

SINGLE ELECTRICITY MARKET COMMITTEE

SEM Testing Tariffs 2016

SEM Committee Decision

SEM-15-097

01 December 2015

1 Introduction

In March 2012 the SEM Committee published SEM-12-014 which approved a revised methodology for the calculation of the SEM Generator Testing Tariffs from that which had applied since 2005. This decision also stated that *“commencing in 2013, the TSOs shall review these 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.”*

In accordance with this Decision the TSOs have made a submission to revise the existing tariffs based on the application of the approved methodology. The Regulatory Authorities have reviewed the proposals and the SEM Committee issued the recommended tariffs for consultation on 20 October 2015 (SEM-15-087) prior to forming a view. This paper sets out the SEM Committee’s Decision.

2 Generator Testing Tariffs

The application, by the TSOs, of the approved methodology results in the revised tariffs as set out in the tables at the end of this document. Tariff A, generally associated with commissioning units, is primarily increasing (only three of the ten tariff bands are decreasing), while Tariff B, associated with units in the latter stage of commissioning or general testing of existing units, is decreasing (in all tariff bands). Despite the increase in charges in 2016 in comparison to their level in 2015, it should be noted that the 2016 charges are lower than they were in 2014.

Cost Drivers for Tariff A:

- Updates to the fuel prices forecast for the relevant period;
- The type of unit scheduled to cover the required additional run hours per Generator Unit Under Test (GUUT); and
- A refinement to the calculation of the cost of a sudden output drop (further details below).

Cost Drivers of Tariff B:

- A refinement to the calculation of the cost of a sudden output drop (further details below).

Details on the revised calculation of the cost of a sudden output drop:

The TSO propose a refinement in how the cost of a sudden output drop is calculated. Rather than assuming that there is an equal amount of each trip type (direct, fast wind down and slow wind down) that occurs, the TSOs have included weightings in the cost per trip calculation. The weightings for each trip type are derived from analysis of actual trip data over a four year period from October 2010. The result is an amendment of trip type weightings from that of equal weighting to a weighting of 62.4% direct trip, 22% fast wind down and 15.6% slow wind down. This is outlined in the TSOs’ 2016 Testing Tariff Paper and is consistent with the calculation methodology outlined in the 2011 Recommendations Paper.

Clarifications (Section 5.0 of TSOs' Testing Tariffs 2016 Paper):

The TSOs' Testing Tariffs 2016 Paper provides clarifications on three queries, two queries were raised by generators to the TSOs as part of general day to day correspondence (see Clarification One and Two below). The third query was raised by a respondent to the 2015 Consultation Paper. The RAs requested that the TSOs consider same and clarify their position on the proposal (see Clarification Three below).

Clarification One: Short Notice Declarations (SNDs) are not applicable to a GUUT if the GUUT follows their agreed load profile.

Clarification Two: Unit tariff rates are based on the registered capacity of a GUUT and not their real-time output, as this is considered reflective of the higher system risk associated with the sudden loss of a larger generator.

Clarification Three: A respondent to the 2015 paper queried whether a 4th phase of testing could be introduced for units under test trying to ensure compliance with Grid Code changes, proposing that no testing tariffs apply. The TSOs, having considered this, are not in favour of a new phase of testing whereby no tariff applies, for the following reasons:

- The additional imperfections costs incurred from the GUUT would need to be recovered in arrears via the K factor adjustment. The TSO would therefore have to include an additional provision to cover these costs in the annual Imperfections Revenue Requirement submission.
- The type of testing that would be carried out during the proposed new phase is likely to be high risk testing which is assigned as Phase 1 testing and associated with Tariff A.
- There would be no incentive on the GUUT to carry out testing as efficiently as possible.

The RAs support the TSOs' position to disallow a provision for a 4th phase of testing whereby no testing tariff applies.

The TSOs' 2011 Recommendations Paper contains a detailed discussion on the calculation of the revised tariffs and is published alongside this paper.

3 Responses to SEM-15-087

Four responses were received and are published alongside this paper. Issues raised by respondents can be categorised under:

- Drivers of Increased Costs;
- Application of Tariffs;
- 24-hour Testing; and
- Short Notice Declarations.

Drivers of Increased Costs

Respondents questioned the cost reflectivity of Tariff A charges, seeking further clarity with regard to the drivers of the testing tariff increases and the generator units that are constrained on to cover the loss of the GUUT's MW. Respondents raised issues with the cost variances across the ten unit bands of Tariff A, in particular the larger increases for smaller units. One respondent noted that fuel price inputs for 2016 should be decreasing.

Regulatory Authorities Response

The RAs note that despite the increase in charges in 2016, in comparison to their level in 2015, the 2016 charges are lower than they were in 2014.

The main driver of the cost increase is seen under additional run hours. This cost is determined by the unit(s) constrained on by the 15/16 Dispatch Balancing Costs Plexos model, to cover the loss of the GUUT's MW. The model uses the the RA's validated generator dataset to represent the generators in the SEM. The updated forecasts in the model are having an impact on the units scheduled, forecasts such as interconnector flows and more wind generation capacity are influencing the generator unit(s) being scheduled to provide the marginal generation that is covering for the GUUT.

Furthermore, the cost of running this additional generation is estimated as the idling cost or no load cost (€/hr) of the particular generator times its additional run hours. Units have varying idle costs. The additional run hour cost varies inversely with GUUT size as the cost is spread over less MW as the unit size gets smaller.

Separately, the TSOs have confirmed that the fuel prices as per the DBC Plexos model generally decrease.

Considering the above information and that the cost calculations are in line with the methodology approved in the 2011 Recommendations Paper, the RAs accept the TSOs testing tariffs for each of the generator unit bands for 2016.

Application of Tariffs

Respondents requested more information with regard to categorising generator units under Tariff A and Tariff B (including those testing for DS3) and the publication of costs. Additionally, respondents questioned the cost reflectivity of testing tariffs applying to a GUUT's registered capacity as opposed to the unit's real time output, noting that this is not truly cost reflective of actual costs incurred to maintain reserves on the system.

Regulatory Authorities Response

With regard to categorising units, the TSOs will publish a guidance document. This will clearly outline the decision process in determining whether a unit should be levied Testing Tariff A (including those testing for DS3) and also the change over from Tariff A to Tariff B. The RAs are satisfied that the document to be published by the TSOs will address the respondents' queries over the application of Tariff A or Tariff B.

With regard to testing tariffs applying on the basis of the registered capacity of the GUUT, this has been the case since testing tariffs were developed and consulted upon in 2005 and is in line with the approved methodology in the 2011 Recommendations Paper. The testing tariff applicable to a GUUT is the product of the registered capacity rate, times the output of the unit, times the duration of testing. Therefore, typically units with a larger registered capacity pay a higher testing tariff on all the MWh the units generate.

The RAs have reviewed the issue of testing tariffs applying to a units registered capacity and are satisfied that it is in line with the approved methodology.

24-hour Testing

One respondent suggested introducing a continuous 24-hour testing period as standard.

Regulatory Authorities Response

Following clarification with the TSOs, the RAs note that 24-hour testing can be facilitated, subject to system conditions. 24-hour testing has been facilitated in the past when system conditions allowed, this will continue to be the case and forms part of a bi-lateral process between TSOs and generators.

The RAs are satisfied that this addresses the respondents request in so far as possible.

Short Notice Declarations

Respondents raised an issue with the clarification the TSOs included in their 2016 Testing Tariffs Paper (Clarification One) on the SND charge.

Under normal operating conditions, SND payments are made by generators who re-declare their availability at short notice. As such declarations can result in a constraint cost as other generation must be re-dispatched. However, in the 2011 Recommendations Paper the TSOs noted that: "It is assumed that the cost associated with short notice declarations is covered by the additional run hours and the additional reserve constraint cost components of the testing tariffs. For this reason, a GUUT will not be liable for the specific application of short notice declaration charges."

The TSOs' clarification noted that SNDs are not applicable to a GUUT if the GUUT follows their agreed load profile. However, a trip will result in the charge of a SND. Respondents view this as a double charge, they indicate that a SND charge application was not consulted on and approved by RAs and that its application is contrary to the 2012 decision.

Regulatory Authorities Response

The RAs sought further clarity on the application of SND charges. The TSOs noted that the reference to 'specific application' in the 2011 Recommendations Paper refers to the generating unit when following its agreed load profile and deviations around this, however, unit trips are excluded. The ambiguity in the phrasing with regard to the application of SND charges in the TSOs' 2011 Recommendations Paper lends itself to the issues raised by respondents on same. Notwithstanding this, the SND charging regime was separately approved in the Other System Charges (OSC) Methodology Statement Paper 2014, which states that "SND charges are not applied when a unit is

Under Test in the SEM on condition that the Generator has declared the change in availability in EDIL using the TSO agreed reason code.” In other words, SNDs will apply to a generator under test if the unit trips from its agreed load profile.

The RAs have reviewed the issue of SNDs applying to a unit that trips while testing, while the RAs note the ambiguity in the phrasing in the TSOs’ 2011 Recommendations Paper with regard to SND charges, the RAs are satisfied that the application of the charge is in line with the approved OSC Methodology.

4 SEM Committee Decision

The SEM Committee approves the 2016 Testing Tariffs as proposed by the TSOs effective from the 1st January, 2016.

Tariff A:

Generator Capacity	MW	2016 €/MWh	2015 €/MWh	% Variance
GEN <50	50	€9.01	€6.57	37%
50 < GEN ≤100	100	€7.76	€6.59	18%
100 < GEN ≤ 150	150	€7.82	€7.30	7%
150 < GEN ≤ 200	200	€7.27	€7.05	3%
200 < GEN ≤ 250	250	€7.59	€7.96	-5%
250 < GEN ≤ 300	300	€7.80	€7.82	0%
300 < GEN ≤ 350	350	€8.16	€7.78	5%
350 < GEN ≤ 400	400	€8.10	€8.26	-2%
400 < GEN ≤ 450	450	€9.41	€8.79	7%
450 < GEN	500	€12.06	€11.02	9%

Tariff B:

Generator Capacity	MW	2016 €/MWh	2015 €/MWh	% Variance
GEN <50	50	-	-	-
50 < GEN ≤100	100	-	-	-
100 < GEN ≤ 150	150	-	-	-
150 < GEN ≤ 200	200	€0.22	€0.27	-19%
200 < GEN ≤ 250	250	€0.35	€0.43	-18%
250 < GEN ≤ 300	300	€0.57	€0.68	-16%
300 < GEN ≤ 350	350	€0.93	€1.09	-15%
350 < GEN ≤ 400	400	€1.51	€1.74	-13%
400 < GEN ≤ 450	450	€2.46	€2.79	-12%
450 < GEN	500	€4.01	€4.46	-10%