

Single Electricity Market

Ancillary Services Rates and Other System Charges for 2014-15

Decision Paper

30 July 2014

SEM-14-069

BACKGROUND AND INTRODUCTION

All island arrangements for Harmonised Ancillary Services (HAS) and Other System Charges (OSC) went live on 1 February 2010.

This paper sets out the Regulatory Authorities (RAs) decision for HAS and OSC rates and services/charges for the tariff year 2014/2015. This follows a consultation process carried out by the Transmission System Operators (TSOs).

The annual review of HAS and OSC commenced on the 2nd April 2014 when the TSOs published two separate consultation papers on proposed HAS and OSC rates and services/charges for the tariff year 2014/2015¹.

Six responses to the OSC consultation paper and nine responses to the HAS consultation were received from industry. Following the consultation process, the TSOs submitted recommendation papers to the Regulatory Authorities (RAs) which are published along with this decision paper. These papers include both the TSO's response to queries raised by the consultation respondents, and their recommendations for services and charges in the upcoming tariff year.

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

¹ http://www.allislandproject.org/en/transmission_current_consultations.aspx?article=1fed02a9-503f-43c9-9a28-72f2fb8625af

² http://www.allislandproject.org/en/transmission_decision_documents.aspx?article=06c22cd8-a936-426b-ac21-ed28b5292566

HAS – TSO RECOMMENDATIONS AND RA DECISION

Recommendations put forward in the TSO's HAS recommendations paper are summarised as follows.

1. Propose to continue all existing HAS services and rates for the upcoming tariff year with an adjustment for inflation of 1.5%.
2. A commitment has been made to engage with service providers to investigate and develop communication process that may be required with respect to ramping before an under frequency event.
3. A commitment was made to engage with service providers in ROI on the refinement of the operating reserve calculation.
4. The TSOs have commented that a decision on the flexibility services tender is expected to be completed in October. The services were as follows:
 - Reduced time to synchronisation from instruction
 - Flexible multimode operation
 - Lower minimum generation with/without reserve
 - Synchronous compensation

Whilst these tenders have been ongoing the TSOs noted that a small number of contracts have been in put in place for these services.

5. The TSOs have proposed to undertake a consultation on the interconnector Dynamic Frequency Service.
6. An investigation into the exchange rate mechanism currently being applied has been proposed with a view to possibly including any changes in next year's consultation.

A Summary of the RAs Decision is as follows:

1. The RAs support the proposal to continue with the provision of all existing HAS services. A blended rate of 1.5% is also accepted. This rate represents a realistic estimation of expected inflation rates for the coming year across both jurisdictions.
2. The RAs view the proposed collaborate approach with service providers as the most favorable solution to develop communications process changes with respect to ramping before an under frequency event.
3. The RAs support the intention to engage with service providers in ROI to refine the operating reserve calculation. This will potentially allow for a truer reflection of all units reserve characteristics.
4. The RAs support the tender process undertaken by the TSOs to contract for flexibility services. However, we are concerned at the length of time taken to

complete the tender process. The TSOs have stated that they expect the remaining tenders to be accepted or rejected by October 2014. The RAs would urge the TSOs to complete the process and contract for the services as soon as possible.

5. The RAs support the TSOs recommendation to undertake a separate consultation on interconnector dynamic frequency service and rates.
6. The RAs agree that an investigation into the exchange rate mechanism currently being applied should be explored.

The RAs note that two respondents have expressed concerns with regard to the proposed dynamic response from an interconnector HAS rate. The concerns have been taken on board by the RAs and it is our opinion that further consideration should be given to exploring and implementing any such arrangements in a consultation separate to this paper.

The omission of a HAS rate for rate of change of frequency (RoCoF) was also questioned up by one respondent. As stated in the RAs respective decision papers on the RoCoF grid code modification it is our intention to explore potential appropriate incentives and rewards for proving flexibility in relation to RoCoF.

A number of points raised by respondents will also be dealt with in DS3. At this stage the RAs do not consider adding any further comment whilst this process is ongoing.

OSC – TSO RECOMMENDATIONS AND RA DECISION

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

1. Include the provision of all existing OSC charges and rates for the upcoming tariff year with an adjustment for inflation of 1.5%.
2. The TSOs have recommended that no change be made to the short notice re-declaration charge for the 2014/15 tariff year.
3. No amendments have been proposed to the trip charge methodology.
4. No amendments have been proposed to the late synchronisation charges.
5. No amendments have been proposed to the secondary fuel GPI
6. In the consultation paper the TSOs discussed introducing GPIs for windfarms, DSUs and AGUs. However no recommendations on the proposals were given for the upcoming tariff year.
7. The TSOs have proposed not to include any recommendations on a RoCoF GPI. It was stated that this will be included as part of the 2015/16 consultation.

A Summary of the RAs Decision is as follows:

1. As with the HAS blended inflation rate, a rate of 1.5% for OSC is also accepted by the RAs. The RAs agree that this rate represents a realistic estimation of inflation for the coming tariff year that is likely to be experienced across both jurisdictions.
2. With respect to points two, three, four and five the RAs accept the TSOs recommendations for the upcoming tariff year.
3. The RAs agree that no GPIs for windfarms, DSUs and AGUs be introduced at this time. Before any recommendations are presented for approval further detail on of the proposed GPIs is required and consultation on the design of the charges should be carried out.
4. The RAs agree that the RoCoF GPI should be included as part of the 2015/16 consultation.

CONCLUSION

The RAs approve the HAS and OSC rates and services as detailed in the TSO's recommendation papers for the upcoming tariff year beginning 1st October 2014.

Over the coming year it is recommended that the TSOs complete the tender process to contract for flexibility services and to undertake an investigation into the exchange rate mechanism currently being applied to ascertain if improvements can be made. We also support the collaborative approach with service providers to develop communications process changes with respect to ramping before an under frequency event.

The RAs agree with the TSOs proposal not to include GPIs for windfarms, DSUs and AGUs at this stage. Before any recommendations are put forward we would recommend that the TSOs outline in greater detail the rationale for these charges and consider undertaking a consultation on their design before requesting approval.