Harmonised

Other System Charges

2013/2014

Recommendations Paper

4th July 2013

EIRGRID

SONI
System Operator for Northern Ireland

1. EXECUTIVE SUMMARY

For the upcoming tariff period running from the 1st October 2013 to the 30th September 2014, the TSOs published a consultation paper on 11th April 2013 outlining a number of proposals. The TSOs received comments from ten (10) respondents on this consultation paper and having reviewed the responses the TSOs are now making a number of recommendations to the RAs based on these comments.

1. In this year's Annual Tariff Consultation the TSOs are proposing to retain the OSC rates approved for the 2012/2013 tariff year adjusting for inflation at forecast rate[1] of 2% for the tariff year 2013/2014.

2. The current Trip charge threshold is maintained at 100 MW for 2013/2014 tariff year. A separate consultation paper is to be published to review the trip charge methodology.

3. No changes are made to testing Tariff B regarding a unit being subject to Trip charges.

4. The GPI charge for Secondary Fuel declarations is proposed not to be initiated this year pending completion of the necessary changes in respect of fuel security, including fuel switching arrangements, in Northern Ireland.

5. The implementation of GPIs for Demand Side Units is to be considered and future OSC consultations may propose implementation of OSC charges to these Users.

[1] 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.

Abbreviations

AS	Ancillary Services
DBC	Dispatch Balancing Costs
DETI	Department of Enterprise, Trade & Investment
GPI	Generator Performance Incentive
HAS	Harmonised Ancillary Services
NI	Northern Ireland
NI FSC	Northern Ireland Fuel Security Code
OSC	Other System Charges
RA	Regulatory Authorities
SCADA	Supervisory Control and Data Acquisition
SEM	Single Electricity Market
SEMO	Single Electricity Market Operator
TSC	Trading and Settlement Code
TSO	Transmission System Operator

2. INTRODUCTION

The purpose of this paper is to make recommendations to the Regulatory Authorities (RAs) in Ireland and Northern Ireland, based on responses received by the Transmission System Operators (TSOs) on the Harmonised Other System Charges Consultation paper[2] for the RAs' approval. The TSOs consult on an annual basis regarding changes to the OSC rates and the introduction of any new OSC. On the 11th April 2013 the TSOs in Ireland and Northern Ireland published the annual consultation paper for the tariff year 1st October 2013 to 30th September 2014.

The OSC consultation paper proposed to retain the OSC rates approved for the 2012/2013 tariff year adjusting for inflation at forecast rate[3] of 2% for the tariff year 2013/2014. The TSOs proposed to reduce the Trip MW Loss Threshold factor in the Trip charge from 100 MW to 20 MW. Additionally, the TSOs proposed to consider setting testing Tariff B to zero and instead subject a unit under test to Trip charges.

In the consultation paper the TSOs proposed that the GPI charge for Secondary Fuel declarations is not to be initiated this coming tariff year pending completion of the necessary changes in respect of fuel security, including fuel switching arrangements, in Northern Ireland. The TSOs also proposed that the implementation of GPIs for Demand Side Units is to be considered and future OSC consultations may propose implementation of OSC charges to these Users.

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

[2] "Harmonised Other System Charges; Consultation" 11th April 2013, available at www.soni.ltd.uk and www.EirGrid.com

[3] 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.

The TSOs received responses from the following parties:

Party	**Abbreviation**
AES Kilroot Power Ltd & AES Ballylumford Ltd	AES
Bord Gáis Energy	BGE
Electricity Association of Ireland Markets Committee	EAI
Energia	Energia
ESB Generation & Wholesale Markets	ESB
Irish Wind Energy Association	IWEA
Northern Ireland Renewables Industry Group	NIRIG
NIE Energy Limited Power Procurement Business	PPB
SSE Renewables	SSE

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

3. EXISTING OSC DEVELOPMENTS

3.1 EXISTING OTHER SYSTEM CHARGES

The TSOs have reviewed the charges levied on generating units for the tariff year 2011/2012 and note that there has been an improvement in the level of non-compliances over the period. This trend can be viewed on the monthly reports published on the EirGrid and SONI websites.

3.1.1 Respondents' Comments

1 comment was received in relation to existing OSC developments.

1 respondent (ESB) is of the opinion that the minimum generation GPI should be revisited to account for the effect of ambient conditions on the plant.

3.1.2 TSO's Response

The TSOs are of the opinion that the minimum generation GPI design is suitable. The effect of ambient conditions on minimum generation for specific plants will be addressed and taken into consideration.

3.1.3 TSO's Recommendation

No recommendation is being given as part of this consultation.

3.2 SHORT NOTICE RE-DECLARATIONS

3.2.1 Introduction

Short Notice Declarations (SND) are made by generators to reflect the change in availability of committed plant or unscheduled outage of dispatched plant. The SND charges are intended to incentivise behaviour that enhances system security and reduces dispatch balancing costs by providing the TSOs with notice to re-dispatch plant at least cost. The TSOs believe that the charge is appropriate and would not propose to change the tariff for this upcoming tariff year other than increasing in line with the assumed inflation rate.

3.2.2 Respondents' Comments

No specific comments on Short Notice Re-declarations were received.

3.2.3 TSOs' Recommendation

The TSOs recommend that no change is made to the SND charge rate for 2013/2014 tariff year other than increasing in line with the assumed inflation rate.

3.3 TRIP CHARGE

3.3.1 Introduction

Trip charges are levied when plant unexpectedly drops load off the system resulting in the TSOs having to dispatch on plant to deal with the loss of generation. There were 5 secondary trip events during the tariff year 2011/2012 and up to December 2012 where, following a large drop in load, another unit dropped significant load, causing a further reduction in frequency. These events are of serious concern. Table 3.1 below shows the amount tripped.

Event	Date	Initial Trip - MWs Lost	Secondary Trip - MWs Lost
1	20/08/2012	385	90
2	03/09/2012	185	273
3	04/09/2012	285	283
4	07/09/2012	534	255
5	10/10/2012	200	250

Table 3.1: Secondary Trip Events during Tariff Year 2011/2012 and up to December 2012

The TSOs would not propose a change to the tariff for this upcoming tariff year other than increasing in line with the agreed inflation rate. However, we are proposing that the current threshold of 100 MW for a Trip charge is reduced to 20 MW. This would capture smaller units that trip after an event causing system problems.

3.3.2 Respondents' Comments

Ten comments were received (AES, BG, EAI, Energia, ESB, IWEA, NIRIG, PPB, SSE and 1 confidential) in relation to the proposed reduction of trip charge threshold and none were in favour of the proposal.

Five respondents (EAI, IWEA, Energia, NIRIG and SSE) stated the proposed change is not a tariff adjustment and therefore should not be part of this consultation process.

Four respondents (ESB, IWEA, SSE and 1 confidential) believe there was no detail provided in the paper to support this proposal i.e. to demonstrate secondary trip is causing the system issue.

Seven respondents (ESB, BG, EAI, AES, Energia, PPB and 1 confidential) believe the current trip charge methodology in line with the proposal would have a disproportionate cost impact on larger units.

One respondent (AES) in principle welcomes the intention of holding most generators accountable for their actions, and lowering the threshold to 20 MW 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 240 MW 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 they suggested clarification on this point. Until further discussion on this subject occurs AES strongly believes that the threshold should be maintained at 100 MW.

Three respondents (IWEA, SSE and Energia) commented that the proposal constituted a significant shift in policy with a material impact on windfarms and smaller generators.

Four respondents (Energia, BG, EA and IWEA) commented that windfarms (which would be captured by a 20 MW threshold) often trip through no fault of their own triggered by grid disturbances and frequency events and that a charge should not apply to trips that are beyond the control of the generator, regardless of size or technology. They queried how this would be managed and implemented by the TSOs.

Three respondents (Energia, IWEA and EAI) stated in terms of the stated rationale for capturing smaller units, there is no evidence provided in the consultation paper (refers table 3.1) 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 3.1 equal or exceed 250 MW in all but one case (90 MW). They believe this does not constitute evidence for either increasing the trip charge or targeting units as small as 20 MW and also that the proposed threshold reduction to 20 MW is arbitrary and lacks justification.

One respondent (NIRIG) wish to note they support the IWEA response.

One respondent (PPB) commented that if the intention of Other System Charges is to incentivise behaviour that enhances system security and reduces operating costs it is completely inconsistent if the interconnectors, both of which could have a 1,000 MW impact on the system, are not liable for Other System Charges. Also, there is no recognition in the consultation of the risk to system security resulting from the loss of an interconnector.

One respondent (AES) welcomed the removal of secondary trip charge from the consultation.

Two respondents (Energia and EAI) commented that the relationship made in the consultation paper between secondary tripping and the proposal to reduce the trip charge threshold is spurious and that 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.

One respondent (PPB) commented if there is consideration of introducing a secondary trip charge this must be introduced for all Grid Code Users (including interconnectors).

3.3.3 TSOs' Response

The TSOs welcome the participants' views in respect of the proposed reduction of the Trip charge threshold. The TSOs would like to confirm that a Trip charge would not apply on a reduction that is beyond the control of the generator.

It has been noted by the TSOs that proposing a reduction to the Trip threshold is greater than the scope of the annual OSC rates consultation therefore it is proposed that a separate consultation be held which will allow the TSOs to review the Trip charge methodology. The TSOs will take the comments received during this consultation on board.

3.3.4 TSOs' Recommendations

The TSOs recommend maintaining the current Trip charge threshold at 100 MW in the 2013/2014 tariff year. Furthermore, the TSOs recommend a separate consultation to review the Trip charge methodology.

3.4 TRIP CHARGE WHEN UNDER TEST IN SEM

3.4.1 Introduction

Testing tariffs are applied to all generator units that may be granted Test status in the SEM. The SEM Testing Tariffs Consultation Paper[4], published in July 2011, set out the proposal for the application of two testing tariffs to Generator Unit Under Test (GUUT) dependent upon the type of test being carried out, level of reserve carried by the TSOs, and the risk to system security. The paper reviewed the methodology and background for the costs arising from GUUT, when there is an increase in system reserve requirement (high risk), and no increase in system reserve requirement (lower risk). The two types of tariffs considered in the paper were Tariff A and Tariff B.

Tariff A is applicable when new units are being commissioned on to the power system for the first time and when existing units require testing when returning from outages[5]. In these cases the generator will carry out a range of tests to demonstrate Grid Code compliance to the TSOs. The impact of a GUUT is an increase in the costs associated with maintaining system security.

Tariff B covers the costs of when a unit is in the latter stages of commissioning or undergoing general testing. In this case the unit is deemed to be reasonably reliable and normal reserve requirements apply.

The TSOs are considering setting Tariff B to zero and instead the unit will be subject to trip charges. The SEM testing Tariffs Consultation Paper[4], set out the calculation methodology and 2012 rates for testing Tariff B. This OSC Consultation Paper section 4.1 set out trip charge rates for coming tariff year.

The TSOs would like to discourage generators tripping during testing and therefore it is appropriate for a charge to be incurred on an event basis, and not as a fixed tariff. The TSOs would welcome participant's views on the merits of this proposal.

[4] SEM Testing Tariff Consultation Paper July 2011 sets out the methodology for calculating the cost components attributable to generator units under test. http://www.allislandproject.org/en/transmission_decision_documents.aspx?article=3d45a24c-5677-4fa6-9254-ebe00aa0db0c

[5] Scope of works for the outage is discussed with TSOs. TSOs assess the impact and determine tariff and testing requirements.

3.4.2 Respondents' Comments

Nine comments were received (ESBPG, AES, Energia, EAI, NIRIG, PPB, IWEA, SSE and 1 confidential) in relation to setting testing Tariff B to zero and imposing Trip charges. All respondents opposed to the change and believe the current arrangement is sufficient to incentivise generators to ensure prudent operations.

Five respondents (AES, Energia, PPB, IWEA and 1 confidential) believe imposing a Trip charge may prohibit operational testing to the detriment of the system as a whole.

Four respondents (Energia, EAI, PPB and IWEA) believe the proposed change is contrary to SEM Committee Decision SEM-12-014.

3.4.3 TSOs' Response

The TSOs welcome the participants' views on this proposal. This was intended to further discourage generators tripping during testing and not intended to discourage essential operational testing as a result of the proposal.

3.4.4 TSOs' Recommendations

The TSOs do not recommend any changes to testing Tariff B.

3.5 LATE SYNCHRONISATION CHARGE

3.5.1 Introduction

Modifications to the joint sections of the Northern Ireland and Ireland Grid Codes in respect of late synchronisation windows (required because of the pending Failure to Follow Notice to Synchronise Instruction modifications) were discussed at the February 2012 meeting of the Joint Grid Code Panel. At this meeting it was agreed that a consultation paper be developed which would set out the modification proposal to change the late synchronisation window from 55 minutes to 15 minutes. If this change is ratified it will be implemented in line with the publication of the decision paper.

3.5.2 Respondents' Comments

Five comments were received (ESBPG, Energia, BG, EAI and PPB) in relation to late synchronisation charge. All respondents opposed the change in the late synchronisation window.

3.5.3 TSOs' Response

The TSOs acknowledge the responses received and await the outcome of the Grid Code consultation. Any changes will be implemented in line with the publication of the decision paper.

3.5.4 TSOs' Recommendations

No recommendation is being given as part of this consultation.

3.6 NEW OTHER SYSTEM CHARGES (OSC)

In assessing new developments for OSC, there are two key areas for consideration:

1. Where non-compliance trend is found and a GPI is considered worthwhile or an existing GPI should be modified; and
2. Implementation of OSC for DSUs as defined under the Grid Codes.

As discussed in the 2012/2013 OSC Consultation paper, the TSOs will consider the merits of these areas and expect to propose changes as part of the future annual consultations on OSC.

3.6.1 SECONDARY FUEL GPI

3.6.1.1 Introduction

In the 2010/2011 OSC consultation paper[6] the TSOs proposed that future potential GPIs may be introduced to address gaps in the performance of generating units. In the 2011/2012 tariff year, the TSOs proposed a new GPI relating to a generating unit's declared secondary fuel capability. The TSOs understand that the fuel security arrangements in Northern Ireland has advanced but is not at the stage yet where a GPI can be applied to all units on the island. Should this GPI be introduced, the TSOs are proposing a rate for the Secondary Fuel GPI of €0.12 / MWh which is consistent with the declared reserve GPIs.

The GPI charge for Secondary Fuel declarations is proposed not to be initiated this year pending completion of the necessary changes in respect of fuel security, including fuel switching arrangements, in Northern Ireland.

As part of the 2013/2014 consultation the TSOs are seeking participants' views on the merits of this recommendation.

3.6.1.2 Respondents' Comments

Three comments were received (ESBPG, AES and PPB) in relation to a secondary fuel GPI.

One respondent (ESBPG) commented that if the design of this proposed secondary fuel GPI is as described in the previous OSC paper (2011) ESBPG does not support its inclusion for all of the same reasons. The respondent also commented that in EirGrid's OSC Recommendations paper (2012), it stated that the design of this GPI would be consulted on once the necessary legislation is in place and that it is very important that the design of the penalty is revisited and consulted on due to the many identified shortcomings and flaws in its previous form.

One respondent (AES) commented that they maintain that the proposed GPI is premature and unnecessary and that it does not relate to a Grid Code Technical Parameter nor is it an additional Grid Code characteristic. AES also stated they cannot therefore see why the TSOs believe it is a relevant GPI and believe that it should be withdrawn by the TSOs.

[6] Harmonised Other System Charges 2010/2011; Consultation Paper; 9th July 2010

One respondent (PPB) commented that 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.

3.6.1.3 TSOs' Response

The TSOs welcome participants' views on this proposal. As stated by a respondent it has previously been agreed that the design of this GPI would be consulted on once the necessary legislation is in place.

3.6.1.4 TSOs' Recommendations

As the fuel security arrangements in Northern Ireland are not at a stage yet where a GPI can be applied to all units on the island the TSOs recommend that the introduction of this GPI is postponed until the next tariff year and pending a methodology consultation.

3.6.2 GPIs for Demand Side Units (DSUs)

3.6.2.1 Introduction

DSUs are a defined User under the Grid Codes. The TSOs are considering future GPIs for DSUs but not in this tariff year.

3.6.2.2 Respondents' Comments

Two comments were received (AES and SSE) in relation to new other system charges and DSUs.

One respondent (PPB) believes that the interconnectors must be liable for all applicable OSC including any existing or new trip charges otherwise the overall arrangements will be unfairly designed.

One respondent (AES) requested further explanation on non compliance trend in regard to dispatch instructions and commented that non-compliance would normally be taken up under Grid Code and Licence conditions, rather than an application of a charge. The respondent also stated that the increase in DSUs within the overall System would suggest that they should be exposed to the same incentives that existing generators experience.

One respondent (SSE) commented that the treatments regarding GPIs for DSUs proposed in the consultation are reasonable and in their view pose no issues.

3.6.2.3 TSOs' Response

The TSOs are constantly reviewing the effectiveness of the GPIs, Trips and SND charges and expect to bring forward changes to OSC in future years. New other system charges on DSUs are being considered. In regard to the interconnectors being liable for all applicable OSC, the TSOs would like to note that not all interconnectors have a Transmission Use of System agreement in place so therefore OSC cannot apply.

3.6.2.4 TSOs' Recommendations

No recommendation is being given as part of this consultation.

4. PROPOSED RATES

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 25 August 2011 to 29 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 are earlier than previous years.

The OSC rates assume a forecast blended inflation rate[7] of 2% for the 2013/2014 period.

4.1 TRIP CHARGES

The following tables propose the Trip Charges and Constants for the 2013/2014 tariff year. As seen in Table 4.1 and Table 4.2 there is no change to the proposed charges compared with the previous tariff year other than increasing in line with the agreed inflation rate.

	2012/2013	2013/2014
Direct Trip Rate of MW Loss	15 MW/s	15 MW/s
Fast Wind Down Rate of MW Loss	3 MW/s	3 MW/s
Slow Wind Down Rate of MW Loss	1 MW/s	1 MW/s
Direct Trip Constant	0.01	0.01
Fast Wind Down Constant	0.009	0.009
Slow Wind Down Constant	0.008	0.008
Trip MW Loss Threshold	100 MW	100 MW

Table 4.1: Proposed Trip Constants

Charge	2012/2013	2013/2014
Direct Trip Charge Rate	€4,000	€4,080
Fast Wind Down Charge Rate	€3,000	€3,060
Slow Wind Down Charge Rate	€2,000	€2,040

Table 4.2: Proposed Trip Rates

[7] 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.

4.2 SHORT NOTICE DECLARATION (SND) CHARGES

The following tables propose the SND Charges and Constants for the 2013/2014 tariff year. As seen in Table 4.3 and 4.4 there is no change to the proposed constants and charges compared with the 2012/2013 tariff year other than increasing in line with assumed inflation rate.

SND Constants	**2012/2013**	**2013/2014**
SND Time Minimum	5 min	5 min
SND Time Medium	20 min	20 min
SND Time Zero	480 min	480 min
SND Powering Factor (Notice time weighting curve)	-0.3	-0.3
SND Threshold	15 MW	15 MW
Time Window for Chargeable SNDs	60 min	60 min

Table 4.3: Proposed SND Constants

SND Charge Rate	**2012/2013**	**2013/2014**
SND Charge Rate	€70 / MW	€71 / MW

Table 4.4: Proposed SND Charge Rate

4.3 PROPOSED GPI CHARGES

The proposed GPI Constants, GPI Declaration Based Charges and GPI Event Based Charges for the 2013/2014 tariff year are outlined in Table 4.5, Table 4.6 and Table 4.7 respectively. The TSOs are proposing to make no change to the rates for 2013/2014 other than increasing in line with the assumed inflation rate.

GPI Constants	**2012/2013**	**2013/2014**
Late Declaration Notice Time	480 min	480 min
Loading Rate Factor 1	60 min	60 min
Loading Rate Factor 2	24	24
Loading Rate Tolerance	110%	110%
De-Loading Rate Factor 1	60 min	60 min
De-Loading Rate Factor 2	24	24
De-Loading Rate Tolerance	110%	110%
Early Synchronous Tolerance	15 min	15 min
Early Synchronous Factor	60 min	60 min
Late Synchronous Tolerance	5 min	5 min
Late Synchronous Factor	55 min	55 min

Table 4.5: Proposed GPI Constants

	2012/2013	2013/2014
GPI Declaration Based Rates	**€ / MWh**	**€ / MWh**
Minimum Generation	1.18	1.20
Max Starts in 24 hour period	1.00	1.02
Minimum On time	1.00	1.02
Reactive Power Leading	0.29	0.30
Reactive Power Lagging	0.29	0.30
Governor Droop	0.29	0.30
Primary Operating Reserve	0.12	0.12
Secondary Operating Reserve	0.12	0.12
Tertiary Operating Reserve 1	0.12	0.12
Tertiary Operating Reserve 2	0.12	0.12
Secondary Fuel	0.12	0.12

Table 4.6: Proposed GPI Declaration Based Charge Rates

	2012-2013	2013-2014
GPI Event Based Rates	**€ / MWh**	**€ / MWh**
Loading Rate	0.59	0.60
De-Loading Rate	0.59	0.60
Early Synchronisation	2.65	2.70
Late Synchronisation	26.47	27.00

Table 4.7: Proposed GPI Event Based Charge Rates

4.4 Respondents' Comments

One respondent (SSE) commented that the application of an inflator to the charges is reasonable and a symmetric treatment in accordance with the application to payments for the Harmonised Ancillary Services.

4.5 TSOs' Response

The TSOs welcome the participant's view on this proposal.

The TSOs would like to provide the additional clarification regarding the calculation of the blended inflation rate: Current economic forecasts for Ireland suggest that price inflation will be between 1.5% and 2% (ESRI forecast for CPI in QEC is 1.5% for 2013 and 1.7% for 2014). Current forecasts for the UK suggest price inflation is likely to be of the order of 3% - 3.25% depending upon whether the OBR numbers or the average of the Independent Forecasters published by HMT is taken. On an energy weighted basis across the two jurisdictions this leads the TSOs to the view that an overall forecast of 2% inflation on a blended basis is a reasonable estimate.

4.6 TSOs' Recommendations

The TSOs recommend making no changes to the rates for 2013/2014 tariff year other than increasing in line with a forecast blended inflation rate[8] of 2%. As stated in section 3.3.2.2 the TSOs recommend maintaining the current trip charge threshold at 100 MW in the 2013/2014 tariff year. Furthermore, the TSOs recommend a separate consultation to review the trip charge methodology.

[8] 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.

5. NEXT STEPS

The RAs will advise the TSOs whether they accept the TSOs recommendations outlined in this paper. The TSOs will then update the Statement of Payments and Charges to reflect the rates and constants for the 2013/2014 tariff year.

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.

Bord Gáis Energy
think beyond

Amanda Kelly
Eirgrid
160 Shelbourne Road
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Vivienne Price
SONI
Castlereagh House
12 Manse Road
Belfast BT6 9RT

17th May 2013

Dear Amanda, Vivienne

Re: Harmonised Other System Charges 2013-2014 Consultation

Thank you for the opportunity to respond to and input into the Transmission System Operator's (TSO's) consultation on Harmonised Other System Charges for the tariff year 2013-14.

Bord Gáis Energy (BG Energy) believes that an annual consultation is not the appropriate forum to introduce substantive changes such as those proposed in this consultation regarding the reduction to the trip charge threshold and the remove of Testing Tariff B. If the TSOs believe that these proposals are appropriate a full consultation is needed that assesses the benefit to the system of these options and the proportionality of their impact on generators.

BG Energy recognises that Other System Charges (OSC) have a role in incentivising optimal behaviour from the operation of generators connected to the system. In this regard, OSCs are only necessary where other signals or incentives do not exist to influence the operational decisions and performance of generators. The market already sends strong performance signals to generators, in the form of capacity payments and market revenues, and any proposals for the introduction or amendment of existing OSCs must bear the strength of existing signals in mind.

1. Proposed Change to the Trip Charge Threshold from 100 MW to 20 MW

BG Energy strongly contends that the proposed change to reduce the Trip Charge Threshold from 100 MW to 20 MW should be rejected because of its disproportionate impact on large generators and insufficient evidence that it will meet its objectives.

The justification for the proposed reduction in the Trip Charge Threshold is included in the consultation paper and states that the proposed reduction "would capture smaller units that trip after an event causing system problems". However, no evidence has been included that demonstrates how small units tripping cause system problems and/or how the introduction of this reduced threshold will alleviate the problem. It should also be highlighted that many small units, particularly wind farms, trip on account of grid issues and through no fault of their own. Therefore, it does not seem logical to assume that the introduction of a reduced threshold for trip charges would actually alleviate the problem identified.

The proposed change has a disproportionate impact on large generators. For example, a 400 MW generator is facing an increase of €100k on each trip charge, an increase of over 200%. Such an increase is entirely unjustified and unacceptable and disproportionate to the issue that EirGrid has identified. The consultation acknowledges that a level of tripping is inevitable and trip charges only incentivise generators to minimise the number of trips. The market already provides a large commercial incentive not to trip because of the negative impact that tripping has on a generators position in the market and the revenues that are foregone on account of tripping.

On the basis that it does not address the issue of secondary trips, is disproportionate in its impact on small and large generators relative to the impact and cost of secondary trips and is a significant change to the OSC regime, BGE does not support the TSOs proposal to reduce the threshold for trip charges. This proposal does not deliver any added incentive but instead substantially increases the severity of the penalty and should not be introduced.

2. Proposal to set Test Tariff B to zero and apply trip charges during generator testing

The TSOs have proposed to replace Test Tariff B with trip charges to discourage generators tripping during testing. BG Energy believes that this change is counter-productive and disproportionate and again should be rejected.

The SEMC approved the introduction of Testing Tariffs A and B in March 2012 (see SEM-12-014). This decision was made following a stakeholder consultation process and under the recommendation of the TSOs. BG Energy believes that it is inappropriate for the TSOs to reopen this issue as part of the annual Harmonised Other System Charges consultation.

Testing Tariff B generally applies to operational generators that are seeking to introduce performance improvements or address performance deficiencies. The proposal to remove Test Tariff B and apply trip charges could result in significant financial penalties that far exceed the current tariff rate. Furthermore, the impact of the proposal would be further exacerbated by the proposal to substantially reduce the Trip Charge Threshold for generators (discussed above).

BG Energy believes that operational generators should be incentivised to introduce performance improvements and ensure compliance. This approach will provide system-wide gains to the benefit of all stakeholders. However, no analysis has been provided that shows how removing Testing Tariff B will deliver a greater incentive.

Conclusion

In conclusion BG Energy would like to reiterate that the proposals regarding the reduction of the trip threshold and the removal of Test Tariff B should both be rejected.

BG Energy believes that this annual consultation is not the appropriate forum to introduce such substantive changes. Just last year a full consultation was completed that properly assessed options for generator testing tariffs. A similar approach would be required for the trip threshold and testing tariff proposals in this consultation.

In any case, there has been insufficient evidence provided to justify the changes proposed in the consultation. No supporting analysis has been provided regarding the impact to the system when smaller units trip, nor what the impact of removing Test Tariff B would have on testing trip rates.

Please do not hesitate to contact me if you have any queries on the comments raised.

Yours sincerely,

Ciarán O'Brien
Regulatory Affairs – Commercial
Bord Gáis Energy

{By email}

EAI Response to TSO Consultation

Harmonised Ancillary Services and Other System Charges 2013-14

Electricity Association of Ireland

Markets Committee

17th May 2013

Contents

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.

ESB Generation & Wholesale Markets

Response to:

Harmonised Other System Charges Consultation Tariff Year 1st October 2013 to 30th September 2014

May 13th 2013

ESB Generation and Wholesale Markets (ESB) welcome the opportunity to respond to this joint SONI/NIE consultation on Harmonised Other System Charges (HOSC). Part One of our response below details our comments on the existing OSC and Part Two refers to new OSC.

Part One: Existing OSC

The purpose of this consultation is to examine HOSC, the rates and structure for both new and existing OSC. OSCs are levied on generators that trip unexpectedly or need to re-declare at short notice.

Section 2.2 Trip Charge

Trip charges are levied on generators that trip unexpectedly. The current structure of the trip charge is appropriate as, while recognising that a certain level of tripping is unavoidable, the charge increases as the number of MW lost increases. The current threshold of 100MW recognises that there is a larger impact to the system with larger loss of MW. The proposed new threshold of 20MW is a drastic change from the current 100MW threshold and would have a penal impact on generators. No justification or evaluation criteria have been given to justify the proposed 20MW threshold. Table 2.1 in the consultation paper illustrates secondary trip events during 2011-12. There is no evidence to show that the secondary trip occurred due to the initial trip and the trip could be completely unrelated to the initial trip. Significant charges already are in place for units that trip and we do not believe that lowering the threshold is necessary.

The TSOs wish to penalise poor performance for small units which trip subsequent to an earlier system event. To do this, the TSOs propose that the trip charge threshold is reduced to 20MW. ESB believes that there are two secondary effects to the simple proposal which far exceed the justification for the proposal.

1. Firstly, it serves to more than double the Trip Charge for units above 100MW. This is seen in table 1 below:

MW lost	Direct Trip New Charge	Direct Trip Old Charge	Increase %
400	€178,804.74	€80,342.15	122.6%
300	€65,778.59	€29,556.22	122.6%
200	€24,198.59	€10,873.13	122.6%
100	€8,902.16	€4,000.00	122.6%
50	€5,399.44	€0.00	
20	€4,000.00	€0.00	

Table 1: Comparison of Trip Charges between 2011/12 and 2013/14

The Trip charge formula uses the MW threshold as a factor in calculating the magnitude of the penalty. Thus lowering the MW threshold increases the penalty rather than just bringing more units into the Trip Charge arena. The TSOs have provided no justification for doubling the Trip Charges on units greater than 100MW and it is possible that the secondary effect was not intended. In order to penalise smaller units without further penalising larger units, the TSOs will have to set two thresholds to reflect the new category of units above 20MW and below 100MW.

2. Secondly, units below 100MW will incur a trip penalty regardless of whether they trip as a primary event or a secondary event. The TSOs' desire for the lowering of the MW threshold is in order to penalise secondary events for units below 100MW. In order to do this, the TSOs need a 2 stage process, firstly determining whether a trip was a secondary event or not and subsequently applying the penalty. The simple application of the penalty as proposed exceeds the TSOs' stated goal.

<u>Section 2.3 Trip Charges When Under Test in SEM</u>

Tariff B is for units that have been commissioned and are now attempting to bring in performance improvements or address performance shortfalls. The system benefits from this testing for a number of reasons –

- It increases the range for ancillary services that is to be made available to the TSOs
- It increases or improves the reliability of units
- It can increase the capacity on the system

Changing the charges associated with testing of this nature should be done carefully with a full consideration of the costs to the TSOs and the system as a whole. The TSOs state that they wish to discourage tripping during testing. Recognising the reality that tripping will be a

part of testing, it is important to ensure that the TSOs do not go too far and discourage testing itself and miss out on the benefits of increased unit performance.

Two charts below show the impact of the new proposal on generators.

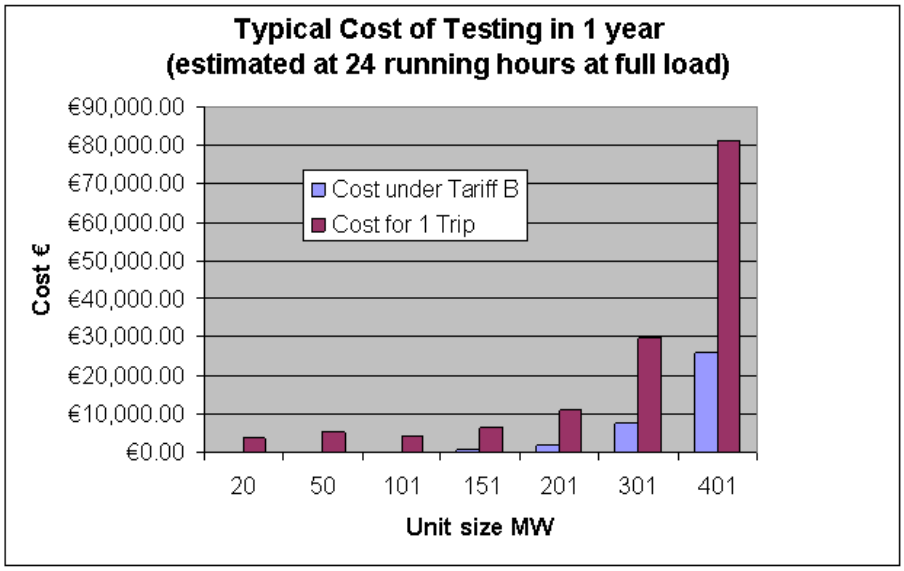

Figure 1 Cost of Testing under Tariff B vs Trip charges

Figure 1 makes the assumption that a typical unit will test for no more than 3 x 8 hour periods in any one year. This is a reasonable assumption on the basis that initial Grid Code compliance and post refurbishment commissioning testing is not covered in the proposal. Figure 1 also makes the assumption that the unit will trip once from full load during that full year's testing. As can be seen, the costs associated with the proposal are well in excess of the current arrangements and will serve to disincentive testing. Furthermore under the proposal, units under 150MW are now at risk of costs associated with testing whereas these units are exempt from charges under the current arrangements due to the lack of any extra costs imposed on the TSO by these units.

Figure 2 shows the number of hours that a unit would have to be under test before it would recoup the cost of a single trip charge. It is a measure of the equivalence of the new proposal to the current arrangement.

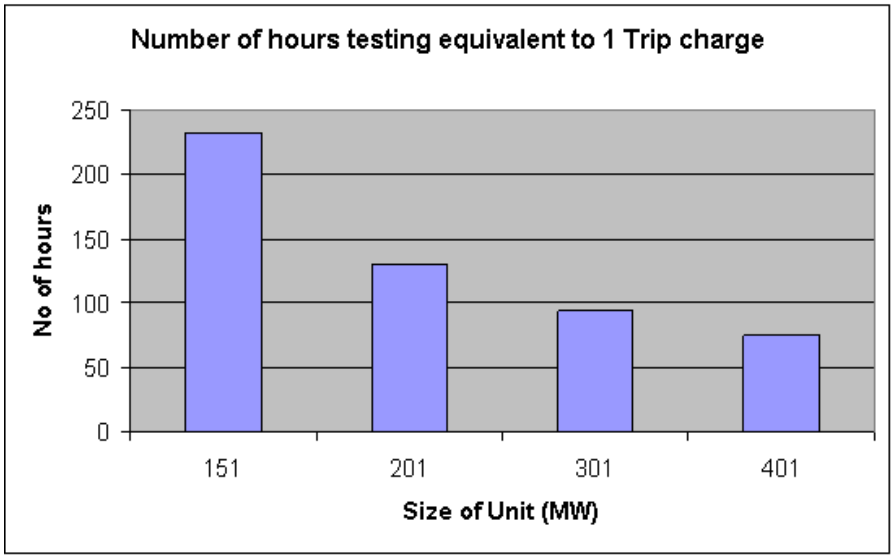

Figure 2 Number of hours cost under Tariff B equivalent to a Trip charge

As can be seen, a unit between 150MW and 200MW would need to test for almost 30 x 8 hour days before it would incur the cost of a single trip. A large unit over 400MW would need to test for 9 x 8 hour days before incurring the cost of a single trip. This is a number of years worth of testing for a single unit. There is no doubt that such an increase in cost risk to generators will result in less testing and less benefits to the system as a whole.

While units that do not trip while under test would benefit under the proposed arrangement, there is a benefit to the certainty associated with Tariff B. It is possible to price a test in advance to a reasonably accurate degree and in doing so, arrive at a simple cost vs benefit analysis of any performance improvement.

Lastly, when a unit under test trips, it incurs a start cost which it must cover itself in order to complete testing. It should be noted by the TSOs that this start cost is incentive enough for a unit to make all reasonable precautions to avoid tripping under test. It should not be assumed that tripping under test is acceptable to generators in the absence of an external penalty.

Section 2.4 Late Synchronisation Charge

As per our response to MPID 223 “Fail to sync update proposal” and our response to HOSC Tariff Year 1st October 2012 to 30th September 2013, ESB strongly disagrees with the modification proposal to change the late synch window from 55 minutes to 15 minutes. Not only are there technical and operational impacts but this change has consequences in the Market.

The construction of the late synchronisation penalty has been consulted on and agreed. As a penalty, its construction is reasonable in that a lesser penalty is applied, the earlier a plant

synchronises on a sliding scale. If the late synchronisation window is reduced to 15 minutes, then the FailSynch penalty is applied. This is a very blunt instrument and to apply it after 15 minutes is unwarranted. The FailSynch penalty as currently designed has inbuilt inequity in that the effect of the penalty has a dramatically increased financial impact depending on whether the plant is in merit or constrained on. A plant which has a FailSynch receives significant direct penalties, through SNDP's and loss of explicit capacity payments. However, if that plant is in merit, it also suffers additional financial impact through loss of MSQ running and potential loss of a start cost. The difference in costs can be of an order of magnitude.

Applying the FailSynch penalty to a plant which is unavailable (i.e. after the late synch window has passed) is reasonable, however, applying it after 15 minutes to a plant which is late (and may have been working to synch for the previous Grid Code allowed 12 hours) is not reasonable. While all generating units endeavour to synchronise at the appointed time, unexpected delays can arise and currently these are penalised through the late Synch Penalty. This ensures that there is a financial incentive to sync on time while also removing the disproportional financial impact depending on whether a plant is in merit or constrained on.

Part Two: New Other System Charges

As per previous response, ESB is of the opinion that the calculation of the minimum generation GPI should be revisited to account for the effect of ambient conditions on plant. Thus the formula could be improved to compare the declared min gen against the declared availability of the unit (rather than registered capacity as currently used).

Section 3.1 Secondary Fuel GPI

The GPI for secondary fuel will not be initiated this year pending necessary changes for fuel security in Northern Ireland. If the design of this proposed secondary fuel GPI is as was described in the previous OSC paper (2011) ESBPG does not support it's inclusion for all of the same reasons.

In EirGrid's OSC Recommendations paper (2012), it stated that the design of this GPI would be consulted on once the necessary legislation is in place. It is very important that the design of the penalty is revisited and consulted on due to the many identified shortcomings and flaws in its previous form.

IWEA response to the Harmonised Other System Charges Consultation for Tariff Year 1st October 2013 to 30th September 2014

17 May 2013

Introduction

The Irish Wind Energy Association (IWEA) welcomes the opportunity to respond to the Harmonised Other System Charges Consultation for tariff year 2013/14 which was extended by 1 week following publication of a correction to the original paper on 9 May 2013. IWEA's principal concerns, as outlined below, relate primarily to the proposal to reduce the trip charge threshold to 20MW and to expose generators undergoing general testing to trip charges. IWEA does not support these proposals and advocates that no change is necessary or appropriate.

Principal concerns

IWEA notes the proposal in section 2.2 of the consultation paper, now clarified in the published note of 9 May 2013, to reduce the trip charge threshold from 100MW to 20MW from October 2013. This would constitute a significant shift in policy with a material impact on windfarms. This proposal is not appropriate for an annual tariffs consultation and is not justified based on the evidence provided.

It is worth noting the stated justification for the proposed change from page 7 of the consultation paper: "[reducing the trip threshold to 20MW]…would capture smaller units that trip after an event causing system problems". This is written in the context of a discussion of secondary trip events and table 2.1 re-produced below.

Event	Date	Initial Trip – MWs Lost	Secondary Trip – MWs Lost
1	20/08/2012	385	90
2	03/09/2012	185	273
3	04/09/2012	285	283
4	07/09/2012	534	255
5	10/10/2012	200	250

No evidence is provided that smaller units are causing system problems and to what extent. The proposed threshold reduction to 20MW is arbitrary, lacks justification and any impact assessment on market participants. Furthermore, the proposed threshold reduction does not establish any causation between initial and secondary trips (in particular causation by smaller units) nor does it address or target secondary trips. 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. On the latter note it is important to recognise that many windfarm trips are grid induced. Windfarms should not be exposed to trip charges for trips that are beyond their control. This was expressly recognised by the SEM Committee and the TSO's in the previous decision paper, SEM-10-001, yet it is unclear how this would be managed under this proposal.

As a corollary to the proposed trip charge threshold reduction, it would seem that windfarms (20MW or above) may now be exposed to trip charges when on test by virtue of the proposal in section 2.3 of the consultation paper to expose units undergoing general testing to trip charges. This would be contrary to SEM Committee Decision SEM-12-014 and cannot be supported by IWEA. IWEA would further point out that this proposal is not a tariff change to Other System Charges it is a fundamental change to the testing charge regime, something unlikely to have been envisaged by the SEM Committee in SEM-12-014 when stating the following: *"Commencing in 2013, the TSOs shall review these [Generator Testing] tariffs annually and submit their recommendations to the SEM Committee not later than 31st August each year. The SEM Committee may revise the tariffs taking these recommendations into consideration".* (p. 2). There is no justification for this proposal.

Conclusion

Any reduction in the trip charge threshold needs to be proportionate, targeted, justified and carefully implemented ensuring no unintended consequences and that windfarms are not unfairly penalised for trip events beyond their control. Unfortunately the proposal in section 2.2 of the consultation paper to reduce the trip charge threshold to 20MW fails to satisfy any of these pre-requisites. For these reasons, further discussed above, IWEA does not support this proposal or any change to the trip charge threshold.

IWEA also has significant concerns about the proposal in section 2.3 of the consultation paper to expose units undergoing general testing to trip charges. This is not supported by IWEA as it has not been justified, is beyond the scope of an annual OSC tariffs consultation, and would seem contrary to SEM Committee Decision SEM-12-014. For these reasons, further discussed above, IWEA calls for no change to testing tariff B and the testing tariff regime that would see generators undergoing general testing exposed to trip charges.

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NIRIG response to the Harmonised Other System Charges Consultation for Tariff Year 1st October 2013 to 30th September 2014

17 May 2013

The Northern Ireland Renewables Industry Group (NIRIG) is a joint collaboration between the Irish Wind Energy Association and RenewableUK. NIRIG provides a conduit for knowledge exchange, policy development support and consensus on best practice between all stakeholders in the renewables industry in Northern Ireland.

NIRIG welcomes the opportunity to respond to the Harmonised Other System Charges Consultation. NIRIG supports the IWEA response to this consultation and would like this support to be noted. Our principal concern relates to the proposal to reduce the trip charge threshold to 20MW and to expose generators undergoing general testing to trip charges. This would constitute a significant shift in policy with a material impact on windfarms. Such a proposal is not appropriate for an annual tariffs consultation and is not justified.

For any queries or clarifications, please contact

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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

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 Other System Charges Consultation for Tariff Year 2013/14

SSE welcomes the opportunity to respond to the TSOs' Other System Charges consultation for tariff year 2013/14. The application of an inflator to the charges is reasonable and a symmetric treatment in accordance with the application to payments for the Harmonised Ancillary Services. On other aspects of the consultation we note the other areas where the TSOs' have flagged their intention to consult on in future. These are specifically the GPIs for secondary fuel and for Demand Side Units. The treatments proposed in the consultation are reasonable and in our view pose no issues.

However we wish to bring attention to two significant issues of concern within the proposals. The first relates to the proposed reduction in the trip charge threshold from 100MW to 20MW and the second to setting Testing Tariff B to zero and imposing trip charges instead.

Trip Charge Threshold Reduction

On the proposal to reduce the trip charge threshold, in the first instance it is our view that the rationale given which is to draw smaller generators into the charging framework represents a policy change, not simply a tariff review as the annual review mechanism provides. Hence on a procedural basis it is our contention that this annual review consultation, which has in essence run for just one month, is not the proper 'forum' for addressing this matter.

In addition, it has been put forward with insufficient background analysis, as well as analysis on the impacts both on the system overall and other system service providers. On those bases we would not support the proposal.

Setting Testing Tariff B to Zero

On the second matter of concern, again this is a significant policy change not a mere tariff review. And again analysis is lacking to support the proposal.

Taking the two matters addressed above, we have an overall concern that the framework underpinning the charging for Other System services has not been holistically thought through and appears to be modified in a reactionary fashion. This is very unhelpful to market participants and we would request the TSO's to carry out such an activity as the basis for a more stable charging regime.