



Generation & Wholesale Markets

Response to:

DS3 System Services Consultation Paper

Reference: SEM-13-060

October 11th 2013

Part One: Introduction

ESB Generation and Wholesale Markets (GWM) welcome the opportunity to respond to this consultation. The ESB GWM generation portfolio comprises of both conventional and renewable generators. The successful delivery of the DS3 programme is therefore important to the ESB GWM business. Our response and comments are outlined in Part Two below.

Part Two: Comments

- Investment Decisions:

Uncertainty around the revenue streams that will be associated with the new system services, and also the lack of clarity regarding timeline for their introduction, means that it is not possible for generators to make the investment decisions that would be required in order for them to be in a position to provide these new enhanced services. Any works that may be required will need to be scheduled well in advance and most likely would be planned for the next major outage any unit takes. If this window of opportunity is missed, then it will be a number of years before a generator would be able to schedule the works again.

There is also lack of clarity on the revenue streams that will be associated with existing system services. There is a risk that existing flexible plant, that currently provides these services, and will be required on the system in the future, will be forced to retire prematurely since the lack of visibility on future revenues means they are unable to make a case for investment.

It is important that there is clarity on the system services in order to ensure sufficient provision of the required services in the appropriate timeframe.

- Phased Approach:

The consultation states that the SEMC will take a phased approach with regard to their decision making process, and will also consider a phased implementation of services. ESB GWM would not be in favour of such a phased approach as it will create continued uncertainty and inhibit investment decisions being taken by generators.

- Curtailment & Targets:

ESB GWM is concerned that a delay in the timeline for the introduction of the new system services will result in higher levels of curtailment being faced by wind generators, putting the 2020 targets at risk of being delivered. From 2018 wind generators will no longer be compensated when they are curtailed. This decision was taken by the SEM Committee (SEMC) based on the assumption that the DS3

programme would be substantially in place by then. Investment decisions have been taken on this premise. If the introduction of system services is delayed then the decision on compensation for curtailment should be revisited by the SEMC.

- Cost Benefit Analysis (CBA):

The consultation states that the SEMC will carry out their own CBA and use this to inform their decisions regarding the economic and commercial arrangements for the system services. It is not clear what the scope of the CBA will be. ESB GWM consider that it is important that market participants are given the opportunity to comment on the Terms of Reference for this.

The economic analysis carried out by the TSOs assumed that synchronous generators could all comply with the proposed ROCOF Grid Code modification. Neither the cost nor the value of the provision of inertia to the system was adequately captured in the TSO analysis. ESB GWM consider this omission to be a serious flaw in the TSO analysis and look for the SEMC to address this in their analysis. Implementation of the ROCOF Grid Code modification will allow the SNSP to increase by 10% and in doing so will bring savings to the system. This value should be recognised in any analysis. The costs, including testing costs, should also be included.

There is a risk that if the value or benefit of each and every new system services, as determined in the SEMC analysis, does not at least reflect the cost of providing the services, then the required investments will not be taken, and the necessary level of service provision will not be delivered. It is important that any analysis is done within the broader context of Government policy in relation to renewable energy.

- Synchronous Inertial Response (SIR)

As currently designed the product includes an arbitrary minimum load threshold below which providers of inertia will not receive payment. ESB GWM are of the strong view that all providers of inertia should be compensated. Payments could be scaled so that lower minimum loads receive higher payments, however all providers should receive payment.

- Steady State Reactive Power

The product as designed currently does not take into account the ability of many conventional generators to provide higher levels of reactive power capability at lower active power loads. Currently only a single declaration of reactive power is allowed, and therefore the lowest capability level across the active power range must be declared. Remuneration of this service should reflect the full range of reactive power capability of a generator for its entire active power range.