DS3 System Services Consultation – Contracts for Interim Arrangements

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

Respondent Name	*Tim Cox*
Contact telephone number	*028 9043 7580*
Respondent Company	*Moyle Interconnector Ltd*

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**

The closing date for responses is Friday, 3 June 2016.

Question	*Response*
Contracts for Interim Arrangements	
Question 1: Do you agree with the proposal that the framework agreements should apply on a Providing Unit basis rather than on a Service Provider basis?	Yes, we agree that application by service provider to cover multiple units would be unwieldy.
Question 2: Do you have any comment on payment being contingent on compliance requirements being met?	We agree that payment should be contingent on compliance requirements being met.
Question 3: Do you have any comment on the proposal to detail performance monitoring in the Protocol document rather than in the framework agreements?	No comment.

Question 4: Do you have a view on the change in notice period for termination of one or more system services by the Company?	If three months notice for termination was considered appropriate under a one year interim arrangement, now that the interim arrangements appear to have been extended for an additional year, we suggest six months notice is appropriate.
Question 5: Do you have a view on the proposed definition of the Product Scalars in the framework agreement?	We acknowledge that the proposed Product Scalars are for the purposes of the interim arrangements only and are therefore somewhat simplified. However, we also note that the duration of the interim arrangements has already changed from one to two years. It is important that the scalars do reflect the longer-term value of the products. On FFR, we are disappointed that there is no scalar for faster response, as proposed for the enduring arrangements. Faster response appears to be valued on the system, so it should be rewarded accordingly. We agree that Product Scalars applied should be based on the technical capability of the providing unit, not a lower grade of delivery that might be requested by the system operator.
Question 6: Do you have a view on the high-level definition of the Performance Scalars in the Protocol document?	While we generally agree with the performance scalar design and the pass rate methodology, as noted in the scalar design paper we would be concerned with the equity of treating a 'bad' fail the same as a marginal one. A one-off under delivery of a small volume of MW provides a significantly greater value to the system than a complete failure to deliver. We would support some mechanism to recognise this. For example, a percentage performance threshold could be applied in each event. If delivered MW of POR (for example) in response to an event was greater than the performance threshold then delivery against that event would be a pass; delivery of less than the threshold would be a fail.

Question 7: Do you have any comment on the technical definitions of the new system services as specified in the draft DS3 System Services framework agreement?	No comment.
Question 8: Do you have any comment on the payment definitions of the new system services as specified in the draft DS3 System Services framework agreement?	No comment.
Question 9: Do you have any comment on the alignment of settlement timelines between Ireland and Northern Ireland?	We agree that the proposed alignment of Ireland/Northern Ireland should streamline processes. However, we consider the proposed settlement timelines are too long. Currently providers (in NI) are paid approximately 20 business days after the charging period (i.e. at the end of the following month). Under the proposed arrangements payment would be made 45 business days after the settlement period, which is a full nine weeks. If the provider responds immediately to the statement, this could be reduced to 35 business days, which is still seven full weeks. The rationale for such a long period is unclear, but it effectively means service providers are financing the TSOs working capital. There will be a month after the transition to the interim arrangements when service providers will not be paid and will need to make up the

	cash flow elsewhere (and the TSOs are not paying anything to get a cash boost.)
Other remarks:	In the draft framework agreement, clause 3.4.2 specifies: 'The Service Provider shall provide Technical Offer Data to the Company in accordance with the TSC. For the avoidance of doubt this clause 3.4.2 shall apply regardless of whether or not the Service Provider is a party to the TSC. Such Technical Offer Data will be subject to validation by the Company.' In a clarification issued as part of the DS3 system services interim arrangements tender, it was noted that 'interconnectors are not required to complete the TOD sheets'. This part of the framework agreement should therefore be clarified so that provision of TOD is not compulsory in all circumstances. (For clarification, Moyle Interconnector Ltd is not a party to the TSC.)

	On the charging statement, we note that the one year interim arrangement appears already to be extended. We would therefore welcome clarity on when adjustments to the charging statement will be made during the interim period. In particular, there should be scope to incorporate inflationary increases after each year. We note that in the proposed configuration of framework agreement, protocol and charging statement, it will not be possible to adjust the scalar design without varying the framework agreement. If the payment design, including scalars was included in the protocol or charging statement then it could more easily be updated, subject to RA approval, during an extended interim term. For example, we would hope that as trials proceed, the TSOs would build the confidence to measure the performance and to recognise the value of faster response in an FFR product. Faster response is not recognised in the interim framework agreement, but we would have hoped that it could be recognised in the enduring arrangements after the interim year – indeed the scalar design paper proposed this. However, with an extension of the interim arrangements a change to the framework agreement would be necessary following a successful trial. For this reason it would be simpler to include the product scalar design in the charging statement, which could be more easily updated to reflect trial outcomes.