
Response to the TSO's Consultation Paper

on

DS3 System Services Interim Performance Scalar
Calculation Methodology

from

BORD_{NA}MÓNA

10th May 2017

Context & Overview

Bord na Móna (BnM) recognises and welcomes this consultation given that it summarises and addresses the main industry concerns in relation to the Interim Performance Scalars.

While we agree by and large with the proposals, the changes have only a small impact on helping the energy services industry glide-path to increase DS3 budgeted revenues from €75m in 2016 to €235m in 2020¹.

For this reason we have concerns around some of the sentiment within the paper which appears to suggest a future intention to take some measures which would have the effect of reducing provider revenues, such as:

- reviewing (downwards) the size of tolerances applied in the calculation of reserve services
- measuring governor droop demanded response using 50Hz as the pre-event frequency reference point, rather than the actual pre-event frequency which is more likely to be less than 50Hz on average
- whatever method might be chosen when assessing effective Ramping which would extend beyond the use of Fail/Sync data, which could result in reducing provider revenues

We are concerned about the costs of performance testing within the data-poor proposed solution, should it be that the provider has to make a contribution towards such costs and recommend that such costs should sit with the TSOs.

We would also flag that DS3 is key revenue component, alongside Capacity and Energy revenues and that a viable economic model for service providers which bring security to the system will require a fair contribution from services revenues. These will be very important given restrictions in balancing market energy payments and well flagged issues around difficulties of providers in trying to secure full cost recovery.

Nonetheless we do welcome the minded to positions and refer to our responses to the specific questions below.

BnM responses

Question 1: 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 is less than 0 MW?

Yes. We agree with this approach, this is sensible.

We note that the context of this is the TSO's proposal to award a pass data record where a unit's achieved response is larger than its initial expected response before the application of any tolerances and their intention to retain the application of *N/A* for other scenarios where this is not the case.

¹ DS3 System Services Future Programme Approach – Information Paper SEM-17-017 23 March 2017

In this regard we would refer to the particular example (Row 3 below) where there is Zero POR expected but that there is some POR achieved. It would seem fair for the provider to receive some financial reward for providing an inertia credit, which is included within the tolerance.

Table 1 Eirgrid table with additional Row – Row 3

POR Achieved	POR Expected	Tolerance	Net Expected	Current Outcome	Proposed Outcome (needing correction)	Proposed Outcome (corrected)
10	4	5	-1	N/A	Pass	Pass
3	4	5	-1	N/A	N/A	N/A
0	0	5	-5	N/A	N/A	Pass of some sort

Question 2: Do you agree with the TSOs proposal to utilise a time weighted average approach for the calculation of SOR and TOR1?

Yes. We recognise that the proposal would represent a more accurate measure by calculating Achieved using the time weighted average for where there are both deficits and surpluses, rather than on deficits only.

Question 3: Do you agree with the TSOs' proposal to retain the existing calculation of Governor Droop demand expected response?

Yes, we support this retention. However we refer to the comment in the 'Context & Overview' above, expressing concern around discussion within the paper of a future approach which would have the effect of reducing provider revenues.

Question 4: 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?

Yes.

Question 5: Do you agree with the TSOs' proposal to introduce partial fails for performance between 70% to 90% of that expected for reserve events?

Yes, we agree with this proposal, however we do not see the rationale for the partial fail not to be extended below the current 70% mark, to a 60% level. Services with value are still being supplied to the TSOs and there is little reason not to reflect that in financial reward to the service provider.

Question 6: Do you agree with the TSOs' proposed new Performance Scalar methodology?

Yes, subject to our previous response, ie., a) extending the partial fail to a 60% level, which would still provide a market signal to the service provider and b) subject to our stated qualifications around the Data Poor resolution methodology in response to Q7.

Finally we propose that the provider is rewarded where there is a high frequency event and negative reserve is supplied, such as could occur in the event of a large trip.

Question 7: Do you agree with the TSOs' proposed new Data Poor resolution methodology?

We welcome the intent to address the issue of data poor as well as the broad design of the methodology.

However there are two issues around the costs of performance tests, and one related issue around test frequency. Given the inability of many providers to secure full cost recovery we believe that the provider should not be burdened by the cost of the test and that it should be recovered from the TSO's budget.

Secondly, should the provider have to pay any of the test cost, we would be particularly concerned about the requirement to test at the frequency indicated *when the cost of this test represents a significant portion of the expected service revenue* to the generator. An allowance needs to be made for the likes of peaking plants in respect of the requirement which could be placed on them to perform costly tests to show that they can provide reserve services such as POR, SOR, etc, from which they earn only very small revenues, while still providing valuable security services to the system. Without such an allowance these services will be provided free of charge, ie., with no compensation to the service provider, which is not equitable.

Question 8: Do you have any feedback on the type of tests to be undertaken through the performance testing process?

In relation to our previous response we would note that the costs of such tests may be prohibitive in certain cases and that least costly testing options should form part of the requirement if it is the case that the provider is bearing the cost.

Alternatively, if the TSO's are bearing the cost, then in such cases, they may choose to adopt a more stringent and costly testing regime towards securing provision of measurable services.

Question 9: Do you agree with the proposal to retain the existing business process and timelines?

The timelines look to be adequate on paper.

We would however welcome the publication of a service level agreement by the TSOs which would reflect matters such as handling of, and timing of responses to queries.

Finally, we would welcome the opportunity to discuss any aspect of our response and remain at your disposal.



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