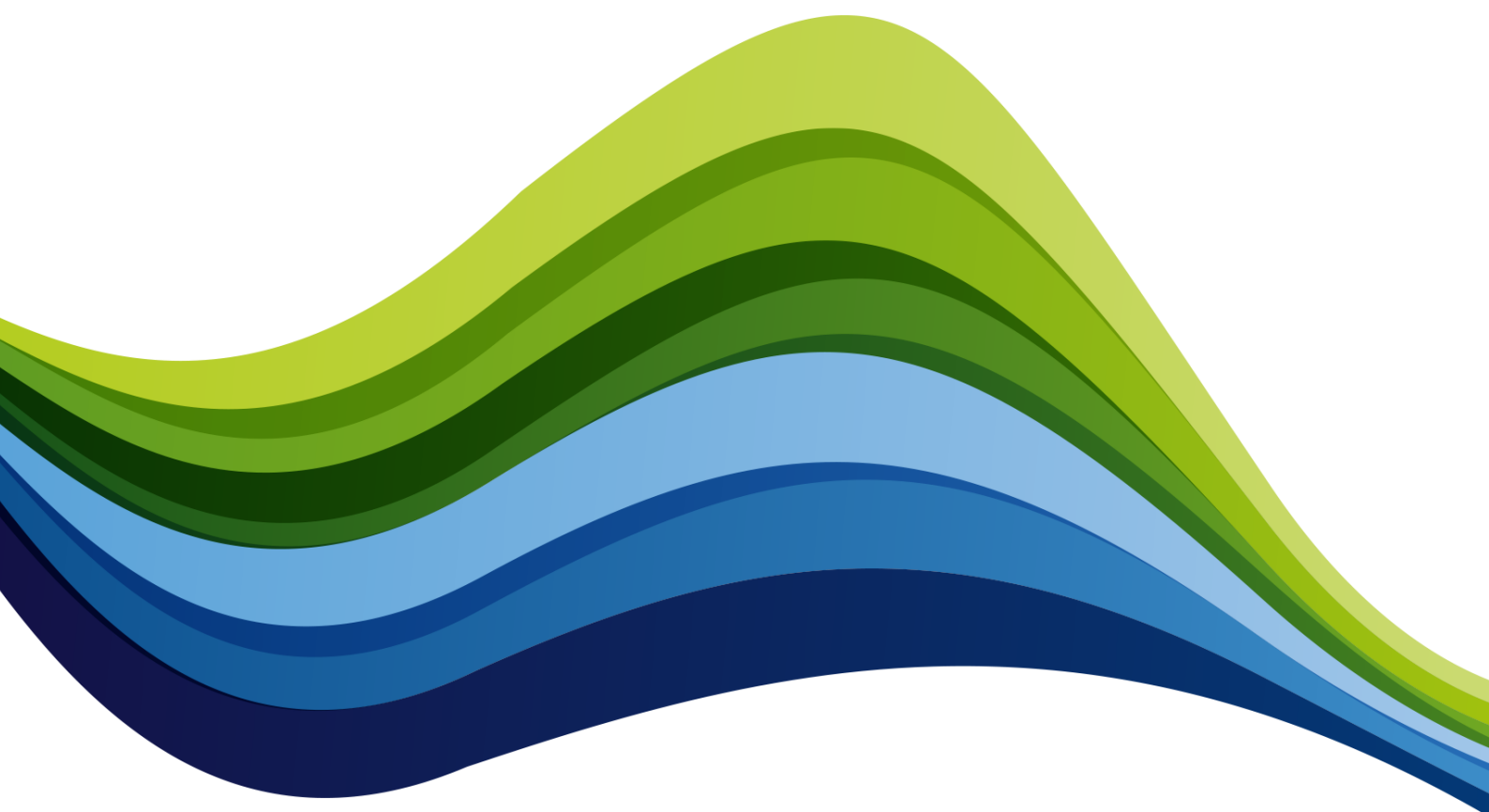


Markets

DS3 System Services Interim Performance Scalar Calculation Methodology

If you have any questions in relation to our response, please don't hesitate to contact Connor Powell (connor.powell@sse.com)



Thank you for giving SSE the opportunity to comment on the Interim Performance Scalar Calculation Methodology. We welcome the TSOs proactive approach to adjusting the performance scalar methodology following a number of months of data from a live market environment. SSE believes the initial methodology has a number of issues that require resolution:

- Narrow definitions for performance recording events;
- Binary performance assessments;

Along with some other issues under individual services, the initial performance scalars have resulted in substantial notional underperformance across all generation units relative to the TSO expectations and 2016/17 budget and substantial differences in distribution of DS3 revenues between units with similar overall performance. The proposals in the TSO consultation paper attempt to address these issues – we welcome the majority of the changes but would have issues with some individual items.

Our response provides brief responses to each of the consultation questions with more detailed commentary on items where we have concerns.

Performance Scalar Proposals

Do you agree with the TSOs proposal to award a Pass when a unit's achieved response is greater than the initial expected response (ignoring tolerances) in cases where the overall expected values are less than 0MW?

Yes, we believe that this is a sensible approach to widen the definition for performance recording events in the interim.

Do you agree with the TSOs proposal to utilise a time weighted average approach for the calculation of SOR and TOR1?

The existing assessment approach doesn't reflect many events in which governor control is activated on an increasingly wind dominated system. The interim proposal to apply time weighting addresses this.

Do you agree with the TSOs proposal to retain the existing calculation of Governor Droop demand expected response?

No. If there is no system requirement introduced by a calculation that applies the lesser of the pre-event system frequency or 50Hz, we believe the industry proposal should be introduced. As the TSOs note:

"With 7 – 8 events in total per annum generally, the number of times this issue will arise between now and the end of the interim arrangements is likely to be low."

A limited number of events should mean that this change should be possible to apply manually without updates to tools and systems?

Do you agree with the TSOs proposal to continue assessing ramping services based on the Fail Sync process for the duration of the interim arrangements, for all providing units which are not DSUs?

In the interim, the Fail Sync process appears to be the most practical way of assessing ramping service performance.

Do you agree with the TSOs proposal to introduce partial fails for performance between 70% to 90% of that expected for reserve events?

Yes – as the TSOs note:

*“In a data rich environment the use of binary pass – fail outcomes is appropriate as it is both simple to understand and implement. **However, where there is not a data rich environment consideration needs to be given to a more bespoke approach looking at the specifics of each event and assessing each unit’ performance accordingly. In this regard, the use of partial fails or categorisation of fail is more appropriate.**”*

As the live environment for the interim arrangements has demonstrated, there are a very limited number of performance recording events available. In the absence of more sophisticated tools and systems, a partial fail rating is a far more appropriate incentive for generation units which are performing.

Binary pass and fail ratings on a dynamic system with limitations on monitoring and data collection will result in underperformance across the industry as demonstrated under the interim ratings. Partial fails may be suitable as an enduring solution for some, if not all products, unless the TSO can create/capture a data rich environment through more sophisticated monitoring tools.

Do you agree with the TSOs proposed new Performance Scalar methodology?

Yes – we believe that the proposals are appropriate in an environment which is generating relatively few performance data points. The dynamic time scaling element is particularly important in addressing issues under the existing arrangements.

Do you agree with the TSOs’ proposed new Data Poor resolution methodology?

We do not believe that the proposed Data Poor resolution methodology is appropriate given that industry average performance data is still available to the TSO. The proposal to substantially reduce system service revenues from M+8 onwards appear to effectively introduce an additional responsibility for self-testing on generator units – effectively passing the responsibility for performance monitoring from the TSO to generators.

We do not believe that this is appropriate – generator units will already be carrying out tests to ensure that they maintain reliability under the I-SEM Reliability Option regime. To introduce an additional responsibility to perform system service performance tests (potentially aligning these with relevant system conditions) will erode revenue received from capacity, energy and system service markets particularly at out-of-merit units.

Given that the TSO ultimately has Grid Code and Transmission System Operator licence responsibility for central co-ordination and control of operational testing.

OC8 states:

“To minimise disruption to the operation of the Transmission System and to the Systems of other Users, it is necessary that tests which affect the operation of the Transmission System or Users’ Systems as under OC8.1.2, are subject to central co-ordination and control.”

*“The TSO as operator of the Transmission System will in accordance with Prudent Utility Practice, need to carry out Operational Tests in order to maintain and develop operational procedures, to train staff, and to acquire information in respect of Power System behaviour under abnormal system conditions. **The TSO will endeavour to limit the frequency of occurrence, scope, extent of effects and type of Operational Tests to those that are required by Prudent Utility Practice.**”*

The proposal in the consultation paper will ultimately increase the frequency, scope, cost and type of operational tests by decentralising performance testing from TSO to individual generation units. While we recognise that the TSO does not wish to incur the increased costs for increased levels of performance testing, it doesn’t follow that the industry as a whole (including units constrained/curtailed by increased conventional testing volumes) should incur those costs.

The TSO retains the central coordinating role and responsibility for operational testing because they are best placed to assess what is, and more importantly, what isn’t required to provide assurance of overall transmission system performance. For data poor units an industry average, or industry average with a small discount should be applied. If a generator wishes to move away from the industry average they can undertake a performance test, or alternatively, the TSO can target operational testing at units they believe require it.

Do you have any feedback on the type of tests to be undertaken through the performance testing process?

As stated in our answer to the previous question, we do not believe that an increased volume of performance testing across the entire industry is warranted – responsibility for scheduling targeted performance tests should sit with the TSO given their central, coordinating role. A slight penalty against the industry average scalar may be warranted to incentivise cost effective tests for in-merit units but the paper seems to suggest a generator rather than TSO led performance monitoring regime – this will not be efficient for the transmission system or electricity market as a whole.

Do you agree with the proposal to retain the existing business process and timelines?

Yes – although as noted in the consultation, an updated protocol document would be welcome following these changes.