



**SECONDARY FUEL TESTING
COMPENSATION ARRANGEMENTS
SUMMARY DOCUMENT**

JULY 2010

Note:

1. This summary document has been produced by EirGrid for information only. Parties should base any decision or actions on the legally binding documents rather than on this summary.

TABLE OF CONTENTS

| | |
|---|---|
| 1. Objectives..... | 3 |
| 2. Submission of Data to EirGrid..... | 3 |
| 2.1. Data to be submitted before Test..... | 3 |
| 2.2. Data to be submitted after Test (within 5 business days) | 3 |
| 3. Secondary Fuel Test Criteria | 4 |
| 4. Commercial Implications | 4 |
| 5. Settlement & Payment | 5 |
| 6. Conditions for Payment..... | 6 |
| 7. Communication of Test Result..... | 6 |

1. Objectives

The key objectives of this document are to summarise the key decisions from the consultation and decision papers on secondary fuelling and provide a document which contains all the pertinent information on compensation.

It should be noted that this document is not intended in any way to provide all the information relating to secondary fuel test compensation. The consultation and decision documents¹ should be examined and analysed in detail for further information.

2. Submission of Data to EirGrid

Generators will be required to submit the following data via email to EirGrid at AS@eirgrid.com. This data should be emailed to EirGrid using the Secondary Fuel Test Profile and the Secondary Fuel Test Compensation template spreadsheets located on the EirGrid website.

2.1. Data to be submitted before Test

- The generator **secondary fuel heat rate data** should be submitted to EirGrid on an annual basis in Q1 of each year (or more regularly where appropriate) using the Secondary Fuel Test Profile template spreadsheet.
- When the generator is submitting their secondary fuel test profile, the generator is also required to submit **indicative secondary fuel costs** to EirGrid, i.e. their estimated costs of carrying out a secondary fuel test if the test was to occur on the date of submission of the test profile. This should be submitted using the Secondary Fuel Test Profile template spreadsheet.

2.2. Data to be submitted after Test (within 5 business days)

All the data in section 2.2 should be submitted using the Secondary Fuel Test Compensation template spreadsheet.

1. Secondary Fuel Commercial Offer Data

- Start up Costs (€)
 - Where applicable these are the costs associated with the start up of a unit on secondary fuel. If the unit was already running prior to the test, then no start up cost will be incurred.
- No Load Costs (€/hour)
 - No Load Costs are those costs that must be incurred to keep the unit running.
- Price Quantity Pairs (€/MWh)

¹ <http://www.eirgrid.com/media/Secondary%20Fuel%20Consultation%20Aug09.pdf>
<http://www.eirgrid.com/media/EirGrid%20Secondary%20Fuel%20Recommendations%20Paper.pdf>
<http://www.cer.ie/en/electricity-security-of-supply-current-consultations.aspx?article=7d14283f-b667-4cdc-996b-61f6e56fd94e>

- This is an incremental cost that is entirely dependent on the MW output of the unit on secondary fuel.

2. **Tonnes of secondary fuel** used during the secondary fuel test.

Generators are also required to provide director sign off of secondary fuel commercial offer data. A scanned signed copy of the secondary fuel commercial offer data should be emailed to EirGrid within five business days of the secondary fuel test. This should be followed up with a hard copy posted to EirGrid offices.

For the avoidance of doubt, the secondary fuel commercial offer data submitted should only include avoidable costs directly associated with the secondary fuel test. Any costs incurred by the unit in maintaining secondary fuel capability will not be compensated via this mechanism and should not be included as part of secondary fuel commercial offer data. Additionally, the potential risk of failure of a unit to comply with the secondary fuel obligations is not deemed a valid cost for compensation and should also not be included as part of secondary fuel commercial offer data. EirGrid can query any costs that they do not see as acceptable and can refer them to the CER if there is not agreement with the generator to resubmit them.

3. **Secondary Fuel Test Criteria**

Generators will be compensated for secondary fuel testing based on the test criteria for secondary fuel testing stated in sections 3.2 & 3.3.1 of the Secondary Fuel Testing Arrangements summary document located on the EirGrid website.

Where a generator has an approved derogation from the Grid Code for a specific aspect of the secondary fuel test, the compensation payments will take this into account. Where a derogation from the Grid Code is pending, payment will not be made for a failed secondary fuel test until such time as the CER approves a derogation that would have resulted in a test being deemed successful.

4. **Commercial Implications**

- The secondary fuel test will occur outside the SEM as it will be notified after gate closure. The unit will not be considered as under test in SEM during a secondary fuel test.
- Generators should aim to follow their secondary fuel test profile to minimise uninstructed imbalances.
- Testing charges will not apply as the unit will not be deemed to be under test in the market.
- Short notice declaration (SND) charges and Trip charges will apply as normal. Rules around the recently introduced Generator Performance Incentive (GPI) mechanism will apply as normal during the test.

- Generators will be required to declare their ancillary services capability throughout the secondary fuel test. Ancillary services payments will be calculated accordingly.

5. Settlement & Payment

It should be noted that the following process (as shown in Table 1) will apply for payments for costs associated with secondary fuel testing.

Table 1: Summary of Payments

| Scenario | | Payment of Incremental Secondary Fuel Costs |
|---------------------------|------|---|
| First Secondary Fuel Test | Pass | √ (Note 1) |
| | Fail | √* (Note 1) |
| | | |
| Re-test | Pass | √ (Note 1) |
| | Fail | × |

Note 1: Payment will only be made by EirGrid to the generator for incremental secondary fuel costs incurred when the stock used during testing has been replenished by the generator. The purpose of this is to incentivise generators to re-stock promptly following secondary fuel testing.

**Payments for a failed test will only be made once in a calendar year and only in the event that the generator has completed a successful secondary fuel re-test within a calendar month of the secondary fuel test fail. In that instance the generator will be paid for both the failed test and the re-test. If on re-test the generator fails again, the generator will not be compensated for either the failed test or the re-test.*

Generators are paid for their incremental secondary fuel testing costs once the secondary fuel used during testing has been replenished. Proof of replenishment will be required by EirGrid before payments for secondary fuel testing will be made. The conditions for payment for a failed test (as outlined above) will also apply.

Settlement for successful secondary fuel testing will be carried out in line with the Ancillary Services settlement timelines following proof of replenishment of secondary fuel stocks. Settlement will be done on a monthly basis and customers will be issued with a statement. Generators will then invoice EirGrid and payments for secondary fuel tests will be made in euro.

6. Conditions for Payment

1. Payment for a secondary fuel test may only be made in instances where the secondary fuel test is executed on instruction from EirGrid.
2. Payment will only be made to the generator by EirGrid for incremental secondary fuel costs that are incurred and submitted in line with the Bidding Code of Practice principles.
3. The test period is defined by the instructions issued by the National Control Centre (NCC) to the generation unit to switch to secondary fuel. For the purposes of determining payment for the incremental secondary fuel costs, the energy produced while on secondary fuel will be deemed to be the SEM metered output of the unit from the start of the trading period containing the effective time of the dispatch instruction to switch to secondary fuel until the end of the trading period containing the effective time of the dispatch instruction to change back to primary fuel.
4. The test instructions will be issued by NCC via EDIL.
5. Where a secondary fuel re-test of a generation unit is required, the unit will be compensated for both the failed test and the successful re-test provided the secondary fuel re-test is successful and completed within one calendar month of the failed test. This will occur only in instances where the re-testing of the unit has been agreed with EirGrid. The re-test will occur on a day specified by EirGrid and will follow the standard testing process. Before payment for the failed test is made any stock used during testing will have to be replenished.

7. Communication of Test Result

Following a Secondary Fuel Test, EirGrid will issue the test result (pass/fail) to the generator within 20 business days of the test. In the case of a failed test EirGrid will also notify the CER. .