



Energy for
generations

Generation & Wholesale Markets

Response to:

SEM Testing Tariffs 2016 Consultation - SEM-15-087

ESB Generation and Wholesale Markets (GWM) welcomes the opportunity to respond to the SEM Committees consultation on the Testing Tariffs to apply for 2016.

In summary of this response ESB GWM wishes to highlight the following:

- **Short Notice Declarations.** SNDs should not be charged when a unit is under test as the methodology that is applied to calculate the Testing Tariffs already recovers this cost.
- **Publication of Costs.** Given the implications of being under Tariff A or Tariff B, ESB GWM recommend that details of the costs associated with each test are published by the TSO.
- **Testing Tariffs for $\leq 50\text{MW}$ & $\leq 100\text{MW}$ units.** Given that the reasons for these specific increases have not been outlined, ESB GWM contend that units under 100MW have minimal costs associated with maintaining security of supply when on test and therefore this increase is not reasonable.

Should you have any queries please do not hesitate to contact me.

Yours sincerely,

Warren Deacon

ESB GWM wishes to raise the following points for consideration by the SEM Committee when publishing a decision on the Testing Tariffs to apply for 2016.

1. Short Notice Declarations should not be applicable when a unit is under test as the methodology employed to calculate the Testing Tariffs already recovers this cost.

In July 2011, the TSOs published a consultation setting out the methodology of the testing tariffs and, based on this, proposed a new schedule of testing tariffs that were more cost reflective of the current costs incurred when a unit is under test in the SEM (up to that point in time the testing tariff costs had been fixed). This paper was explicit with regard to the treatment of SNDs. It stated:

GUUT status in the SEM has a number of advantages for the generator. These include the flexibility to nominate its output and conduct unit tests while being exempt from the application of short notice declaration and trip charges.

Following this consultation, this methodology was then used to form the basis of the recommendations paper published by the SEM Committee as outlined by the TSOs in this current consultation. Again this SEM-12-014b Recommendations Paper is explicit with regard to the treatment of SNDs by stating that '*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).*'

Indeed subsequent TSO testing tariff paper repeat the statement that is extracted from the methodology consultation above including the current paper for 2016 which states that Tariff A is applied to units which '*are deemed at a high risk of tripping or not following the load profile*'. However, the TSOs upon request, in the 2016 paper provided clarification with regard to the treatment of SNDs by stating that '*The TSO would like to clarify that whilst the GUUT nominate in their half hourly load profiles, SND's are not applicable if they follow their agreed load profile. Any unexpected deviation, i.e. trip, will result in the charge of a SND.*'

It is ESB GWMs view that is not a clarification of what was previously consulted on and decided by the RAs but a full reversal of that decision. In normal operation (not under test) a SNDs is a charge which is levied for downward declarations of MW availability at short notice. In the context of testing, a units availability is its agreed load profile and therefore stating any deviation from the agreed load profile will result in a charge is in essence stating that SNDs do apply to units under test.

As highlighted above, given that the methodology for calculating the testing tariff accounts for SNDs and based on this clarification from the TSOs it would suggest (all else being equal) that the tariffs should reduce for this period. Otherwise the costs associated with a unit deviating from its agreed load profile are being recouped twice through the SND charge and the testing tariff.

Lastly, testing of a generating unit cannot be expected to follow its agreed load profile exactly. Best estimates of the expected load profiles are provided to the TSOs but by its nature, testing has a degree of uncertainty that needs to be taken into account (which the TSO already accounts for by deciding whether Tariff A or B should apply).

2. Given the implications of being under Tariff A or Tariff B, ESB GWM recommend that details of the costs associated with each test are published by the TSO.

There is a significant impact on a generators revenues depending on whether they are deemed to be considered a greater risk to system security and consequently which tariff structure they are categorised under. For example a 350MW CCGT would incur additional costs of €60,732 if under Tariff A compared to Tariff B over one day $[(€8.16 - €0.93) * 350 * 24]$.

It is ESB GWMs view that there is a benefit to both generator units and the TSOs if information was published detailing the reasons for a units categorisation under Tariff A. ESB GWM does not expect that the costs underpinning the decision are published but it would not be unreasonable for the technical considerations to be published considering they are readily available i.e. the X MWs of additional reserve required, plant that is required to be constrained on/off, additional run hours needed as a result of a units unreliability.

Having a greater understanding of the reasons behind being categorised under Tariff A would provide a useful incentive for generators to take measures, where possible, to reduce the risk to system security at no significant cost to the TSOs i.e a unit could seek to move an outage to another time if it knew with reasonable certainty that it would result in Tariff B being applied instead of Tariff A (seasonal considerations, other units planned outages etc)

Such a publication could be facilitated on the TSOs website or alongside any future changes resulting from REMIT.

3. ESB GWM contend that units under 100MW have minimal costs associated with maintaining security of supply when on test and therefore their tariff increases are not reasonable.

The consultation proposes to increase the testing tariff A for units under 50 MW by 37% and for units between 50 and 100 MW by 18%. This is compared to an average increase on the other unit types under Tariff A of circa 3%.

The justification given in the paper for the changes in Tariff A are:

- 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

ESB GWM believes that this justification does not explain the reasons for this significant increase. Specifically the additional run hours required when a unit <100MW is under test and the cost of a sudden output drop is minimal.

To put into context, the change in load on the system across a period of time is considered. As an example, between 12/10/15 – 19/10/15 the load changed by greater than 50MW per consecutive trading period on 252 occasions out of 383 trading periods (66%). This highlights that for over half of the time the TSOs are addressing changes in demand in excess of 50MW in a trading period and hence it is unlikely that the TSOs need to account for additional actions as a result of a potential GUUT <100MW tripping (the scheduling of additional hours to cover a unit <100MW under test or the refinement of the calculation of the cost of sudden output).

Therefore ESB GWM would request that this significant increase is further explained by the RAs as it is our view that the increase should be in line with the other tariff rates proposed in this consultation or in fact less in consideration of the above points.

DS3 Testing Tariff

Lastly, on separate note, the TSOs will have to undertake a suite of tests on units to prove their capability to provide the DS3 service that they are contracted for. ESB GWM seeks clarity from the RAs that Tariff B will apply for the DS3 testing as it is our view that this testing should not pose a significant system security risk.