

Harmonised Ancillary Services 2013/2014

Recommendations Paper

4th July 2013



EXECUTIVE SUMMARY

The TSOs have consulted on the annual rates and charges for the Harmonised Ancillary Services (HAS) for the tariff year 1st October 2013 to 30th September 2014. The AS consultation paper was published on 11th April 2013 and the TSOs have received comments from eight (8) respondents. This paper summarises the responses received and provides a clarification where required. Having reviewed the responses and taking into account the participants views, the TSOs have the following recommendations:

1. For the upcoming tariff period running from the 1st October 2013 to 30th September 2014, the TSOs propose to adjust the rates for an assumed level of inflation. The TSOs have assumed a forecast blended inflation rate of 2% across the two jurisdictions. No other changes to rates are proposed;
2. Regarding new services, in February 2010 when HAS was introduced, the option to provide more than one value of POR, SOR, TOR for each unit was not offered. The TSOs are currently reviewing the implementation and design to systems that are required to facilitate this option and propose to introduce this option in subsequent years with all existing HAS providers; and
3. The methodology used for the decrement rate applied in the Operating Reserve HAS payment system will be reviewed by the TSOs. In order to provide flexibility for the definition of unit reserve characteristics for units with multiple break points in the reserve curve a system change would be required.

ABBREVIATIONS

AS	Ancillary Services
CCGT	Combined Cycle Gas Turbine
DBC	Dispatch Balancing Costs
HAS	Harmonised Ancillary Services
OCGT	Open Cycle Gas Turbine
OSC	Other System Charges
RAs	Regulatory Authorities (CER & NIAUR)
SEM	Single Electricity Market
SMP	System Marginal Price
SONI	System Operator of Northern Ireland
TSO	Transmission System Operator

1. INTRODUCTION

The purpose of this paper is to recommend to the Regulatory Authorities (RAs) in Ireland and Northern Ireland the proposed rates and changes for the 2013/2014 tariff year, based on comments received by the Transmission System Operators (TSOs) on the Harmonised Ancillary Services Consultation paper¹.

For the upcoming tariff period running from the 1st October 2013 to the 30th September 2014, the TSOs proposed to maintain the current approved schedule of services. The current approved rates have been proposed to increase with an assumed forecast blended inflation rate of 2%. In the consultation paper, the TSOs proposed to undertake an implementation and design review of the systems to enable the change needed for the provision of multiple Reserve values. The TSOs further proposed to review the methodology used for the decrement rate applied in the HAS settlement system for HAS Reserve Curves. Lastly the TSOs discussed, as detailed in the previous year's consultation, the introduction of a number of new HAS, on a limited basis, to help mitigate against the significant increase in Dispatch Balancing Costs.

Following a review of comments on the HAS consultation paper the TSOs are now making these recommendations to the RAs. The TSOs will then publish a revised HAS Statement of Payment and Charges for the 2013/2014 tariff period.

The TSOs received responses from the following parties:

Party	Abbreviation
AES Kilroot Power Ltd and AES Ballylumford Ltd	AES
Electricity Association of Ireland Markets Committee	EAI
ESB Generation and Wholesale Markets	ESB
Mutual Energy Ltd (Moyle Interconnector Ltd)	MEL
Power NI Energy Ltd Power Procurement Business	PPB
SSE Renewables	SSE
Energia	Energia

One confidential response was received to this consultation paper. The responses which were not marked confidential can be found attached to this recommendations paper.

¹ Harmonised Ancillary Services Consultation 11th April 2013, available at www.EirGrid.com and www.soni.ltd.uk

2. ANCILLARY SERVICES CONSULTATION

2.1. SYSTEM SERVICES REVIEW AS PART OF DS3 PROGRAMME

2.1.1. Introduction

Separate to the annual HAS Consultation is the System Services review, under the scope of the DS3 Programme. The review will facilitate the efficient procurement of sufficient services for the secure operation of the power system both in the short-term and long-term, while complementing the other aspects of the wholesale electricity market.

As part of DS3 programme, the TSOs are undertaking a multi-stage consultation process, to incorporate the views of industry on the arrangements for System Services. In addition to the formal consultation stages, there will be a number of industry forums and opportunities for bilateral meetings. EirGrid and SONI published the third consultation paper on the System Services Review on 19th December 2012. Following from this the TSOs published the recommendations paper on 28th May 2013 formally proposing a new approach and materially high level of remuneration for System Services to the RAs.

2.1.2. Respondents' Comments

Three comments were received (ESB, PPB and SSE) in relation to System Services review under the DS3 System Services consultation process.

One respondent (ESB) acknowledged that the DS3 System Service review is a separate consultation process to HAS consultation process.

One respondent (SSE) participated in the DS3 consultation process and strongly believes the philosophy of AS payments should move away from "token increments" and the TSOs should recognise AS are valuable services provided to maintain system stability and security.

One respondent (PPB) commented the HAS consultation and DS3 consultation did not recognise the potentially serious system security issues Northern Ireland may face after 2015. The respondent dated that if the DS3 project does not successfully introduce a radical review of the existing arrangements before the end of 2013 the TSO must review the existing rates for AS with expediency. The cost to Northern Ireland economy as a result of a supply failure would be significant and therefore reliability of the System Services is essential in order to ensure the TSO can maintain system security. The provision of AS close to where there is a potential scarcity should be better remunerated than AS provided by service provider which is not required for system security.

2.1.3. TSOs' Response

The TSOs welcome participant's views on the future developments in respect of System Services and acknowledge the challenges facing the industry in the future.

2.1.4. TSOs' Recommendation

No recommendation is required as this is subject to a separate consultation process outside of annual HAS rates consultation.

2.2. EXISTING HAS SERVICES

2.2.1. Introduction

The TSOs, taking into account our respective statutory obligations and licence conditions², are continuously reviewing System Services to ensure that they deliver efficiency, reliability and value for money to the end user.

Over the last two years the TSOs have seen a notable improvement in the contracting for reserve in excess of minimum Grid Code Requirements by a number of generating units. This was particularly important in the context of mitigating the high constraints costs seen during the 2010/2011 tariff year. Improvements have also been seen in the additional reactive power provision from some units either to comply with Grid Code or to provide in excess of Grid Code.

On the down side, reserve provision, when triggered by a frequency event, can vary significantly between units contracted to provide reserve. The TSOs are working with the generators concerned to understand why this is occurring as reliability of reserve delivery is an important aspect of system operation and mitigation of constraints costs. All of the events were followed up directly with the HAS provider reminding the generators in question of their Grid Code and HAS agreement obligations. The TSOs continue to work with generators on their reserve performance facilitating Grid Code testing as required.

The TSOs proposed to continue the HAS services and rates for this upcoming tariff year 2013/2014 with the inclusion of the assumed inflation rate.

2.2.2. Respondents' Comments

Six comments were received (AES, EAI, MEL, PPB, SSE and 1 confidential) in relation to Existing HAS services.

One confidential respondent commented on the TSOs voltage constraint policy. These voltage constraints have a significant impact on AS providers access to AS revenue due to the unit being constrained off to accommodate these requirements.

Three respondents (AES, MEL and SSE) commented in relation to assumed blended forecast rate.

One respondent (SSE) believes the assumed blended forecast rate is consistent with the treatment of the TSOs' allowed regulated revenue.

One respondent (AES) commented that the rate appears to have been chosen on an arbitrary basis and have requested further transparency from the TSOs in relation to how the inflation rate is determined.

One respondent (MEL) commented they do not see why actual inflation figures for the interim period (2012/2013) are not used. They also stated that given that there will always be an element of inequity between jurisdictions when using a blended inflation rate they questioned if any consideration had been given to using separate inflation rates to calculate payment rates/charges.

² On June 20th 2001, the Commission for Energy Regulation (CER) issued a Transmission System Operator (TSO) Licence to EirGrid plc pursuant to Section 14 (1) (e) of the Electricity Regulation Act, 1999, as inserted by Regulation 32 of Statutory Instrument (SI) No. 445 of 2000 - European Communities (Internal Market in Electricity) Regulations 2001
On July 3rd 2007, The Department of Enterprise, Trade and Investment, in exercise of the powers conferred by Article 10(1)(b) of the Electricity (Northern Ireland) Order 1992 granted SONI Limited a licence to participate in the Transmission of electricity.

Three respondents (AES, EAI and PPB) commented in relation to current TSOs practice of provision for Black Start services. There is a lack of transparency from the TSOs in regard to the requirement and there was no update if there will be any further provision for Black Start service provision.

Two respondents (EAI and PPB) stated there is a lack of process and transparency for procuring provision of Black Start services from the TSOs and RAs in relation to an AS contract awarded to an interconnector provider last year.

One Respondent (EAI) believes the current Black Start provision is inconsistent with respect to harmonised arrangements and welcomes further comment from the TSOs.

2.2.3. TSOs' Response

The TSOs note the comments made by participants. The TSOs would note that the assumed inflation of payments is simply designed to reflect and protect their value in real terms and on a basis consistent with the index linked revenue controls under which they operate. In relation the basis of the forecast itself the TSOs have detailed the economic projections (ESRI in respect of Ireland and HMT in respect of the UK) on which the forecast is based. This is then blended across the two jurisdictions in order to provide a single point estimate. The TSOs would note that the fact that this means the indexed rate applied does not reflect the actual level of inflation in either jurisdiction is an inevitable consequence of employing a blended forecast rate which seeks to reflect average changes in the cost of doing business in both jurisdictions. The respondent (MEL) suggests that a separate inflation adjustment should be applied in both jurisdictions. The TSOs would note that this would mark a significant departure from the philosophy that has underpinned both HAS, and indeed many other aspects of the SEM to date. The TSOs are satisfied that a forecast of 2%, recognising that it is only a forecast, remains appropriate.

In regard to the Black Start service requirement, the TSOs would like to clarify there is no further requirement in the near future. In the TSOs Explanatory Paper³ for the 2010/2011 tariff year and the HAS recommendation paper 2011/2012 the TSO in Northern Ireland (SONI) invited any generators to approach them if they felt they were not fully remunerated for this service.

Following the commissioning of EWIC, EirGrid as System Operator wrote to the CER confirming that it had tested EWIC for Black Start capability and that EWIC could provide it. As EirGrid had previously tendered for Black Start capability on the East coast and believed that Black Start capability was required, it sought input from CER as to whether the CER would have any issue with EirGrid contracting for Black Start with EWIC on the basis of remuneration consistent with Turlough Hill. As the CER raised no issues in respect of same, EirGrid therefore entered into a contract with EWIC for its provision for Black Start at a rate of €81.63 per hour consistent with Turlough Hill. This was reflected in the published Ancillary Service Statement of Payments and Charges 2012/13.

2.2.4. TSOs' Recommendation

The TSOs recommend increasing the HAS rates with an assumed forecast blended inflation rate of 2%.

³ "Harmonised Ancillary Services; Explanatory Paper" 22nd September 2010, available at www.EirGrid.com and www.soni.ltd.uk

2.3. MULTIPLE HAS VALUES

2.3.1. Introduction

In February 2010 when HAS arrangements were introduced, the option to provide more than one value of POR, SOR, TOR1, TOR2 and RR for each unit was not offered. The TSOs will be undertaking an implementation and design review of the systems required to facilitate this change. The change is to permit units that offer more than their original contracted values to be processed and the different values to be selected for settlement within the system. The TSOs proposed to introduce this option in subsequent years with all existing HAS providers. Participants were requested to provide their views on the proposal.

2.3.2. Respondents' Comments

Four comments were received (AES, ESB, SSE and 1 confidential) in relation to Multiple HAS values.

All four respondents support the introduction of the option to facilitate Multiple HAS values for service providers.

2.3.3 TSOs' Response

The TSOs welcome participants' support on the option for Multiple HAS values.

2.3.4 TSOs' Recommendation

The TSOs are recommending undertaking an implementation and design review of the systems required to facilitate this change. The TSOs envisage the implementation of multiple AS values will not be made available to providers in 2013-14 tariff year.

The TSOs expect the recommended review to be carried out within 6 months and will cover the design review, impact assessment, implementation, testing and roll out. If agreed by the RAs, the TSOs envisage having this in place during tariff year 2014-15.

2.4. DECREMENT RATES

2.4.1 Introduction

The methodology used for the decrement rate applied in the HAS settlement system for HAS Reserve Curves is currently under review by the TSOs. In order to provide flexibility for the definition of unit reserve characteristics for units with multiple break points in the reserve curve a system change is required in Ireland. The existing settlement system in Northern Ireland allows this flexibility.

The HAS Reserve Curves define the relationship between the unit output and its reserve capability. The curves are defined for Primary Operating Reserve (POR), Secondary Operating Reserve (SOR), Tertiary Operating Reserve 1 (TOR1), Tertiary Operating Reserve 2 (TOR2) and Replacement Reserve (RR).

The existing decrement rate is the slope of Contracted Reserve Decrement Rate as shown in the diagram below.

It is the TSOs' intention to introduce this arrangement for all existing HAS providers from October 2013 subject to settlement system design review. Participants were requested to provide their views on the proposal.

2.4.2 Respondents' Comments

Three comments were received (AES, EAI and SSE) in relation to decrement rates.

Two respondents (AES and EAI) welcomed the option proposed for the decrement rate with one respondent (AES) additionally welcoming the continuing harmonisation of the various service provisions.

One respondent (SSE) mentioned it was unclear of the TSOs' intention in relation to the proposal and believes the current regime already captured the effect described as being available within the existing Northern Ireland settlement system and therefore request further clarification from the TSOs.

Two respondents (SSE and EAI) commented regarding Reactive Power. A generator declaration for Reactive Power is based on its provision at maximum load. This is the load level at which the unit provides the least Reactive Power capabilities.

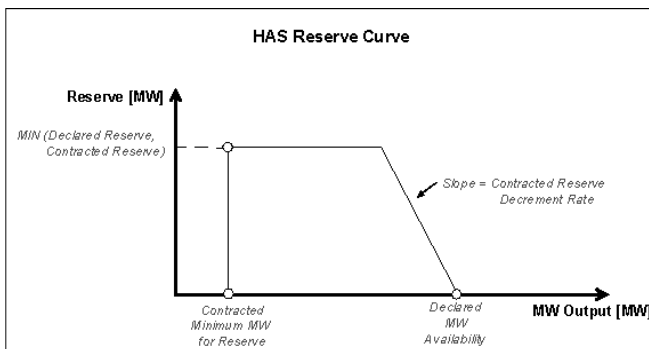
2.4.3 TSOs' Response

The TSOs welcome participant's views regarding the decrement rate.

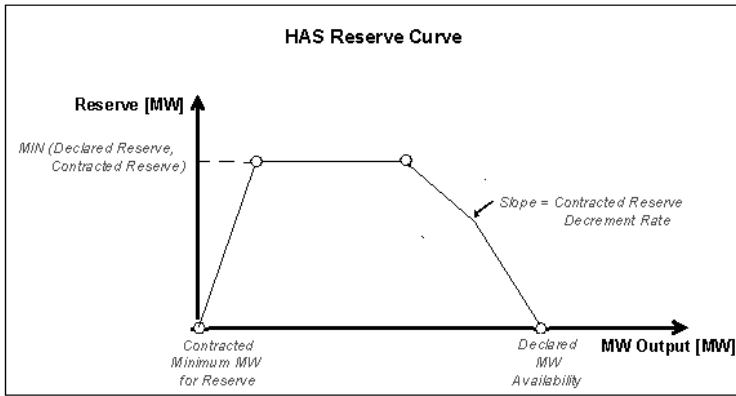
The TSOs would like to clarify the existing decrement rate is a slope of contracted reserve decrement rate and it is the TSOs' intention to introduce multiple break points in the reserve curve which may result in different slope characteristics to reflect unit output capability.

For example (for illustration purposes only),

Existing arrangement:



Proposed flexibility multiple break points:



The TSOs recognise that the maximum reactive power from a synchronous generator increases as the active power output reduces. The reactive capability (leading and lagging) at maximum output was chosen during the HAS design to allow a non-complex design that could use straightforward declared capability values. The reactive power rates were initially determined using the summated generation reactive capability at individual generator maximum outputs. If the payment rates had been based on reactive capability at lower outputs the resulting payment rate would have been lower to maintain the same total HAS reactive power expenditure. With synchronous generators having similar capability curve shapes the sharing of the total payments was considered to be equitable.

2.4.4 TSOs’ Recommendation

The TSOs will review the design of decrement rate methodology for implementation. The TSOs envisage the implementation of this review will not be made available to providers in 2013-14 tariff year.

The TSOs expect the recommended review to be carried out within 6 months and will cover the design review, impact assessment, implementation, testing and roll out. If agreed by the RAs, the TSOs envisage having this in place during tariff year 2014-15.

2.5 FLEXIBILITY SERVICES

2.5.1. Introduction

Significant Dispatch Balancing Costs during the Tariff Year 2010/2011 resulted in the TSOs’ focus on procuring additional services which would assist with mitigation of these costs. It was decided to explore a number of short term HAS services which would offer improvements to the operational flexibility of the power system and mitigate high constraint costs. The TSOs endeavoured to include these services in the 2011/2012 tariff year consultation paper with a view to implementing them as harmonised services for the 2012/2013 tariff year.

The services were as follows:

1. Reduced Time to Synchronisation from Instruction (also referred to as ‘warming’);
2. Flexible Multi Mode operation;
3. Lower minimum generation with/without reserve; and

4. Synchronous Compensation.

As set out in the Consultation Paper for last year, the services would be contracted on a unit specific basis i.e. not all units which provide existing HAS services will qualify. The services must provide an overall system benefit and value for money for the consumer. In terms of payment, the services will be paid for based on their utilisation and will not be availability based payments.

In the 2012/2013 HAS Consultation paper, the TSOs stated that where they are not in a position to propose a standard service rate, instead the TSOs would consider an annual tender process whereby a competitively priced service could be obtained. On the 20th of December 2012, the TSOs issued a tender proposal to all HAS providers who would be connected as of October 2013. The tender invited proposals on two flexibility services, namely Reduced Time to Synchronise Service and Multi Mode Operation (i.e. Open Cycle Mode). The closing date for tender responses was 18th February 2013.

2.5.2. Respondents' Comments

Three comments were received (AES, SSE and 1 confidential) in relation to the existing flexibility services.

One respondent (SSE) commented that in principle they agree with the measures to improve the operational flexibility of the power system, while mitigating high constraint costs and to this end the short term HAS services proposed are in the main valuable.

Two respondents (AES and 1 confidential) believe that the remuneration of the flexibility service should be based on availability rather than utilisation.

2.5.3. TSOs' Response

The TSOs welcome participants' views on Flexibility services and the interest shown in the tender process.

The TSOs acknowledge the challenges facing HAS providers in relation to the cost of maintenance and investment strategy in order to maintain these services. However, the TSOs consider availing of flexibility services to be infrequent therefore believed the utilisation approach is appropriate.

2.5.4. TSOs' Recommendation

No recommendation is being given as part of this consultation.

2.6. REDUCED TIME TO SYNCHRONISE

2.6.1 Introduction

Operationally it would be beneficial to reduce the synchronising timeframe as much as technically possible in order to have greater flexibility, to reduce the potential of carrying unnecessary generation and in order to reduce constraints costs. Currently certain units have long notification times and thus must be dispatched in advance of real time in anticipation of wind, demand and interconnector changes. This leads to higher costs on the system. As forecasting errors reduce closer to real time shorter notification times would allow a more accurate unit commitment resulting in a decrease in constraints costs.

The TSOs received 5 tender applications for the provision of Reduced Time to synchronise for the 2013/2014 tariff year; these are currently under evaluation by the TSOs.

2.6.2 Respondents' Comments

No specific comments on Reduced Time to Synchronise were received.

2.6.3 TSOs' Recommendation

No recommendation is being given as part of this consultation.

2.7 FLEXIBLE MULTIMODE OPERATION

2.7.1 Introduction

This service provides for a combined cycle unit to switch to open cycle or to start in open cycle when called by the TSO. There is a number of Combined Cycle Gas Turbine (CCGT) generating units on the island which have the technical capability of operating in Open Cycle Gas Turbine (OCGT) mode. Operating in CCGT mode is much more efficient compared with operating in OCGT mode as the waste heat from the gas turbine is passed through a heat exchanger and used to produce steam, which in turn is used to generate additional energy. However, CCGTs typically offer less operational flexibility than an OCGT, especially when required to respond quickly to changes in system events at short notice. The TSOs consider it prudent to have the flexibility to request a unit to switch mode where there is a system benefit to do so.⁴

The TSOs have investigated a harmonised rate for this service but have found it difficult to recommend a rate that is not dynamically changing in line with fuel costs. The proposed structure of remuneration provides for payments for actual fuel price which would result in a two-part rate whereby the maintenance and incentive would be fixed while the fuel costs would dynamically change in line with fuel cost movement.

The TSOs received 3 tender applications for the provision of flexible Multi Mode operation for the 2013/2014 tariff year; these are currently under evaluation by the TSOs.

2.7.2 Respondents' Comments

Two comments were received (ESB and SSE) in relation to flexible Multi Mode operation service.

One respondent (ESB) requests clarity on the two part payment structure in the form of an example.

One respondent (SSE) believes while it may be useful to have technologies such as CCGTs operate as OCGTs, such action should be in response to market prices signals. The impact of re-dispatching CCGTs as OCGTs, given the design of the SEM with distinct market and dispatch schedules, creates the potential to have the TSOs dispatch decisions feed into market outcomes.

2.7.3 TSOs' Response

The TSOs welcome the participants' views in respect of this service.

⁴ Further information on the design can be found in the 2011-2012 Consultation paper.

The TSOs consider the availing of flexibility services to be infrequent and it would be difficult to integrate such signals to SEM. However, the TSOs will investigate merit of integration of such signals to SEM and propose to discuss at the SEM modifications panel.

Clarifications from the TSO are currently being discussed with each participant who submitted a tender.

2.7.4 TSOs' Recommendation

No recommendation is being given as part of this consultation.

2.8 PARKING OR LOWER MINIMUM GENERATION

2.8.1 Introduction

In the 2011/2012 consultation paper, the TSOs asked for participants' opinions on the need to incentivise the lowering of Minimum Generation and described the number of units which already reduced their minimum generation in the SEM for commercial reasons as the market schedule takes account of minimum generation in the optimisation algorithm. Given the majority of the respondents to previous consultations agreed that it should not be incentivised through HAS and the TSOs agree in principle with this view, the TSOs' preference is to only contract in specific circumstances. These circumstances would be where the TSOs consider it worthwhile to contract for a lower minimum generation or parking services where there is a benefit to the power system in doing so and the cost of providing a reduction in minimum load or minimum generation would not be recovered by the SEM.

2.8.2 Respondents' Comments

No specific comments on Parking or Lower Minimum Generation were received.

2.8.3 TSO's Recommendation

No recommendation is being given as part of this consultation.

2.9 SYNCHRONOUS COMPENSATION

2.9.1 Introduction

Synchronous Compensation is a service whereby a generating unit can declare itself available to provide reactive power (MVar) and Automatic Voltage Regulation⁵ (AVR) services to the TSOs while not generating active power (MW). The generating unit will need to import power from the transmission system in order to provide this service. This service offers the TSOs increased operational flexibility as in many instances a generating unit may be dispatched on to provide this service to provide local voltage support, whilst not necessarily requiring the active power, which results in increased constraints costs.

In addition to the payments made for reactive power when dispatched in synchronous compensation mode, the 2012/2013 rate for Synchronous Compensation is unchanged for 2013/2014 however does include an inflationary rate increase.

2.9.2 Respondents' Comments

Two respondents (EAI and Energia) would welcome comment from TSOs in regard to uptake of this service and their thoughts on incentivising the introduction of such capability in the timeframe the TSOs envisage it being required. The respondents noted that conversion of an existing plant to Synch compensator capability not only results in the upfront capital cost of conversion and the ongoing O&M and fuel costs, but consideration should also be given to the foregone revenue in capacity payments for the unit which it obtained prior to conversion. To ignore this cost will result in

⁵ Automatic maintenance of a **Generation Unit's** terminal voltage at a desired set point. See relevant Grid Codes for further information. Grid Codes are available at www.eirgrid.com and www.soni.ltd.uk.

plants only being converted to Synchronous Compensation at end of life and thus in a timeframe unacceptable to the TSOs.

2.9.3 TSOs' Response

The TSOs welcome the respondents' views on this. The TSOs have expected a unit would be able to provide Synchronous Compensation or generate therefore there would be no revenue loss from capacity payments. However, the TSOs will engage with the industry regarding unit conversion for Synchronous Compensation only.

2.9.4 TSOs' Recommendation

No recommendation is being given as part of this consultation.

2.10 STATIC FREQUENCY SERVICES

2.10.1 Introduction

Static frequency response is included in the overall reserve provision on the island and is provided by interconnectors. The service is designed to respond to high and low frequency events by altering the interconnector flow, initiated by passing through frequency trigger values. The interconnector is facilitating reserve exchange between power systems and the reserve provided is non-regulating. Consequently the TSOs consider the value to the system to be less than reserve provided by a dynamically regulating conventional source.

The rate for Provision of Static Frequency Service was set for 2012/2013 at 50% of the dynamic rates for service provision of the POR, SOR, TOR1 and TOR2. A charge for non-provision of this service would be liable, in line with all other HAS categories. The 2012/2013 rate for static reserve is unchanged for 2013/2014 however does include an inflationary rate increase.

2.10.2 Respondents' Comments

Three comments were received (AES, EAI and Energia) in relation to Static Frequency services.

All three respondents request the TSOs to provide more information on the provision of the Static Frequency service.

Two respondents (EAI and Energia) noted that a breakdown of the service provided by each interconnector and the time limits associated with the provision of this service should be publicly available.

One respondent (AES) commented that this service appears to be provided by the Interconnectors, Turlough Hill, and the Short Term Active Response (STAR) in RoI. The respondent agreed with the TSOs that the value to the system is less than reserve provided by a dynamically regulating conventional source and in line with the TSO approach to Flexibility Services, and to reflect the reduced value to the system, the payment of this "Static Frequency Service" should be on utilisation rather than a capability basis. The respondent also stated that it is difficult to understand the appropriateness of merely applying a 50% discount compared to other reserve rates as it seems entirely arbitrary and they believe more detailed analysis should be undertaken to determine and justify the proposed rate.

2.10.3 TSOs' Response

Utilisation of static reserve provides a reduction in system operating costs compared to using dynamic reserve, static reserve is less expensive and reduces constraint costs by allowing generators that would be operating at a reduced output to provide reserve to operate at a higher output. The interconnector is facilitating reserve exchange between power systems and the reserve provided is non-regulating, a flow change is initiated and held until manually adjusted. Flow changes of pre-determined fixed amounts on the interconnectors, to provide reserve, are initiated by detecting system frequency changes and ramped at approximately 1000 MW/sec. The availability of interconnector static reserve is dependent on spare interconnector capacity that is not being utilised by market flows. Quantities and frequency settings are determined in agreement with the interconnector owners and NGET; the TSO will investigate reporting of settings.

Since early 2013, the TSOs have published HAS/OSC outturn monthly report on their website including cost in relation to static reserve. The document can be found in the locations below.

<http://www.eirgrid.com/operations/ancillaryservicesothersystemcharges/>

<http://www.soni.ltd.uk/InformationCentre/Publications/>

2.10.4 TSOs' Recommendation

The TSOs recommend the current proposed rate for static reserve adjusted for inflation.

2.11 PROPOSED RATES AND CHARGES

2.11.1 Introduction

The rates and charges for HAS are proposed in Tables 2.1 and Table 2.2 below. It should be noted that Cushing Power Ltd Black Start contract terminated on 15th March 2013. Table 2.3 provides the HAS rate for the associated costs for Synchronous Compensation service and Static Frequency Service.

In the Harmonised Ancillary Services Rates and Other System Charges Decision paper for 2011/2012, the SEM Committee was satisfied that the exchange rate methodology is aligned to that utilised in the SEM (the final exchange rate used for the HAS and OSC was based on the 5-day average rate for the period 25th August 2011 to 29th August 2011, one month before the tariff year starts). The TSOs will use the same methodology for 2013/2014 but propose that the 5-day average rate is based on the last five working days of July in order that the HAS & OSC GBP rates earlier than previously.

All rates and charges increase with assumed forecast blended inflation rate of 2%⁶.

Service	Categories	2012/2013	2013/2014
Reserve	Primary Operating Reserve	€ 2.22 / MWh	€ 2.26 / MWh
	Secondary Operating Reserve	€ 2.13 / MWh	€ 2.17 / MWh
	Tertiary Operating Reserve 1	€ 1.76 / MWh	€ 1.79 / MWh
	Tertiary Operating Reserve 2	€ 0.88 / MWh	€ 0.90 / MWh
	Replacement Reserve (Synchronised)	€ 0.20 / MWh	€ 0.20 / MWh
	Replacement Reserve (De-Synchronised)	€ 0.51 / MWh	€ 0.52 / MWh
Reactive Power	Reactive Power Lagging	€ 0.13 / MVarh	€ 0.13 / MVarh
	Reactive Power Leading	€ 0.13 / MVarh	€ 0.13 / MVarh
Black Start	ESB Aghada	€67.71 / hr	€69.06 / hr
	ESB Ardnacrusha	€22.84 / hr	€23.30 / hr
	ESB Erne	€22.04 / hr	€22.48 / hr
	ESB Lee	€9.82 / hr	€10.02 / hr
	ESB Liffey	€8.02 / hr	€8.18 / hr
	ESB Turlough Hill	€81.63 / hr	€83.26 / hr
	EIL	€81.63 / hr	€83.26 / hr
	Cushing Power Ltd	€33.04 / hr	N/A
	Black Start Charge Period (Partial Fail)	30 days	30 days
	Black Start Charge Period (Total Fail)	90 days	90 days

Table 2.1: Proposed Harmonised Ancillary Service Rates for 2013/2014 tariff year

⁶ Based on a number of sources (e.g. ESRI Quarterly Commentary Winter 2012; published 31st Jan 2013 and HM Treasury compilation of independent forecasts; published February 2013) it is reasonable to assume a forecast blended inflation rate of 2% for the 2013/2014 period.

Reserve Parameter	Rate 2012/2013	Rate 2013/2014
Primary Operating Reserve Charge Period	30 days	30 days
Secondary Operating Reserve Charge Period	30 days	30 days
Tertiary Operating Reserve 1 Charge Period	30 days	30 days
Static Frequency Charge Period	30 days	30 days
Event Frequency Threshold	49.5 Hz	49.5 Hz
Reserve MW Tolerance ⁷	1 MW	1 MW
Reserve Percentage Tolerance	10 %	10 %

Table 2.2: Charges for non-provision of all reserve categories for 2013/2014 tariff year

Services	Categories	2012/2013	2013/2014
Flexibility Services	Synchronous Compensation	€2.88 / hr	€2.93 / hr
Reserve	Static Frequency Service	€3.50 / MWhr	€3.57 / MWhr

Table 2.3: Proposed HAS rates for Synchronous Compensation and Static Frequency service for 2013/2014 tariff year

2.11.2 Respondents' Comments

One comment was received (ESB) in relation to proposed AS rate.

The respondent believes the reserve payment should be increased for provision of reserve over and above Grid Code requirements as this takes into account the importance of reserve provision to facilitate changing generation portfolio.

2.11.3 TSOs' Response

The TSOs believes the proposed rate and the current arrangement in regard to reserve is appropriate.

2.11.4 TSOs' Recommendation

The TSOs recommend no change to the current rates except increase with proposed assumed forecast blended inflation rate of 2%.

⁷ The Reserve tolerance will be greater of the Reserve Percentage Tolerance of the expected Reserve provision or the Reserve MW Tolerance when a charge is applicable.

3 NEXT STEPS

Following a review of comments on the HAS consultation paper the TSOs are now making these recommendations to the RAs. The TSOs will then publish a revised AS Statement of Payment and Charges for the 2013/2014 tariff period.



***Response to Harmonised Ancillary Services and Other System
Charges Consultations***

on behalf of

AES Kilroot Power Ltd and AES Ballylumford Ltd

10 May 2013

1. Introduction

AES Kilroot Power Limited (“AES Kilroot”) and AES Ballylumford Limited (“AES Ballylumford”) (collectively “AES”) welcome the opportunity to comment on the consultation papers relating to Harmonised Ancillary Services and also Harmonised Other System Charges.

AES has nine merchant generating units registered within SEM which are subject to Harmonised Ancillary Service (HAS) Agreements.

We are providing a single response to the two consultations papers and our comments follow the structure set out in the TSO papers.

2. Ancillary Services

AES notes the comments on specific service providers being contracted for Black Start services. There are no comments from the TSOs as to the suitability and amount of these contracted services, and if there is a requirement for further provision. It should be noted also that none of the AES plant has a contract with the TSO for the provision of a Black Start service. There is concern over the continued perception that the Harmonisation of ancillary services is not being fully implemented, and that the NI Generators are not treated on a consistent and non-discriminatory basis. AES invites comments from the TSOs regarding this.

Tariff inflation

There is a proposal to apply an inflation rate of 2% to the existing tariffs, in deriving the new tariffs. This rate appears to have been chosen on an arbitrary basis as unfortunately this value cannot be verified since the TSOs have not published any supporting data. Does this rate reflect an RoI inflation figure a NI rate or a hybrid of both. We would welcome further transparency on how the TSOs determine the inflation rate so that interested parties can make informed comment.

Multiple AS Values

AES welcome the proposal to allow service providers the ability to utilise different reserve curves from those currently contracted for (which typically reflect their Grid Code obligations). Such flexibility would allow service providers to compensate for degradation and improvements to their equipment. We would welcome clarification and engagement as to how this would be implemented particularly in relation to settlement as multiple AS values could give rise to confusion in relation to payments and also charges.

Decrement Rates

This is already applied in NI and AES welcome the continuing harmonisation of the various service provisions.

Flexibility Services

AES believes that the continuing provision of the capability of such services should be paid for under an availability based approach. The TSOs have indicated that they shall pay for these services based on utilisation. AES shall continue to discuss the requirements of the TSOs in regard to the services and to the remuneration of such.

Static Frequency Service

This service appears to be provided by the Interconnectors, Turlough Hill, and the Short Term Active Response (STAR) in RoI. It is not a dynamic service, unlike that provided by conventional generators, and as such does not offer the System the same support. AES agree with the TSOs that the value to

the system is less than reserve provided by a dynamically regulating conventional source. In line with the TSO approach to Flexibility Services, and to reflect the reduced value to the system, the payment of this “Static Frequency Service” should be based on a utilisation basis rather than a capability basis.

AES continues to be disappointed at the lack of detail and analysis provided in the paper in relation to supporting the TSO proposals in relation to this service. Furthermore, it is difficult to understand the appropriateness of merely applying a 50% discount compared to other reserve rates – it seems entirely arbitrary and we believe more detailed analysis should be undertaken to determine and justify the proposed rate.

3. Other System Charges

Trip Charge

AES welcome the removal from the consultation of a Secondary Trip Charge, which was put forward last year. AES believed it to be unnecessary and inappropriate and ultimately flawed in terms of what it was purporting to achieve.

It is noted that the TSOs are proposing to reduce the threshold of a trip from 100MW to 20MW. Clarification is required as to why this “would capture smaller units that trip **after** an event causing system problems”. It is expected that the threshold shall be applied to all units irrespective of their size.

In principle AES welcome the intention of holding most generators accountable for their actions, and lowering the threshold to 20MW could afford such an opportunity. However the proposed threshold, in combination with the current trip charge calculations, means a significant increase in the charges levied to large generators. For example – a 240MW trip shall increase from £13,171 to £29,313, which is a 123% increase. This may not have been the intention of the TSO, and we suggest clarification on this point.

Until further discussion on this subject occurs AES strongly believes that the threshold should be maintained at 100MW.

Trip Charge when under Test in SEM

AES understand that the tariffs are set to cover two areas of concern. The first is the likelihood of a unit impacting the system and the TSOs carrying increased reserve to allow for that. The second is to limit the number of units applying for test, and therefore impacting on the system.

If the value of Tariff B is reduced to zero and the generator is instead exposed to the trip charge, then a generator may take a view that the increased financial risk associated with tripping could outweigh the benefit of the test, thereby discouraging testing.

AES would argue that the current Trip Charge under Test arrangements sufficiently incentivises generators to perform tests to ensure prudent operation, without being exposed to significant additional financial risk.

New Other System Charges

The reference to “non-compliance trend” requires further explanation, with regard to despatch instructions. Non-Compliance would normally be taken up under Grid Code and Licence conditions, rather than an application of a charge.

The increase in DSU within the overall System would suggest that they should be exposed to the same incentives that existing generators experience.

Secondary Fuel GPI

AES would draw attention to the fact that the term 'secondary' fuel is not relevant to AES plant. At Kilroot, units K1 and K2 are dual fuelled and indeed the Commercial Offer Data for these units relates to both coal and HFO as primary fuels (i.e. HFO is not a back-up fuel). At Ballylumford, the CCGTs have a "Back-up fuel" (as defined in the GUAs) facility but there is no mention of secondary fuelling.

AES continues to maintain that the proposed GPI is premature and unnecessary. It does not relate to a Grid Code Technical Parameter nor is it an Additional Grid Code Characteristic. We cannot therefore see why the TSOs believe it is a relevant GPI. We believe that it should be withdrawn by the TSOs.



EAI Response to TSO Consultation

Harmonised Ancillary Services and Other System Charges 2013-14

Electricity Association of Ireland

Markets Committee

17th May 2013

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The Electricity Association of Ireland (EAI) is the trade association for the electricity industry on the island of Ireland, including generation, supply and distribution system operators. Its members include the major electricity generators and suppliers within Northern Ireland and the Republic of Ireland, all of whom operate within the Single Electricity Market (SEM). It is the local member of Eurelectric, the sector association representing the electricity industry at European level.

EAI aims to contribute to the development of a sustainable and competitive electricity market on the island of Ireland. We believe this will be achieved through cost-reflective pricing and a stable investment environment within a framework of best-practice regulatory governance.

EAI is committed to facilitating the improving operation of the electricity market in order to ensure security of supply needs of the island and that energy policy objectives are met whilst ensuring that electricity prices remain at competitive levels in order to facilitate the needs of the economies on the island.



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Introduction

The Electricity Association of Ireland (EAI) welcomes the opportunity to respond to the consultation on the rates for Harmonised Ancillary Services and Other System Charges for the tariff year 1st October 2013 to 30th September 2014.

EAI is engaged in facilitating the improving operation of the electricity market in order to lower risk, ensure adequate generation for the needs of the island and to maintain electricity prices at competitive levels for the functioning of the economies on the island. The following issues raised in both consultation papers are of most concern to our members:

Harmonised Other System Charges

EAI has identified two very substantive and radical proposals in this consultation paper:

- (1) A proposed trip charge threshold reduction from 100MW to 20MW
- (2) A proposal to set Testing Tariff B to zero for units under test and to instead expose these units to trip charges

EAI has well founded concerns about the process followed and the substance of the above proposals.

This is an annual tariffs consultation on Other System Charges. It is wholly inappropriate to introduce highly significant changes as proposed in this context that constitute a radical departure from the status quo. They could not be reasonably construed as simply tariff changes and proposals in respect of the testing charge regime are entirely out of scope.

In terms of substance the proposals are arbitrary; inadequately justified; disproportionate; misdirected; will not achieve their stated purpose and will have unintended consequences. For these reasons, further explained below, EAI does not support the proposed changes.

For avoidance of doubt EAI advocates no change to the trip charge threshold and no change to testing tariff B and the testing tariff regime that would see Testing Tariff B set to zero for units under test and their exposure to trip charges instead.

(1) The proposed trip charge threshold reduction from 100MW to 20MW

- The proposed change under (1) to reduce the trip charge threshold is not a tariff adjustment – for example its effect for a 400MW trip is to increase the Direct Trip Charge from €81,949 to €182,381 – this constitutes an increase of over €100k per trip or a 223% increase in the trip charge. Even if the trip charge threshold were reduced to 50MW the impact on larger units for a 400MW trip would be an increase in the Direct Trip Charge of €53,162 or 165%, which is entirely unjustified and unacceptable.
- Apart from its materiality this is completely disproportionate and misdirected given the stated aim of the proposed change – i.e. “[reducing] the current threshold of 100MW for a Trip charge ...to 20MW ... would capture smaller units that trip after an event causing system problems” (p. 7). The proposed change is clearly highly penal to larger units which

are already sufficiently incentivized not to trip. The need to further penalise larger units for Trips has not been identified or justified, either in this or in previous OSC consultations.

- The reduced trip threshold significantly increases the trip penalty for units in excess of 100MW which has not been acknowledged in the consultation. This does not align with the stated aim of the TSOs in reducing the trip threshold i.e. to target smaller units.
- Both the TSO and the RAs acknowledge in previous HOSC consultations, that some level of tripping is inevitable. The proposed lower trip threshold penalises smaller units with the same current structure of financial penalty as that imposed on generators in excess of 100MW. This is highly questionable given the impact of smaller units on the system.
- Furthermore, EAI understands that windfarms (which would be captured by a 20MW threshold) often trip through no fault of their own triggered by grid disturbances and frequency events. A charge should not apply to trips that are beyond the control of the generator, regardless of size or technology. How would this be managed and implemented by the TSOs?
- In terms of the stated rationale for capturing smaller units, there is no evidence provided in the consultation paper (refers table 2.1) that smaller units (or indeed generators) are causing system problems. For example the MWs lost in the secondary trips identified in table 2.1 equal or exceed 250MW in all but one case (90MW). This does not constitute evidence for either increasing the trip charge or targeting units as small as 20MW.
- The relationship made in the consultation paper between secondary tripping and the proposal to reduce the trip charge threshold is spurious. Reducing the trip charge threshold simply increases trip charges, albeit disproportionately and without sufficient justification. It does not target or penalise secondary trips. Secondary trips are entirely irrelevant to the proposal of reducing the trip charge threshold. On the issue of secondary trips we would also refer to EAI's response to last year's OSC consultation.

(2) The proposal to set Testing Tariff B to zero and impose trip charges

- The proposed change under (2) is not a tariff adjustment to Other System Charges; rather it is highly material change to the testing charge regime and is compounded by the effects of (1) above.
- Generators never want to trip whether on test or otherwise; introducing a very penal regime for trips when on test will only discourage units from going on test rather than reduce the likelihood of tripping, as discussed further below.
- Test charges were consulted upon separately last year and it was decided by the SEM Committee in SEM-12-014 to introduce two categories of Test charge – tariff A and tariff B. Tariff B was specifically introduced to lessen the burden of going on test and this decision was taken following a separate dedicated consultation – to propose a fundamental change to this now in the context of an annual tariffs consultation on Other System Charges is wholly inappropriate and would be contrary to SEM-12-014. EAI understands that testing tariffs are to be reviewed annually and that the SEM Committee may revise the tariffs taking TSO recommendations into consideration. The proposal to replace tariff B with trip charges is not a tariff change it is a regime change, something unlikely to have been envisaged by the SEM Committee in SEM-12-014.
- The proposed change is highly disproportionate and is not justified.

- The proposed changes will incur significant financial penalties on generators and potentially inhibit testing. Testing tariffs B apply for commissioned units that want to introduce performance improvements or address performance limitations. These tests provide benefit to the system in that they improve the reliability of the units and can increase the ancillary services available to the TSO. If the cost of testing is prohibitive, generators will not be encouraged to perform this form of testing to the detriment of the system as whole.

Proposed change to late synchronisation window

- The heading in section 2.4 of the consultation paper refers to a 'late synchronisation charge'. EAI assumes this relates to the imposition of short notice declaration charges for late synchronisation. EAI objects to the proposal to change the Late Sync Charge window from 55 minutes to 15 minutes and will respond separately to the consultation paper that will be published specifically on this. EAI has several objections to the proposal and would point out that it also has market ramifications depending on whether the plant is in merit or constrained on.

Harmonised Ancillary Services

EAI requests clarity on the following issues:

- 2.1.2 Decrement Rates

A system whereby OR values can be declared using multiple break points and a linear connection between adjacent points would be welcomed. However, further clarity is required on the proposed decrement rates and an example showing a unit with multiple breakpoints and decrement rates would be welcomed.

EAI would note that this methodology should be applied to Reactive Power (RP) as well. A generator's ASA declaration for RP is based on its provision at maximum load. This is the load level at which the unit provides the least RP capabilities. This declaration therefore understates capability (and value to the system) of the unit at lower load levels.

- 2.2.4 Synchronous Compensation

We would welcome comment from the TSO in relation to the uptake of the Synchronous Compensation service and whether the payment being offered is set at the correct level to incentivise the introduction of such capability in the timeframe that the TSOs envisage it being required. Conversion of an existing plant to Synch compensator capability results in the upfront capital cost of conversion and the ongoing O&M and fuel costs, but it also should consider the foregone revenue in capacity payments for the unit which it obtained prior to conversion. To ignore this cost will result in plants only being converted to synch. comp at end of life and thus in a timeframe unacceptable to the TSOs.

- 2.2.5 Static Frequency Service

Further information is requested on the provision of the static frequency service by interconnectors. A breakdown of the service provided by each interconnector and the time limits associated with the provision of this service should be publicly available.

- Black Start

EAI notes the comments on specific service providers being contracted for Black Start services. There are no comments from the TSOs as to the suitability and amount of these contracted services, and if there is a requirement for further provision. It should also be noted that no service provider in Northern Ireland has a contract with the TSO for the provision of a Black Start service. This is despite service providers requesting TSO agreement to contract for Black Start services from the start of the Harmonised Arrangements and contrasts with the expediency observed for entering into commercial arrangements for EWIC. EAI welcomes further comment from the TSO in relation to contracting and paying for Black Start services in Northern Ireland.

Conclusion

In conclusion EAI has fundamental concerns and objections to the highly substantive proposed changes to Other System Charges, namely:

- (1) A proposed trip charge threshold reduction from 100MW to 20MW
- (2) A proposal to set Testing Tariff B to zero for units under test and to instead expose these units to trip charges

This is an annual tariff consultation on Other System Charges. It is wholly inappropriate to introduce highly significant changes as proposed in this context that constitute a radical departure from the status quo. They could not be reasonably construed as simply tariff changes and proposals in respect of the testing charge regime are entirely out of scope.

More fundamentally in terms of substance the proposals are arbitrary; inadequately justified; disproportionate; misdirected; will not achieve their stated purpose and will have unintended consequences. For these reasons, further explained in this response, EAI is strongly opposed to the proposed changes.

For avoidance of doubt EAI advocates no change to the trip charge threshold and no change to testing tariff B and the testing tariff regime that would see Testing Tariff B set to zero for units under test and their exposure to trip charges instead.

This response also objects to the proposals to change the Late Sync Charge window from 55 minutes to 15 minutes – EAI will respond in detail to the forthcoming consultation on this. With respect to Harmonised Ancillary Services, EAI requests a number of clarifications relating to Decrement Rates, Synchronous Compensation, and Static Frequency Service and would ask the TSOs to respond to comments made. Finally EAI invites comments from the TSO in relation to contracting and paying for Black Start services in Northern Ireland.



**Response by Energia to EirGrid and SONI
Annual Tariff Consultation Papers**

***Harmonised Ancillary Services and Other System
Charges for Tariff Year 2013/14***

17 May 2013

1. Introduction

Energia welcomes this opportunity to respond to the consultation on the rates for Harmonised Ancillary Services and Other System Charges for the tariff year 1st October 2013 to 30th September 2014.

2. Key concerns

Two radical and highly material proposals of concern to Energia have been made by the system operators EirGrid and SONI (“the TSOs”), namely:

1. to reduce the trip charge threshold to 20MW
2. to set testing Tariff B to zero and instead subject these units under test to trip charges

Energia strongly advises against these proposals being implemented and advocates no change for reasons explained in detail by the Electricity Association of Ireland (EAI) and the Irish Wind Energy Association (IWEA) in their responses to this consultation.

3. Detailed comments

Energia is an active member of both EAI and IWEA and fully agrees with and endorses their respective submissions to this consultation. We would specifically draw your attention to the following key points contained therein:

On the proposed trip charge threshold reduction from 100MW to 20MW:

- The proposed change to reduce the trip charge threshold is not a tariff adjustment – for example its effect for a 400MW trip is to increase the Direct Trip Charge from €81,949 to €182,381 – this constitutes an increase of over €100k per trip or a 223% increase in the trip charge. Even if the trip charge threshold were reduced to 50MW the impact on larger units for a 400MW trip would be an increase in the Direct Trip Charge of €53,162 or 165%, which is entirely unjustified and unacceptable.
- Apart from its materiality this is completely disproportionate and misdirected given the stated aim of the proposed change – i.e. “[reducing] the current threshold of 100MW for a Trip charge ...to 20MW ... would capture smaller units that trip after an event causing system problems” (p. 7). The proposed change is clearly highly penal to larger units which are already more than sufficiently incentivized not to trip. The need to further penalise larger units for Trips has not been identified or justified, either in this or in previous OSC consultations.
- The reduced trip threshold significantly increases the trip penalty for units in excess of 100MW which has not been acknowledged in the consultation. This does not align with the stated aim of the TSOs in reducing the trip threshold i.e. to target smaller units.
- Both the TSO and the RAs acknowledge in previous HOSC consultations that some level of tripping is inevitable. The proposed lower trip threshold

penalises smaller units with the same current structure of financial penalty as that imposed on generators in excess of 100MW. This is highly questionable given the impact of smaller units on the system.

- Furthermore, windfarms (which would be captured by a 20MW threshold) often trip through no fault of their own triggered by grid disturbances and frequency events. A charge should not apply to trips that are beyond the control of the generator, regardless of size or technology. How would this be managed and implemented by the TSOs?
- In terms of the stated rationale for capturing smaller units, there is no evidence provided in the consultation paper (refers table 2.1) that smaller units (or indeed generators) are causing system problems or to what extent. For example the MWs lost in the secondary trips identified in table 2.1 of the paper equal or exceed 250MW in all but one case (90MW). This does not constitute evidence for either increasing the trip charge or targeting units as small as 20MW. The proposed threshold reduction to 20MW is arbitrary and lacks justification. Instead it ill-justifiably introduces significant trip charges for smaller units and increases them exponentially for larger units for all trip events irrespective of the cause or nature of the trip.
- The relationship made in the consultation paper between secondary tripping and the proposal to reduce the trip charge threshold is spurious. Reducing the trip charge threshold simply increases trip charges, albeit disproportionately and without justification. It does not target or penalise secondary trips. Secondary trips are entirely irrelevant to the proposal of reducing the trip charge threshold. On the issue of secondary trips we would also refer to EAI's response to last year's OSC consultation.

On the proposal to set Testing Tariff B to zero and impose trip charges:

- The proposed change above is not a tariff adjustment to Other System Charges; rather it is highly material change to the testing charge regime and is compounded by the effects of the reduced trip threshold proposal.
- Generators never want to trip whether on test or otherwise; introducing a very penal regime for trips when on test will only discourage units from going on test rather than reduce the likelihood of tripping, as discussed further below.
- Test charges were consulted upon separately last year and it was decided by the SEM Committee in SEM-12-014 to introduce two categories of Test charge – Tariff A and Tariff B. Tariff B was specifically introduced to lessen the burden of going on test and this decision was taken following a separate dedicated consultation – to propose a fundamental change to this now in the context of an annual tariffs consultation on Other System Charges is beyond scope and wholly inappropriate. The proposal to replace Tariff B with trip charges is not a tariff change it is a regime change, something unlikely to have been envisaged by the SEM Committee in SEM-12-014.
- The proposed change is highly disproportionate and is not justified.

- The proposed changes will incur significant financial penalties on generators and potentially inhibit testing. Testing tariffs B apply for commissioned units that want to introduce performance improvements or address performance limitations. These tests provide benefit to the system in that they improve the reliability of the units and can increase the ancillary services available to the TSO. If the cost of testing is prohibitive, generators will not be encouraged to perform this form of testing to the detriment of the system as whole.

Other comments

Energia objects to the proposal to change the Late Sync Charge window from 55 minutes to 15 minutes and will respond in detail to the forthcoming consultation on this. With respect to Harmonised Ancillary Services, Energia would echo the EAI request for clarifications relating to Decrement Rates, Synchronous Compensation, and Static Frequency Service.

4. Concluding comments

This is an annual tariffs consultation on Harmonised Ancillary Services and Other System Charges. It is wholly inappropriate to introduce highly significant changes as proposed in this context that constitute a radical departure from the status quo. These include proposals to:

1. reduce the trip charge threshold to 20MW
2. set testing Tariff B to zero and instead subject these units under test to trip charges

The above could not be reasonably construed as simply tariff changes and proposals in respect of the testing charge regime are certainly beyond the scope of an annual OSC rates consultation.

In terms of substance the proposals are arbitrary; inadequately justified; disproportionate; misdirected; will not achieve their stated purpose and will have unintended consequences.

For reasons summarised above Energia does not support the proposed changes. And to be clear, Energia calls for no change to the trip charge threshold and no change to testing tariff B and the testing tariff regime that would introduce trip charges for units under test.



Energy for
generations

ESB Generation & Wholesale Markets

Response to:

Harmonised Ancillary Services Consultation Tariff Year 1st October 2013 to
30th September 2014

May 10th 2013

ESB Generation and Wholesale Markets (ESB) welcome the opportunity to respond to this joint SONI/NIE consultation on Harmonised Ancillary Services (HAS). Part One of our response below details our comments on the existing ancillary services arrangements and Part Two refers to the flexibility services.

Part One: Harmonised Ancillary Services

The purpose of this consultation is to examine HAS and the rates for both new and existing services. DS3 is a programme of work examining system service arrangements and is a separate consultation process

Section 2.1.1 Multiple AS Values

ESB welcomes the introduction of the option for each unit to provide more than one value of POR, SOR, TOR1, TOR2 and RR. We would request that the implementation and settlement process takes into account existing IT systems and is easy for generators to adapt.

Part Two: Flexibility Services

A tender process took place in February 2013 for (i) Reduced time to Synchronise and (ii) Flexible Multimode Operations services.

2.2.2 Flexible Multimode operation

A two-part remuneration structure has been proposed where maintenance and incentive payments would be fixed while fuel costs would change in line with changing fuel prices. We would request more clarity on this proposed payment structure in the form of an example.

Table 3.1 and 3.2

Reserve Payments

ESBPG believes that the reserve payments should be increased for provision of reserve over and above the Grid Code requirements. This takes account of the importance of reserve provision particularly due to the changing generation mix and the facilitation of wind.

Response from Mutual Energy Ltd

From: Paul McGuckin [mailto:paul.mcguckin@mutual-energy.com]
Sent: 10 May 2013 16:15
To: Price, Vivienne
Subject: Harmonised Ancillary Services Consultation

Hi Vivienne

I am responding to this consultation on behalf of Moyle Interconnector Ltd, a provider of the Static Frequency Service.

My only issue with the proposals in the document is around the use of a forecast blended inflation rate to adjust the rates for an assumed level of inflation.

The rates for the Static Frequency Service were first published in April 2012 for the tariff year commencing 1st October 2012. Given that we are now 1 year down the line and proposing rates for the tariff year commencing 1st October 2013 I do not see why actual inflation figures for the interim period are not used. If I was inflating something from its value in 2012 to its value in 2013 I would simply use the published figures for actual inflation in the period. If I was to apply a forecast inflation rate for 2013-14 to the 2012 value I would be ignoring the inflation that occurred in 2012-13 and introducing forecasting error.

UK inflation from March 12 to March 13 is 3.28% (most recent "RPI all items" figures available). This indicates that inflating the rate that Moyle receives for provision of the Static Frequency Service by 2% represents a reduction in the value of the service in real terms.

I am aware that inflation is currently significantly lower in the ROI jurisdiction meaning that using any blended rate of inflation will result in a real terms reduction in value to NI ancillary services providers (with an above inflation increase in the value of the payments to ROI ancillary services providers). Given that there will always be an element of inequity between jurisdictions when using a blended inflation rate I wonder has any consideration been given to using separate inflation rates to calculate payment rates/charges? The rates could continue to be set from the "base" rate when a service is introduced and then be adjusted for actual inflation in the relevant jurisdiction, similar to the current exchange rate adjustment.

Please feel free to get in touch if any queries.

Regards
Paul

Paul McGuckin
Financial Controller

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**Power NI Energy Limited
Power Procurement Business (PPB)**

HAS and OSC

May 2013

Response by Power NI Energy (PPB)

17 May 2013



Power NI Power Procurement Business (PPB) welcomes the opportunity to respond to the consultation papers on Harmonised Ancillary Services (HAS) and Other System Charges (OSC).

PPB is the counter-party to Power Purchase Agreements, which were established in 1992 as part of the restructuring and privatisation of the Electricity Supply Industry in Northern Ireland. PPB purchases both the capacity of the contracted generating units and any electricity generated by those units on terms specified in the agreements. The generating units are extremely flexible and reliable and therefore with the changes in the generation mix and typology of the system these units are likely to play a significant role in helping the System Operator manage the system. Flexibility is required to securely manage and operate a system, which is being designed to accommodate ambitious renewable targets.

System Security in Northern Ireland

The electricity supply industry is now facing one of its most radical shake-ups since liberalisation driven by changes in the regulatory environment; technological innovation and transitions to a low carbon economy. It is therefore important that the transition strategy allows industry to adapt to changing conditions and all stakeholders are engaged in the reviews. Choices in generation and transmission, and indeed the gas network, exhibit a high degree of interdependency and therefore generators and suppliers are constrained in their choices by the architecture of the gas and electricity systems

The TSOs have a statutory obligation to ensure sufficient services are available to operate an efficient, reliable and secure system. It is therefore difficult to understand why the DS3 consultation documents and this HAS consultation do not recognise the potentially serious system security issues Northern Ireland may face after 2015. If the DS3 project does not successfully introduce a radical review of the existing arrangements before the end of 2013 the TSO must review the existing rates for Ancillary Services with expediency. The costs to the Northern Ireland economy as a result of a supply failure would be significant and therefore reliability of the system services is essential in order to ensure the system operator can maintain system security. The provision of ancillary services close to where there is a potential scarcity should be better remunerated than ancillary service provided by a Service Provider which is not required for system security.

The primary focus of the Harmonised Ancillary Service arrangements which were implemented in February 2010 was to align the arrangements in both jurisdictions. A fundamental review of the services was not completed at the time as recognised in the “System Services Review, Preliminary Consultation”. This paper goes on to state that “The Harmonised AS arrangements and GPIs provide a platform for a comprehensive review to be undertaken of the types and amounts of System Services required”.

Transparency and Fairness

PPB is concerned with the perception of fairness and transparency in the management of HAS and OSC arrangements primarily in relation to the procurement and monitoring of these services.

Whilst PPB recognizes the potential system security benefits afforded by interconnectors we are concerned that issues relating to business independence have not been addressed by the Regulatory Authorities. We believe that, the Regulatory Authorities must undertake a consultation on this issue. It is imperative that the design, provision and procurement of system services is completed in a transparent manner and the involvement of the RAs in devising, pricing and monitoring the contracting of HAS and OSC is crucial.

The absence of any discussion in last year's consultation in relation to the proposed provision of Black Start Services by EWIC, and the basis of determining an appropriate rate, does not help investors perception of transparency and fairness in the Single Electricity Market (SEM). The expediency of Eirgrid awarding an ancillary service for the provision of Black Start from EWIC is in contrast to the delay in considering offering this service to generators in Northern Ireland. The lack of process for procuring Black Start services, in a fair and transparent manner, is very different from the governance arrangements which have been adopted for the procurement of Flexible Services.

Given that the System Operators are now contracting Ancillary Services with Interconnector Owners, PPB believes that the interconnectors must be liable for all applicable Other System Charges including any existing or new trip charges otherwise the overall arrangements have will be unfairly designed.

Trip Charges

Whilst we welcome all the work which has been completed by the System Operators in relation the DS3 review of ancillary service arrangements we are concerned with the approach which is being taken in relation to the existing arrangements. We are strongly of the opinion that in the absence of a thorough review of ancillary services and the arrangements for non-compliance with Grid Code that no new Other System Charges should be introduced. It is inappropriate for new charges to be introduced without a comprehensive review of rates for the existing ancillary services which, currently, do not appropriately award the flexibility afforded by existing conventional generation. To date, even in the DS3 project, no review has been completed to assess whether the level of remuneration for existing ancillary services is appropriate.

The proposal to change the trip charge threshold from 100MW to 20MW results in a disproportionate and misdirected impact as it is clearly highly penal to larger units which are already sufficiently incentivized not to trip. The need to further penalise larger units for Trips has not been identified or justified. If the intention of Other System Charges is to incentivize behaviour that enhances system security and reduces operating costs it is completely inconsistent if the interconnectors, both of which could have a 1000MW impact on the system, are not liable for Other System Charges.

There is no recognition, in the consultation, of the risk to system security resulting from the loss of an interconnector. According to the Eirgrid website, during the period October 2012 to April 2013, there were 32 trips. 7 of these trips were by the interconnectors (Moyle 4 and EWIC 3). PPB would expect the TSOs to complete an assessment of all material risks to system security. The risk to system security of an interconnector tripping or mal-operating has a much greater impact than a 20MW generating unit.

If there is consideration of introducing a secondary trip charge this must be introduced for all Grid Code Users (including interconnectors). The loss of two interconnectors, during a system event, could have potentially serious implications. Given the complexity of the control equipment associated with Converter Stations this is a risk which must be addressed as a secondary mal-operation of the interconnectors could result in the loss of 2000MW from the system. With this magnitude of risk not being addressed it is perverse that the TSOs are focusing on reducing the trip threshold from 100MW to 20MW

Managing the balance of commercial risk with paradigm shifts in the operation of the system

PPB recognises that modelling a system which has a high level of non-synchronous generation (a majority of which is variable and connected to the distribution network), is extremely difficult and we commend the work which has been completed by the System Operators to date. The paradigm shift in electricity system design is challenging for: system operators, network owners, regulators and generation asset owners. Inherently with challenging problems in the energy industry there is a high degree of risk and the only financial solution can be one which appropriately allocates the risk and reward appropriately across the full spectrum of stakeholders (including customers).

It is the responsibility of the System Operator to operate the system in a manner which manages this potential risk in accordance with Grid Code. However generating units are exposed to an uncapped number of Frequency Events when connected to the system. The system operators have an obligation to operate the system in such a manner which limits the number of times when the system frequency falls below 49.5Hz to exceptional circumstances. PPB believes that, for the purposes of applying Other System Charges, exceptional circumstances needs to be defined in order to ensure the correct financial levers are in place to ensure the TSO carries appropriate levels of operating reserve. Other System Charges should be reduced for all further events once this threshold has been reached.

There is insufficient evidence/analysis provided by the TSOs to support the introduction of secondary trip charges. For example the System Operator should be monitoring system events and providing analysis on: system inertia; reserve being carried by the system operator; rate of change of frequency; voltage unbalance and harmonics. We would expect that this level of detail is required before the TSO could consider

proposing any radical changes to the existing charging regimes. It would be a perverse situation for the system operator to be able to make significant changes to the operation of the system and be able to pass any consequential non-performance risk to the investors in thermal generation. If this is the commercial environment which is being proposed by the system operator then mirror provisions would be needed for the system operator to for example, incentivise (1) holding appropriate levels of operating and replacement reserve; or (2) forecasting wind generation and demand within agreed estimation errors.

PPB would expect the TSO to complete a detailed assessment identifying the material risks which could have a detrimental impact on security of supply and how these risks are managed as opposed to continually targeting a group of users with proposals to increase their commercial risk exposure with no mention of some of the more material risks to system security.

Testing Charges

Test charges were consulted upon separately last year (SEM-12-014) where it was decided to introduce two categories of Test charge – tariff A and tariff B. Tariff B was specifically introduced to lessen the burden of going on test and this decision was taken following a separate dedicated consultation. To propose a fundamental change to this now in the context of an annual tariff consultation is entirely inappropriate. The proposed change is highly disproportionate and is not justified. The proposed changes will impose significant financial penalties on generators and potentially inhibit testing.

Late Synchronisation Charge

PPB strongly objects to the proposals to change the Late Synchronisation Charge window from 55 minutes to 15 minutes. The late synchronisation charge was designed to be the commercial incentive to ensure generators comply with Grid Code in relation to synchronising times. The design of the charge is set out in the Other System Charges methodology statement. Any changes to the type of charge which applies as a result of a generating unit not synchronising within 15 minutes of the original synchronisation time must be properly consulted upon and a full financial impact assessment completed for each category of User. For example a 500MW Generating Unit which does not synchronise within 15 minutes of the original synchronising time would receive an SND charge of circa €35k whereas the late synchronisation charge would be circa €2k. The TSO has provided no evidence of the cost associated with generators synchronising late to the system. As part of any justification to propose a change to the existing arrangements the TSO should provide evidence of the actions they have had to take on occasions when generating units has been unable to meet their original synchronising times. For example, did the TSO have to dispatch an open cycle gas turbine in order to ensure system security is maintained.

The proposed Grid Code change, if approved by the regulators, will result in a generating unit being, due to the requirement legally to comply with the Grid Code, not

entitled to synchronise to the Transmission System fifteen minutes after the original synchronising time. This actually introduces considerable uncertainty for generation and system operation which could be at a time when system security is potentially compromised. It is important that the Grid Code, for system security reasons, facilitates co-operation between the TSO and the Generator to ensure that a generating unit, if still capable of synchronising to the Transmission System and if still required by the TSO, is synchronised as expediently as possible, thus restoring operating margin and reserve. We believe that the late synchronisation charge in the existing Other System Charges should continue to be used to incentivise timely synchronisation to the Transmission System. If the current rates are not properly incentivising performance and not reflective of the costs incurred by the TSOs following late synchronisation, then these should be reviewed.

Secondary Fuel Charge

It is difficult to comment on this proposal as it is unclear as to who it would apply to and how it will be applied.



SSE Response to Harmonised Ancillary Service Consultation for Tariff Year 2013/14

SSE welcomes the opportunity to respond to the TSOs' Harmonised Ancillary Services consultation for tariff year 2013/14. As preamble to this response we wish to refer the TSOs to our previous responses¹ on the same matter for the tariff years 2011/12 and 2012/13. Our comments in those responses still remain valid. Indeed we are glad to see that the TSOs have taken on board some suggestions we advanced in those responses in their present consultation.

With that brief discussion we proceed to some substantive aspects of the current consultation.

Existing AS Services

SSE welcomes the TSOs' proposal to continue with the AS services and rates for the upcoming tariff year 2013/14 *with the inclusion of the assumed inflation rate*. As we argued in our response to the 2012/13 consultation², this treatment is consistent with the treatment of the TSOs' allowed revenue. Indeed this is the standard treatment for regulated payments on the island. It is only equitable that the same treatment should apply to payments made to regulated payments made to service providers.

Despite that, we maintain our position that the AS rates do not reflect the actual cost of providing the associated services, neither do they reflect the value of the services. However as this is a debate that is now being conducted within the DS3 workstream, our purposes with the reiteration in this response is to emphasise that it is a long-standing position that predates the DS3 workstream. The underlying philosophy however is that such payments should be moved away for 'token increments' offered market participants to being regarded as valuable services being provided to maintain system stability and security.

Multiple AS Values

SSE welcomes the proposal for multiple values for the different AS service for participating units.

¹ Reference to previous responses relate to those made as Endesa Ireland



Decrement Rates

Having reviewed the discussion in the section, it is not clear to us what the TSOs hope to achieve with the Decremental Operating Reserve rates. We would consider that the scaling factor in the current payment regime would capture the effect described as being available within the existing Northern Ireland settlement system. Perhaps the TSOs could clarify this matter.

We would point out that the discussion in this section does not mention Reactive Power. Regardless, we will provide our position on that item, which is to argue that the relevant Reactive Power declaration to apply in respect of a unit is the average across such a unit's load level, instead of the maximum load level currently in place. Given that a unit's provision of Reactive Power varies with output, selecting a single point declaration is unreflective of the actual effect, particularly as the point chosen happens to be the point at which a unit delivers its lowest levels of Reactive Power. Averaging out this measure would rebalance the benefit accruing to providers commensurate to the value provided to the system.

Flexibility Services

In principle SSE agrees with measures to improve the operational flexibility of the power system, while mitigating high constrain costs. To this end the short term AS services proposed are in the main valuable.

However we have concerns regarding the flexible multimode operation proposal. While it may be useful to have technologies such as CCGTs operate as OCGTs, such actions should be in response to market price signals. The impact of re-dispatching CCGTs as OCGTs, given the design of the SEM with distinct market and dispatch schedules, creates the potential to have the TSOs dispatch decisions feed into market outcomes. However if market signals exist for such modes of operation, then it should be such that such decisions be taking by generators' within their market strategies.