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

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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**

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?	It would seem more appropriate that there would be an overarching Framework Agreement for each Service Provider with associated documentation for each Providing Unit capturing the details of the unit and the characteristics of each service that is under contract for each unit. With this approach, the Framework Agreement would be a more enduring document and the schedules would change each year as the "Providing Unit" contract terminates and is potentially renewed, with potentially different levels of service and different rates. Under such an approach there would be less change required and would enable easier transition to the enduring solution.
Question 2: Do you have any comment on payment being contingent on compliance requirements being met?	PPB are happy with these arrangements, and agree any new technology should be tested prior to contracting to prove its ability to provide the service.
Question 3: Do you have any comment on the proposal to detail performance monitoring in the Protocol document rather than in the framework agreements?	The Performance monitoring methodologies should be included in the Framework Agreement (or if our suggested contractual structure were adopted such that the Framework Agreement operates more like a Master Agreement, then the methodologies should be incorporated in each transaction schedule that is incorporated under the Framework Agreement). Once a provider has been contracted there should be no changes made to the methods of Performance Monitoring. The TSO and provider has been happy to contract under the conditions laid down at the start and no changes should be made over the course of the contract term. If changes were permitted, there is potential for the TSO's to change the manner of the monitoring so as to reduce the revenue of providers and so reduce the TSO costs to the detriment of the provider. This is unreasonable and unfair and adds risk to the provider which will deter new investment and/or increase the cost of such investment. The Interim

	Arrangements are for one year and during this very short term providers revenue streams should not be capable of being changed by anything outside their own control since otherwise the provider may have made a different decision on the volumes of different services it would have contracted for.
Question 4: Do you have a view on the change in notice period for termination of one or more system services by the Company?	This is fundamentally wrong – both parties have signed up to an agreement for one year and both should honour their contract. The TSO's have tendered for the service and so must pay for it. If the provider doesn't perform at the level of contract his payment will be reduced even down to zero therefore a mechanism is in place that provides for the TSO to remove payments from those who have over contracted or are not delivering reliably. We see no benefit in this clause and believe it should be removed as again it adds risk that potential new investors will reflect in their decisions on timing and cost of entry which will increase costs for customers.
Question 5: Do you have a view on the proposed definition of the Product Scalars in the framework agreement?	The definition of Product Scalar refers only to "a multiplicative factor which adjusts the payment for a given DS3 System Service ……with an enhanced performance ….".This implies only increased payments are possible and therefore a scalar of greater than one. This is misleading and does not reflect the current design of product scalars which, only some of which can be greater than one.
Question 6: Do you have a view on the high-level definition of the Performance Scalars in the Protocol document?	We do not agree that this definition and subsequent details of monitoring should sit outside the Framework Agreement, the provider should not be exposed to revision of any performance metrics over the term of the contract, since that would alter the value of any service and if the revised form were known at the procurement stage could have resulted in different decisions in relation to the volumes offered by the provider or a different tariff or clearing price in an auction to reflect the risk of mid-term changes to the expected value of provision of the

	service(s). The definition correctly outlines that it is important that performance is based on a sufficient number of records, however the number of selected records for these are extremely small and so is not a fair representation of a units' performance. We believe that it would be better to use a wider period of historic data (e.g. over the last 12-24 months) to determine reliable historic performance metrics. As first choice the more recent data should be used if available, so the performance should be selected to be the higher of the values from (i) performance over actual events in the last 6 months (regardless of the number), (ii) performance over the last 12-24 months, and (iii) the industry average. This is a much fairer method of assessment. We do not agree with the alternative method whereby a system average value would be used in situations where there is a shortage of data to determine a specific performance scalar for the provider. We totally disagree with this method and believe each provider should only have their own data used for the determination of the scalar, even if this requires the use of some older data in addition to what is available for just the 6 months prior to 1 October 2016. Clearly this method is not suitable for new providers and so an alternative will be required for them but that is the case in all circumstances where there is no historic performance data. The reliability metric for ramping is also not acceptable as it does not use any ramping assessments after synchronisation. Looking only at synchronisation instructions is not a true representation of ramping performance.
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?	There has been an additional paragraph inserted into the reserve sections to cover real-time requests by the TSO to alter reserve characteristics. While we agree the TSO needs to be able to control these, we do not agree that 1 minute is adequate. We also feel it is important that on all occasions where the TSOs have requested changes in realtime provision, that such incidences are excluded from any performance monitoring assessments given sub-optimal provision may result as a consequence of the TSOs' request. The payments for POR, SOR, TOR1 and TOR2 contains a Product Scalar. The definition of

	Product Scalar in the defined terms is to reflect enhanced performance. Since no enhanced performance is expected for these products we question its purpose and it leaves the provider uncertain as to what this value may emerge to be. The Performance Assessment sections for all the products is very sparse in this draft of the Framework Agreement. There is no reference to the fact that this is being defined in the Protocol document and that it is subject to change at the TSO discretion. Providers cannot sign an agreement where there remains parameters outside their control. The Protocol document does not adequately cover the performance assessment either and in particular for the reserve categories. There should also be a reference to the requirements of Grid Code. An important piece of work has been completed by the TSO's through Grid Code and has resulted in a change to the assessment of the POR expected performance due to Inertia, this must also be included in the POR expected value calculation and included in the documentation. As we have already noted in response to earlier questions, including any scope for change to performance assessment methodologies mid-term increases the risks for providers who may have made different decisions had they been forewarned of the changes. This creates risk for the provider which will be recognised by potential new investors, resulting in either delayed investment and/or increased investment costs that will increase costs for customers. Similarly the tariff setting process should also reflect the level of performance scalars which depends on the performance assessment methodology and hence one would expect the tariff would vary depending on the performance assessment methodology. The ramping products include a Declared Value in their calculation for payment but it is not clear how this is declared? (e.g. is it an EDIL declaration of a ramp rate or a notification of a change to the Synchronous Start-up Time.) Currently the HAS Agreement contains a section on Calculation Values Table which details the number of decimal places to be used for various parameters and the method used for rounding. This needs to be included in both the Framework Agreement and the Protocol document.

	As correctly stated there needs to be some rewording to enable the participation of Intermediaries. See attached Contract Consultation Legal Comments spreadsheet for additional comments.
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?	See previous comment in response to question 7. We note the technical definitions contain a reference to the pass or fail method suggested for performance assessment. We do not agree with this method of performance monitoring. A methodology based on pass-rate is only viable for products that are binary in terms of delivery and therefore we do not agree that the chosen method of pass or fail is acceptable as it will not reward service providers for their delivery, e.g. of a unit achieves 9 of its 10 MW's of POR in an event it will be considered a fail. The system would have benefitted from the 9MW so this is not a fair or reasonable approach. The scalar should be applied on a sliding scale. Pass-rate is not appropriate where there may be only marginal deviation and hence it is not appropriate for most products. It is also strange to find this detail here when the rest of the performance data sits in the Protocol document. The Framework Agreement should contain all the performance criteria as it should not change during the term of the contract.
Question 9: Do you have any comment on the alignment of settlement timelines between Ireland and Northern Ireland?	We are not in agreement that there is any requirement to change the payment terms from the current HAS Agreements. The timelines have moved from 28 days to a possibility of 9 weeks, which is not justified. It is totally unacceptable that the TSO should take 25 working days to provide the statement of account, by this stage it is going to be very difficult to ascertain the correct information if there are any disagreements, no one in the control rooms will remember back that long. Schedule 5 1.4 states that the Service Provider has deemed to agree the accuracy of the statement if it fails to submit a claim in accordance with the previous clauses, this is not

	acceptable as it may take more than 10 business days for inaccuracies to become clear. It is of paramount importance that all information to allow settlement to be completed accurately is provided to the service provider within the timeslines and in the granularity that it is currently. If some of the information is not available, the current proposal is that the TSOs will make estimates, which is not acceptable. In most cases the providing unit will have data available from their systems which should be used as a substitute in the interim. Ultimately whatever data is used must be agreed by both parties.

Additional Comments

Please see attached comments on the drafting of the Framework Agreement. We have just provided high level comments at this stage as we are not in receipt of the Framework Agreement adjusted for Intermediaries.

We note the link with Fuel Security Code has been omitted from the Framework Agreement and suggest this should be included to provide clarity as to the order of governance of these agreements.

We also note the removal of the requirement to be party to a Use of System Agreement. This allows providers to avail of payments under DS3 but not of charges relating to areas such as redeclaration of reserve characteristics along with others. This would seem unfair and so maybe this is the opportunity to remove the GPI charges from the Use of System Agreements and place them in a more appropriate place where all providers are subject to charges in a fair and transparent manner.

It is difficult to comment extensively on the Protocol document as it has so much missing information, while it may be a sensible approach to keep some of the detail out of the Framework Agreement for an enduring solution, it not acceptable for the TSO's to have the ability to change the monitoring arrangements during a one year contract. If this document does gain the approval of the RA's after this consultation process it must be subject to strict controls and all changes which impact providers payments must be consulted upon.

As previously mentioned in our response to Scalar Design, we do not agree with the Pass/Fail methodology, the number of records required for assessment or the alternative use of provider average for a data poor situation. The data poor resolution for reserve explains what to do if a unit isn't on during the

period of assessment and how it will have the average of all units, we totally disagree with this as the unit may have performed excellently on all previous occasions. In addition this data poor situation assumes that there are sufficient Frequency Events within the period but does not suggest what will happen if there are insufficient Frequency Events.

Defined terms are missing from the Protocol document, e.g. Frequency Event is defined in the HAS, now there is a term Transient Event but this is not a defined term. It is vitally important that all performance measurement methods use clearly defined terms otherwise confusion with ensue and scalars will end up in disputes.