



Response by Energia to EIRGRID, Consultation

***DS3 System Services Interim Performance Scalar
Calculation Methodology Consultation Paper***

10th May 2017

1. Introduction

Energia welcomes the opportunity to respond to EIRGRID's Consultation on DS3 System Services Interim Performance Scalar Calculation Methodology Consultation Paper

Delivery of the DS3 is crucial for the realisation of renewable targets and the associated benefits. As Non-Synchronous Penetration continues to grow to 75% there will be a need for increased system services. This will be delivered by both existing and new plants. In order to ensure sufficient plants are available to provide system services there needs to be market signals sent to existing plant to incentivise upgrades and to new plants to develop. This paper introduces elements of risk and additional cost that may undermine the strength of the signals being sent and therefore may reduce the pool of providers available to provide system services.

This response makes some general comments before addressing the specific questions posed in the consultation.

2. General comments

Whilst Eirgrid indicate that the paper addresses issues raised through stakeholder feedback there are still a number of outstanding issues that need to be addressed. In the design of the scalar methodology it is important that the right investment signals are sent to existing and future service providers. This ensures that there are adequate providers to deliver DS3 System Services now and as SNSP increases. This paper introduces a level of uncertainty in relation to the potential returns for providers that will likely undermine confidence and may deter investment in new or existing plants. Prospective service providers would benefit from the provision of projections of future tariffs. This would give a stronger indication of the expected trajectory for service providers and allow greater confidence in expected returns.

Incentivising performance by service providers is not a new concept. However, this paper would appear to have moved to a more penal approach. For example, if a unit achieves <50% performance in one month their performance scaling factor is set to 0 for that month and as a result payments are zero. It then appears to take 5 months for that scaling factor to return to 1 on a sliding scale. This seems overly penal as you could have one bad event but 100% performance prior to this. The approach would seem to ignore an otherwise unblemished record.

The below extract is from the philosophy section of the paper (page 5). The suggestion here would appear to be that higher tariffs will be linked to good performance. Energia seeks clarity as to if this is the intention of this paragraph as this would be of significant concern. If tariffs don't increase then revenue for generators would remain flat at best and decrease if a performance scalar was applied thus not sending the appropriate signals to new or existing providers. The introduction of this scalar would also seem to be duplication as performance incentivisation already exists in DS3.

'Achieving an enhanced portfolio of service providers requires appropriate market signals for new providers to invest, or for existing providers to enhance their

capabilities. Performance scalars can influence this through assumptions used in calculation of tariff rates. Higher rates may then be possible as the threshold required to achieve a good performance scalar increases. This should then result in providing units with excellent performance earning more money with poorer performers seeing a reduction in their revenues accordingly.'

Furthermore, in the below paragraph it would appear that Eirgrid intend to exert greater control over where systems services are contracted. The removal or reorientation of system services may not send the longer term signals necessary to encourage new or upgraded investment by providers. It is also stated that DSU will be excluded from the binary pass/fail mechanism. Both points need clarification.

'Performance scalars should be inclusive to all service providers. As we move to a more distributed enhanced suite of service providers, some of the emphasis will shift from incentivising the performance of large service providers to incentivising performance from a larger number of smaller service providers. In consideration of this, any performance scalar methodology needs to be applicable to all providers.'

3. Questions

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?

Industry has requested the applicable tolerances should instead apply against the service provider's achieved response. The TSOs' view is that this would essentially result in some unit's constantly passing performance based on the size of their tolerances which is not consistent with what we are trying to achieve. However, there are also cases where units have clearly responded as expected but are not receiving a pass record due to this process.

- This is the preferred industry position however Eirgrid have suggested an alternative specifically to increase the number of data records. This shouldn't be a reason to move from the preferred industry position.

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

Stakeholders have been requesting that Eirgrid utilise a time weighted average approach for the calculation of SOR and TOR1 for a number of years. Energia would suggest that the same methodology should be applied to POR.

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

This approach seems reasonable.

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?

This seems reasonable however it is not clear why DSU should be excluded? Please provided a clarification as to why it is being omitted.

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?

At a high level this is an improved position to the previous proposal however it is not clear why 70% has been selected, 50% would appear to be more appropriate in this context. The terminology used here is also questionable. Labelling a performance of up to 90% as a 'Partial Fail' is not accurate with 'Partial Pass' appearing to be the more representative term.

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

The TSO acknowledged the issues raised by industry in the previously proposed methodology and are now proposing a 'time-based dynamic scaling' so that more recent events have greater impact, this would remove the requirement for 10 systems events. The worked example in section 2.2.3 would seem to be overly penal. If a unit achieves <50% performance in one month their performance scaling factor is set to 0 for that month and as a result payments are zero. It then appears to takes 5 months for that scaling factor to return to 1 on a sliding scale. This seems overly penal as you could have one bad event but 100% performance prior to the event.

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

It is concerning that Eirgrid are proposing to introduce a mechanism which will reduce a generators performance scalar if there have been insufficient events or data. A generators performance scalar could reduce to 0 if there is insufficient data over a 24 month period. The options available to generators to recover the scalar are; wait for sufficient data or request a performance test. Energia have experience of the problems associated with performance testing and one could argue that this isn't a performance issue and therefore shouldn't be subject to the same testing requirements. Bearing the above points in mind this proposal needs more consideration.

Under the proposed methodology a generator that has not been synchronised to the system during a system event in a 24 month period would be subject to the proposed methodology, the generator may have had significant operation in that period however just not generating during a system event. Eirgrid would then set that generators scalar to zero after 24 months; this would appear to be an unreasonable and unjustified approach. Energia suggest that the methodology should not be implemented without some provision for the scenario mentioned.

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

Energia would suggest that there should be more flexibility to carry out single tests and not be subjected to a full suite (e.g. test 46 for reserve). Carrying out full tests can become very expensive through testing charges, getting access to OEM resources/Engineers. This is further compounded by the Eirgrid performance testing process which is poorly resourced at present and any further testing demands will only slow the process even further. A more targeted testing regime may reduce the cost/burden on providers and will limit further strain on Eirgrid performance testing resources.

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

No comment at this point.