

DS3 System Services Consultation – Volume Capped Procurement

This questionnaire has been prepared to facilitate responses to the consultation. Respondents are not restricted to this template and can provide supplementary material if desired.

Please send responses in electronic format to DS3@eirgrid.com or DS3@soni.ltd.uk

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Note: It is the TSOs' intention to publish all responses. If your response is confidential, please indicate this by marking the following box with an "x". Please note that, in any event, all responses will be shared with the Regulatory Authorities.

Response

☐ confidential

<p><u>Question 4:</u> Do you have any comments on pre-requisites with respect to Connection Offers?</p>	<p>also on what the TSO will accept as ‘planned maintenance’? We also request further information on the availability allowance for periods of recharge following TSO dispatch of TOR1 and TOR2. Furthermore, regarding a service provider’s interaction with the Capacity Market, will periods of recharge following dispatch due to system scarcity events be excluded from the availability obligation?</p> <p>We also suggest that the availability obligation is measured on an annual basis rather than on a monthly basis. The TSO envisages that a 3% unavailability allowance (which equates to 1-day per month) will cover “short periods of unplanned unavailability”. Unplanned outages, other than nuisance trips, are not expected to occur every month, however may take more than one-day to resolve. It may therefore be more appropriate to allow up to 12 days for a single outage event over the course of the year, rather than 12 separate one-day allowances per month. This would avoid excessive penalties for service providers for any periods of unplanned unavailability.</p> <p>Q4 – Brookfield Renewable support Option 3, that applicants must provide a valid, legally binding connection agreement(s)/offer(s) or be in receipt of a connection offer for the site(s) in question suitable for a contract go-live date of 31st May 2021, or be in the connection offer process with their connection request deemed complete.</p> <p>It is essential however, that ECP-1 and the DS3 Volume Capped Auction are aligned.</p> <p>We request that all ECP-1 DS3 grid connection offers are issued prior to the DS3 Volume Capped Auction. For grid connection offers still in process at the time of the Volume Capped Tender release, we request that the TSO advise prospective service providers of their expected grid connection cost and that the TSO commit to issuing grid connection offers prior to the award of contracts to successful Volume Capped applicants. Given the high level of investment now required under the ECP-1 process, it will be challenging for a project to commit to their grid connection offer in advance of the DS3 Volume Capped auction results. Therefore, in order to minimise needless exposure and excessive costs, we request that prospective service providers are not required to accept their connection offers until the DS3 Volume Capped</p>
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<p><u>Question 5</u>: Do you have a view on the two options provided with respect to managing network limitations?</p>	<p>auction results are confirmed. We acknowledge that this may require some flexibility in the standard timeline for offer acceptance but believe this approach will prevent grid capacity being hoarded by projects which are unsuccessful at auction and therefore incapable of delivering the required services.</p> <p>Furthermore, we are concerned that the misalignment between the maximum capacity size for DS3 projects under ECP-1 and the DS3 Volume Capped procurement, 100MW and 30MW respectively, could result in inadequate competition in the DS3 Volume Capped auction. Under ECP-1, grid offers could theoretically be issued to four 100 MW projects, meaning that only four projects would be able to compete in the first round of the DS3 Volume Capped procurement process. We suggest that the TSO ensures that the maximum capacity size for DS3 projects under ECP-1 and the DS3 Volume Capped is aligned in the interests of fair competition and value to the consumer.</p> <p>Under the DS3 Volume Capped procurement, a staged procurement process is proposed with an additional procurement round for 100 MW anticipated in 2019. On the other hand, regulators envisage that under ECP, the next round of grid connection offers will be processed in 2020. Therefore, the number of grid offers issued under ECP-1 will need to be sufficient to ensure competition in first two rounds of the DS3 Volume Capped procurement process.</p> <p>Q5 - Brookfield Renewable support Option 1 in principle, that connecting providers would need to provide confirmation from the TSO/DSO that network limitation will not prohibit service availability and that service providers will be remunerated if unavailable due to network limitations. We do however request that TSO/DSO approval is granted in advance of any ECP-1 payments to avoid potential service providers incurring unnecessary costs if the location is subsequently considered unsuitable by the TSO/DSO. We request clarity on the process and timelines for TSO/DSO approval to understand how it will impact potential project locations.</p> <p>Furthermore, if TSO/DSO approval is granted for a location, and a DS3 Volume Capped contract is awarded to a project, we are of the opinion that a locational scalar should not apply for the duration of the contract. Should any changes to network limitations occur during the contract</p>
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	<ul style="list-style-type: none"> - Bid Structure – Brookfield Renewable support the TSO proposal that prices should be submitted for each system service within the bundle. - Assessment of Prices and Remuneration of Providers – Brookfield Renewable support the TSO proposal (Option 2) that bids will be assessed based on an overall bundled price, based on the calculated remuneration for each system service for a ‘typical’ wind year at contract award stage and that ongoing remuneration will be based on this calculated value. This will provide greater certainty to developers and investors therefore reducing the cost of capital, which will ultimately be to the benefit of consumers. We request confirmation from the TSO that they will make details of the ‘typical’ wind year available to industry in advance of the DS3 Volume Capped procurement process. We also request clarity on how the TSO will translate a ‘typical’ wind year to SNSP levels. What demand and wind capacity assumptions will be used? Will the additional renewable capacity connecting to the system over the coming years be accounted for in the ‘typical’ wind year SNSP levels? We also request that the TSO provide an example of their proposed calculation of remuneration for each system service based on the ‘typical’ wind year. This information will be essential to enable prospective service providers to understand the potential revenue available and formulate their bids accordingly. - Tariff Cap and Floor – Given our support for the proposal above that the assessment of prices and remuneration of providers will be based on a ‘typical’ wind year and not actual SNSP levels, we consider that a cap and floor are not necessary. Should a cap and floor be required, we agree with the TSO proposal that these should be set by the remuneration expected for a high (33% capacity factor) and low (24% capacity factor) wind years respectively. - Price Determination – Brookfield Renewable do not support the TSO proposal and instead believe that Option 1 – Pay-as-clear pricing should be used for the DS3 Volume Capped procurement exercise.
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	<p>prospective service providers to understand the potential revenue available from an investment and financing perspective and to formulate their bids accordingly.</p> <ul style="list-style-type: none"> - Performance Scalars – Brookfield Renewable support the TSO proposal to apply the performance scalar as outlined in Table 4 of the consultation paper to incentivise availability. As outlined previously, we request further information on the availability performance scalar in the event of the service provider being dispatched by the TSO for reasons other than DS3 service provision e.g. dispatch for TOR1 and TOR2 or dispatch due to a system scarcity event. <p>We also request confirmation on whether the performance scalars applicable to the Volume Uncapped arrangements will also apply to the Volume Capped arrangements, and if so, how they will interact with the availability performance scalar.</p> <ul style="list-style-type: none"> - Product Scalar Brookfield Renewable does not support the TSO proposal to remove the product scalar for Continuous Provision of Reserve from FFR to TOR1 on the basis that the application of this scalar was considered when determining the proposed tariff caps. <p>Regarding the product scalar for the faster response of FFR, Brookfield Renewable’s preferred option is Option 2 i.e. the product scalar for faster response is applied after assessment. We consider this to be the most sensible approach to encouraging faster response times from service providers. Under Option 1 there is no incentive for service providers to offer faster response times.</p> <ul style="list-style-type: none"> - Locational Scalar – Brookfield Renewable support the TSO proposal that the locational scalar should not be applied for delivery of services under this initial stage of DS3 Volume Capped procurement arrangements. - Jurisdictional Volumes – Brookfield Renewable support the TSO proposal that no minimum volume per jurisdiction will be set.
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Question 10: Do you have a view on the market interactions outlined here and the proposed mechanism for mitigating?

Question 11: Do you agree with the proposed

Q10

- **Licensing and Code Obligations** – Brookfield Renewable support the proposal that service providers must meet the applicable Grid Code or Distribution Code requirements for their connection.
- **Network Charging** – Brookfield Renewable have no objection in principle to the proposal that service providers will be subject to the network charges applicable to their connection however we request that the applicable charges are communicated to industry in advance of the DS3 Volume Capped procurement process. As these charges will be factored into the bid prices, it is important that these are reasonable and proportionate to ensure that projects remain viable.
- **I-SEM Interactions – Balancing Market** – Brookfield Renewable support the proposal that service providers should manage their own positions in the energy market to ensure they can fulfil the service and availability outlined in their DS3 contract. We request further information from the TSO on how units can recharge following dispatch by positioning themselves in the market and, the impact of periods of recharge, particularly following TSO dispatch of TOR1 and TOR2, on a service providers availability. We also request confirmation that should a service provider be dispatched for TOR1 or TOR2, that they will be paid their bid price.
- **I-SEM Interactions – Capacity Market** – Brookfield Renewable request clarity on the interaction between the capacity market and a service provider's availability obligation. We are of the opinion that a service provider's availability requirements should not be affected if the unit responds to a system scarcity event, particularly given that scarcity events are unlikely to occur at times of high SNSP. We believe that adopting this approach would ensure greater plant utilisation which will ultimately be of benefit to the system.

Q11 –Brookfield Renewable agree with the proposed mechanism for assessing applications.

mechanism for assessing applications?	
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