Response by Energia to SEMC Consultation SEM-15-087

SEM Testing Tariff 2016

9th November 2015

1. Introduction

Energia welcomes the opportunity to respond to the SEM Testing Tariff 2016 consultation (SEM-15-087). Testing tariffs are applied to units under test in the Single Electricity Market (SEM) on the basis of the registered capacity of the generator unit. The tariffs are dependent upon the type of test being carried out and the risk to system security. The tariffs themselves are calculated to take account of the costs associated with the increased risk that a GUUT presents to the system, this includes risks such as the GUUT tripping. Acknowledging the role of the SEM testing tariff, it is therefore important that the approach to levying the tariffs are clear, there is no double-charging and that unnecessary cost is avoided.

In this brief response, Energia's views on aspects of the consultation and recommendation papers are outlined, specifically on the proposed introduction of a Short Notice Declaration Charge (SND), the tariff testing criteria and the duration of testing.

2. Short Notice Declaration Charge

In this year's TSO's recommendation report there appears to be a proposal to include a duplicate charge for a GUUT in the shape of an SND charge. In section 5.1 of their report to the Regulatory Authorities the TSO indicate that a SND Charge will be levied on Generators in certain circumstances such as when they trip unexpectedly. However, the TSO's 2011 recommendation paper clearly states that the Testing Tariffs account for issues such as a GUUT tripping unexpectedly:

'*GUUT are not charged for short notice declarations as it is assumed that DBC and the additional run hours are sufficient to cover any costs associated with a GUUT making a declaration at short notice (SND).'*

The paper also states that:

'A GUUT is exempt from paying trip charges. Instead, the charges are included as a component of the Testing Tariff'

The existing tariff structure is specifically designed to recoup the costs associated with the increased risk of a GUUT, the tariff also incentives the GUUT to progress smoothly and without error through the testing phases. As the potential cost of a generator tripping is already covered in the testing tariff and the design of the testing tariff is such that it disincentives avoidable errors, there would seem to be no justification or requirement to introduce an SND charge. In addition, the TSO have not provided any supporting evidence for the introduction of a duplicate charge. If an SND charge were to be introduced there should be a corresponding reduction to the Testing Tariff to avoid double-charging.

3. Tariffs

Our recent experience of the testing tariff regimes suggests that there is a significant degree of subjectivity contained in the decision on the part of the TSO to apply either Tariff A or Tariff B. This uncertainty for a generator is unwelcome and can lead to different decisions being taken by the TSO in circumstances that appear to be very similar. In part this can be said to be due to the descriptions of the Tariffs in section 1 and 2.2 of the TSO's document, as these are unclear and somewhat contradictory.

In the introduction a unit is considered to be under Tariff A 'when existing units require testing when returning from outages'. But is considered to be under Tariff B in section 2.2 'when an existing operational unit is granted GUUT status in SEM'

Whilst we acknowledge that there may be a necessity to have a broad definition and treat a GUUT on a case-by-case basis, we would welcome some certainty in relation to the appropriate tariffs to be applied and consistency in the application of such tariffs to GUUT. We would suggest that in the case of existing GUUTs that past reliability of the plant in question continues to be a significant contributing factor.

4. Duration of Testing

Finally, whilst under test, Energia, similar to other generators and industry standards that have been evidence for a number of years now, employ testing engineers for 24-hour periods, at a significant cost, to expedite the unit's full return to the market. While the engineers are available 24 hours we are not always permitted to test above minimum generation over a continuous 24-hour period. In order to minimise costs and to speed up the process, we would suggest introducing a continuous 24-hour testing period as standard, allowing a generator to test across the full test day.

5. Conclusions

In short, the testing tariff has been calculated to encompass all aspects of the additional costs associated with a GUUT, including the likelihood of the generator tripping. Previous recommendations and design documents have explicitly stated that a GUUT will not be subject to a SND charge and that the testing tariffs cover the costs associated with the increased risk. The inclusion of an SND charge is a duplicate charge and is contrary to these earlier design documents. If an extra charge is to be introduced there should be a corresponding reduction in the testing tariff.

Energia also asks for clarity in relation to the appropriate testing tariffs for existing GUUTs and the introduction of a 24-hour testing period as standard.