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Response to:

“Process for the calculation of Outturn Availability” - Minded to paper Decision paper.

SEM-15-14

Introduction

ESB Generation and Wholesale Markets (GWM) welcome the opportunity to provide feedback on the RAs' Minded to Decision paper on the "Process for the calculation of Outturn Availability". Part One provides a summary of our GWM's main points and Part two sets out some of our concerns about incentives, certainty and transparency in more detail.

Part One – Executive summary

ESB GWM's feedback on the RAs' proposals are summarised below:

- That firm access should be afforded as per relevant connection agreements.
- Sufficient incentives and process to dovetail outages between the generators and TSO exist.
- Any change away from the above should provide for effective and credible incentives.
- That the 5 days presented as an outage allowance is not sufficiently defined – ESB GWM believes calendar days should be used in aggregate (not necessarily in terms of a continuous outage) and it should be less than 3 days.
- That definitions of the start (technical start/isolated plant) and end of any outage must be transparent and included in the number of days allowed.
- That there are clear definitions of the type of maintenance that will have an impact on the definition of 'outturn available' and the related compensation.
- That any process to determine the dovetailing of outages should be outlined and agreed with industry and any deviation is explained and compensated by the TSO for acceptable notification periods.
- That historical disputes (as lodged in anticipation of this decision) are compensated as per this decision as there was no agreed custom & practice.

Part Two

Incentives

ESB GWM appreciates the position taken by the RAs to implement the right incentives and transparent processes that can support both the commercial risks of the generators (on equal terms across the island) and meet the needs to plan effective security for the electricity system.

ESB still believes that where a generator cannot independently manage their availability because of system needs that they should be fully compensated (option 2). GWM also believes that the grid code requirements are such that effective lead time notification is given so that all planned outages can be dovetailed between the TSO and the generator.

If the RAs do not believe that this requirement and the associated loss of revenue is not sufficient and wish to proceed with an alternative incentive then the alternative should be a credible and effective incentive. GWM does not believe that the 5 days proposed is credible and would propose that this is reduced.

ESB GWM believes that the 5 day value is not an effective incentive for the TSO. ESB GWM believes that this should be credible and have impact. Given that the incentive to dovetail according to the procedures of the grid code are not altered long term outages should be dovetailed. Therefore, given ESB GWM's calculations of historical events (and taking into account outages that can be/ were done in parallel and not sequentially at the same location) would indicate a median number of days allowed of less than 3. This would ensure that the TSO plan and complete the work in an timely and efficient fashion. The longer outages required for transmission maintenance at 4/5 year intervals can align with longer generator outages, which typically occur at similar intervals, thereby not commercially disadvantaging any party in terms of 'outturn availability' calculation.

ESB GWM also questions whether these days are business or calendar days. As business days this can extend any allowed outage up to 9 calendar days in certain circumstances without any control of the generator and without compensation. This is a weak incentive that would not create the correct behaviour of the TSO.

Definition of an outage

Given the current grid code there are already events and outages that can be deemed to be outturn available – such as emergency works on the basis of safety. It is imperative that as many relevant situations are considered, discussed and agreed with the industry when considering exceptions.

It is important to note exactly what will constitute an outturn available outage, for example what is corrective maintenance and what is preventative, as this will ensure there is transparent policing by all parties affected by the outage – namely the generators and the TSO.

Compensation during outages when generator is deemed 'outturn available'

Currently, generators deemed 'outturn available' are compensated for loss of capacity and energy income. There is no compensation for loss of AS income which is a substantial

proportion of income for some generators. G&WM request that in future, generators are compensated for loss of AS income when deemed 'outturn available' during a transmission outage.

Transparent processes

The process to determine outage timetables will benefit from understanding what the key drivers are and ensuring that where possible good practice that exists to day is continued.

Both generators and the TSO have a common interest to share works at the same time – this will ensure that the system integrity and energy security is maintained.

ESB GWM welcomes the creation of a forum that will discuss these plans and to working closely with the TSO to jointly delivering a timetable that has the least impact on commercial positions and the maximum means to meet the system's needs.

As the TSO is a regulated entity ensuring that its performance is measured and the incentives are effective is important. The measures therefore must be identifiable.

Harmonisation across Ireland and treatment of new connections

ESB GWM welcomes the harmonisation across the island, but no parties should be made commercially worse off compared to treatment today due to any changes adopted.

GWM also agree that where actions of third parties impact on the technical ability to be on the bars then the affected party should be compensated.

Current disputes

Given the lapse in time since the first discussion paper and the conclusion of the TSO to end an extension of an agreement to wait for an RAs ruling, GWM hopes that a swift conclusion can be drawn to ensure that the treatment of all plants on the island of Ireland is equal and ensures that no further costs and financial disadvantage is imposed on any market participant. This type of unwarranted impact on participants in a market creates for an uncertain environment that creates both Increased risks and associated increased costs.

ESB G&WM also seeks the application of the calculation to the outages that it has disputed in the absence of any agreed custom and practice historically and a refund of any payments it is now due.

If you wish to discuss anything further please get in touch with myself.

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