11 consultation respondents, and their recommendations for services and charges.

This paper sets out the RAs decision for HAS and OSC rates and services/charges for the tariff year 2013/2014, which has been informed by the TSO's submission.

It is worth noting that separate to the HAS and OSC consultations outlined above, a wider review of system services is currently being undertaken as part of the DS3 programme. Further information on DS3 is available from the allislandproject.org website².

HAS – TSO RECOMMENDATIONS AND RA DECISION

The recommendations made in the TSOs HAS paper are summarised as follows:

1. Include the provision of all existing HAS services and rates for the upcoming tariff year with an adjustment for inflation of 2%.
2. Undertake a review of the implementation and design of systems required to implement a change in the HAS values of POR (Primary Operating Reserve), SOR (Secondary Operating Reserve), TOR1 (Tertiary Operating Reserve 1), TOR2 (Tertiary Operating Reserve 2) and RR (Replacement Reserve).
3. Review the design of the decrement rate methodology.
4. No amendments are proposed to the Reduced time to Synchronise service.
5. No amendments are proposed to the Flexible Multimode Operation service.
6. No amendments are proposed to the Parking or Lower Minimum Generation service.
7. No amendments are proposed to the Synchronous Compensation service.

¹ http://www.allislandproject.org/en/transmission_current_consultations.aspx?article=0f61e9b3-5a0b-4632-b0a2-c3d83433c69e

² http://www.allislandproject.org/en/transmission_current_consultations.aspx?article=bd4198f2-82dc-485c-957b-caffd83e0b80&mode=author

8. No amendments are proposed to the Static Frequency service.

A Summary of the RAs Decision is as follows:

1. A blended inflation rate of 2% has been accepted by the RAs. This rate represents a realistic estimation of inflation for the coming tariff year that is likely to be experienced across both jurisdictions.
2. **Multiple HAS Values:** The RAs support the TSOs intention to review the multiple HAS values of POR, SOR, TOR1, TOR2 and RR. This will result in units potentially offering more than their contracted values on a temporary basis, and reverting to their contracted values when required to do so.
3. **Decrement Rate Methodology:** The RAs support the intention to review the design of decrement rates. This will potentially allow for a truer reflection of all units reserve characteristics. The provision of a curve for each unit will allow for the quantity of reserve that can be provided at different levels of output to be accurately reflected.
4. **Reduced time to Synchronise:** The RAs are content that no amendments have been made to the Reduced time to Synchronise rates. The components of this charge were consulted upon last year and it is encouraging that five tender applications have been received as this service will have an impact of lowering constraints costs in the SEM.
5. **Flexible Multimode Operation:** The RAs agree with the proposal not to amend the methodology for Flexible Multimode Operation. It is the RAs view that the current methodology where generators are paid a fixed maintenance and incentive rate along with a variable fuel cost recovery is appropriate and that this should be paid as and when the service is used.
6. **Parking or Lower Minimum Generation:** The RAs accept the TSO recommendation that no change are made to the Parking or Lower Minimum Generation rates. The RAs are of the opinion that maintaining the status quo represents the best option, with the current commercial incentives being sufficient for the time being.
7. **Synchronous Compensation:** The RAs accept the TSO recommendation that no change is made to the Synchronous Compensation service. Reactive Power is essential in controlling voltages across the network and maintaining an adequate voltage profile is required for the stability of the power system.
8. **Static Frequency Reserve:** The RAs are content that the rates for this service remain consistent with those currently in place. The rates provided reflect the fact that Static reserve is less valuable to the network than dynamic reserve.

The RAs also note that three respondents questioned the provision of Black Start services. The TSOs have clarified that there is no further requirement for this service and that generators have been asked to approach them if they felt that they were not being properly remunerated for this service. The RAs are content with the provision for this service. However, if generators believe they can provide for this service at a more competitive rate than existing providers in a relevant area then they should contact the TSOs and changes to the providers of this service should be made accordingly.

One respondent raised the issue of security of supply and felt that the consultation did not recognise the potential system security issues that may be faced by Northern Ireland after 2015. The RAs are aware of this issue and note these concerns. Work on this issue is being progressed separately. It is worth noting that a joint Utility Regulator / DETI paper, which outlines the risks and potential solutions, is available on the Utility Regulator's website³.

OSC – TSO RECOMMENDATIONS AND RA DECISION

The recommendations made in the TSOs OSC paper are summarised as follows:

1. Include the provision of all existing OSC charges and rates for the upcoming tariff year with an adjustment for inflation of 2%.
2. No amendments have been proposed to the Minimum Generation GPI.
3. No amendments have been proposed to the Short notice Re-Declaration rates.
4. Maintain the current trip charge threshold. The TSOs have also confirmed that a consultation will take place to review the Trip Charge Methodology for future Tariff years.
5. No amendments have been proposed to the Trip Charge when testing under SEM.
6. No amendments have been proposed to the Late Synchronisation charges.
7. No amendments have been proposed to the secondary fuel GPI
8. No amendments have been proposed to the GPIs for Demand Side Units

A Summary of the RAs Decision is as follows:

1. As with the HAS a blended inflation rate of 2% has been accepted by the RAs. This rate represents a realistic estimation of inflation for the coming tariff year that is likely to be experienced across both jurisdictions.

³ http://www.uregni.gov.uk/news/view/security_of_supply_information_paper_published/

2. **Minimum Generation GPI:** The RAs support the TSO conclusion that no amendments are required.
3. **Short notice Re-Declaration:** The RAs support the TSO conclusion that no changes are made to SND charges. At the present time we see no requirement to increase the rates.
4. **Trip Charge Threshold:** The RAs agree with the freezing of the trip charge threshold, and support the intended consultation to review the methodology. The RAs agree that the impact of smaller units tripping should be analysed in more detail. The RAs would like to see this consultation be progressed so that any changes, if required, can be implemented in time for the 2014/15 tariff year.
5. **Trip Charge when testing under SEM:** The RAs agree with the proposal to freeze the trip charging when testing under SEM. The RAs would encourage amendments that would act as a further disincentive to generators to trip whilst testing. However any amendment should not disincentivise generators from carrying out operational testing.
6. **Late Synchronisation charges:** The proposal to continue with the status quo is accepted by the RAs.
7. **Secondary fuel GPI:** The RAs agree that at this stage a secondary fuel GPI cannot be provided as work is currently ongoing in this area.
8. **GPIs for Demand Side Units:** The RAs are content to approve the TSOs recommendations for the current tariff year. However the RAs note that some respondents suggested that both DSUs and Interconnectors should be exposed to the same charging incentives that are faced by generators. The RAs recommend that the TSOs review the current arrangements and assess whether all units should be exposed to the same set of charges for the 2014/15 tariff year.

CONCLUSION

The RAs approve the HAS and OSC rates and services as recommended by the TSOs for the upcoming tariff year which begins on 1ST October 2013.

Over the coming year it is recommended that the TSOs carry out a review of the implementation and design of the systems required to implement a change in the HAS values of POR, SOR, TOR1, TOR2 and RR. The RAs also support the TSOs proposal to review the design of the decrement rate methodology and Trip Charge Methodology.

The RAs also recommend that the TSOs look into extending the charges to include DSUs and Interconnectors.