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Generation & Wholesale Markets

ESB GWM Response:

DS3 System Services Enduring Scalar Design

21<sup>st</sup> August 2017

ESB Generation and Wholesale Markets (GWM) welcomes the opportunity to respond to Eirgrid/SONI's (TSOs) consultation on the enduring tariff rates to apply to DS3 system services in the period from May'18 and is committed to supporting the objectives of the DS3 programme.

GWM considers that the introduction of scalars brings further complexity to the DS3 system service framework. As such scalars should be used sparingly, only where it can be demonstrated the introduction of a given scalar is required to provide a specific signal to providers in making services available when or where they are needed, such that without them the TSOs would need to intervene at additional cost. We generally support limiting the number of scalars proposed in the consultation.

Below are the GWM responses to the specific questions included in the consultation document.

**Consultation Question 1:** Do you agree with our proposal to include in the performance assessment methodology to determine the value of the Performance Scalar an additional measure to incentivise a unit to supply to the TSOs an accurate forecast of its availability to provide Reserve and Ramping Margin Services? If not, please specify why or identify what element of the proposal you believe requires amendment?

**GWM Response:** GWM recognises the need for the TSOs to have to high degree of certainty of service availability on the basis that the system is dispatched in line with the declared levels of service availability by service providers and as such the security of the system is dependent on those declaration being accurate. Where there are changes to the declared service availability close to real time there would be potentially significant re-dispatch costs to the TSOs.

However in developing this measure GWM propose that the TSOs focus on trends in service availability from a given provider rather than on a single event and also that the TSOs be cognisant of the incentive mechanisms that will be in place under ISEM to encourage availability such as the CRM RO, the potential exposure to imbalance pricing and the retained Trip and SND charges under the OSC. Adding a further layer to this incentive structure and compounding the risk faced by services providers may, rather than influencing their operational behaviour, instead compel a reduction in level of declared service availability.

GWM welcomes the TSOs proposal that this measure will not be implemented at the beginning of the enduring arrangement in 2018 and would welcome further engagement with the TSOs on the development of this measure in due course.

**Consultation Question 2:** Do you agree with our proposal to implement a Product Scalar for the Faster Response of FFR? If not, please specify why or identify what element of the scalar design you believe requires amendment?

**GWM Response:** GWM does not support the proposal to implement a product scalar for faster response of the FFR product. The consultation suggests that there is value in response within 150ms of an event, but the extent to which this is more valuable than a 2 second response is not clear. A scalar of 3 for a 150ms response or 2 for a 500ms response may over-value the service and stimulate unnecessary and costly investment. Conversely it may understate the value, deterring investment in a faster FFR service. The scalar of 3 for a 150ms response and 2 for a 500ms response seems to have been arbitrarily chosen without an assessment of the relative value of the faster response service.

Rather than adopt a seemingly arbitrary scalar values for this service, we suggest that if there is distinct value in a 150ms or 500ms product, a volume requirement should be identified and this should be procured as an enhanced FFR service (EFFR). This will enable the true value of the 'enhanced' service to be identified.

**Consultation Question 3:** Do you agree with our proposal to implement a Product Scalar for the Enhanced Delivery of FFR, POR, SOR and TOR1? If not, please specify why or identify what element of the scalar design you believe requires amendment?

**GWM Response:** GWM supports the use of a product scalar for the enhanced delivery of FFR, POR, SOR and TOR1. In relation to the type and trigger scalars of the proposed scalar GWM agrees that the type scalar should be set to 1 for dynamic response, but it is not clear that the proposed value of 0.5 for static response is reflective of the lower value to the TSO of a static response.

GWM welcomes the adjustment to the trigger scalar whereby the trigger scalar value will be set to 1 for a upper threshold value of 49.985Hz reflecting the Grid Code frequency dead band tolerance but remains concerned that the linear nature of the trigger scalar from 1 at 49.985Hz to 0.5 at 49.3Hz is not reflect of the reduced value to the TSO of service provision only available at low system frequencies. GWM suggests that a relationship is developed based on the historic distribution of system frequency deviations for this scalar that reflects the increasing value at higher trigger points and how this value falls away as the trigger point drops.

**Consultation Question 4:** Do you agree with our proposal to implement a Product Scalar for the Continuous Provision of Reserve from FFR to TOR1? If not, please specify why or identify what element of the scalar design you believe requires amendment?

**GWM Response:** GWM supports the proposal to implement a product scalar to reward the continuous provision of reserve from FFR to TOR1.

**Consultation Question 5:** Do you agree with our proposal to implement a Product Scalar for Enhanced Delivery of SSRP with an AVR? If not, please specify why or identify what element of the scalar design you believe requires amendment?

**GWM Response:** GWM supports the proposal to implement a product scalar for enhanced delivery of SSRP with an AVR.

**Consultation Question 6:** Do you agree with our proposal to implement a Product Scalar for SSRP with Watt-less VARs? If not, please specify why or identify what element of the scalar design you believe requires amendment?

**GWM Response:** GWM remains of the view that devices providing watt-less VARs will be paid for the full reactive power range they can provide whenever they are available and therefore a further incentive using a scalar to increase SSRP payments for such devices is unnecessary.

In the consultation it is stated that the upper scalar value would only apply when the TSOs dispatch a providing unit to operating at 0MW to provide SSRP. This would appear to run contrary to the SEMC decision on the basis of payment of system service provision being linked to service availability rather than dispatch.

**Consultation Question 7:** Do you agree with our proposal to implement a Temporal Scarcity Scalar for DRR and FPFAPR? If not, please specify why or identify what element of the scalar design you believe requires amendment?

**GWM Response:** GWM's view on the proposed implementation of the temporal scarcity scalar for DRR and FPFAPR have been articulated in response to the DS3 system services enduring tariffs consultation.

**Consultation Question 8:** Do you agree with our proposal to implement a Temporal Scarcity Scalar for FFR? If not, please specify why or identify what element of the scalar design you believe requires amendment?

**GWM Response:** GWM's view on the proposed implementation of the temporal scarcity scalar for FFR have been articulated in response to the DS3 system services enduring tariffs consultation.

**Consultation Question 9:** Do you agree with our proposal to implement a Temporal Scarcity Scalar for 11 Existing System Services? If not, please specify why or identify what element of the scalar design you believe requires amendment?

**GWM Response:** GWM's view on the proposed implementation of the temporal scarcity scalar for 11 existing system services have been articulated in response to the DS3 system services enduring tariffs consultation.

**Consultation Question 10:** Do you agree with our proposal to implement a Locational Scarcity Scalar for All System Services? If not, please specify why or identify what element of the scalar design you believe requires amendment?

**GWM Response:** GWM do not support the location scarcity scalar for all system services as the proposal in the consultation is completely open ended and while it does give the assurance that the value of the proposed scalar would have a minimum value of 1, given the specified SEMC expenditure cap of system services to 2020 there would be a direct impact on service providers if the application of proposed location scalar resulted in significant levels of expenditure.

**Consultation Question 11:** Do you agree with our proposal NOT to implement a Product Scalar for Enhanced Delivery of DRR with more reactive current? If not, can you provide rationale to support your views?

**GWM Response:** GWM agrees with proposal not to implement this scalar. The complexity of this scalar is unlikely to justify the benefits. This could be revisited if there was a benefit identified for investing in plant to provide an enhanced DRR service.



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**Consultation Question 12:** Do you agree with our proposal NOT to implement a Product Scalar for Enhanced Delivery of SSRP with a PSS? If not, can you provide rationale to support your views?

**GWM Response:** GWM agrees with proposal not to implement this scalar.

**Consultation Question 13:** Do you agree with our proposal NOT to implement a Product Scalar for SIR with Reserve? If not, can you provide rationale to support your views?

**GWM Response:** GWM agrees with proposal not to implement this scalar. This scalar would affect the interaction between incentives to provide SIR and Reserves. Whether the incentive favours SIR only or SIR + Reserves will depend on the prices established for these services. The scalar could be introduced if the incentive to invest in 'parking' a unit at a very low MinGen without providing reserves is stronger than the incentive to provide SIR and Reserves together. It is proposed therefore that the need for this scalar could be reassessed at a later stage when the relative incentives to provide these services are better understood.

**Consultation Question 14:** Do you agree with our proposal NOT to implement a Product Scalar for Faster Response of FPFAPR? If not, can you provide rationale to support your views?

**GWM Response:** GWM agrees with proposal not to implement this scalar. If there is a need for an enhanced FPFAPR service, rather than using a product scalar this should be procured separately to enable the true value of the 'enhanced' service to be identified.

**Consultation Question 15:** Do you agree with our proposal NOT to implement a specific Temporal Scarcity Scalar for Reserve Products? If not, can you provide rationale to support your views?

**GWM Response:** GWM agrees with proposal not to implement this scalar. If there is a need for an enhanced FPFAPR service, rather than using a product scalar this should be procured separately to enable the true value of the 'enhanced' service to be identified.

**Consultation Question 16:** Do you agree with our proposal NOT to implement a specific Temporal Scarcity Scalar for SIR? If not, can you provide rationale to support your views?

**GWM Response:** GWM agrees with proposal not to implement this scalar. The complexity to implement this scalar in addition to the temporal scalar proposed to apply to the 11 existing services may not deliver the correct incentives to deliver the TSOs' real-time requirement for SIR.

**Consultation Question 17:** Do you agree with our proposal NOT to implement a specific Volume Scalar for Regulated Arrangements? If not, can you provide rationale to support your views?

**GWM Response:** GWM agrees with proposal not to implement this scalar.

**Consultation Question 18:** Do you agree with our proposal to implement Frequency Response Curves to define the provision of the FFR Service? If not, please specify why or identify what element of the curve design you believe requires amendment?

**GWM Response:** GWM welcomes the detail provided in the consultation by the TSOs in relation the nature of the FFR response curves being considered for the provision of dynamic and static FFR. It is noted the definition of static response in these response curve seems to assume that the provider's response will be capability of monitoring and reacting to changes in system frequency. This is not entirely aligned with the definition of static response applied in the product scalar for enhanced delivery of FFR, POR, SOR, and TOR1 services where there is no distinction between service static providers who can monitor and react to system frequency and those who cannot.

As noted in the consultation, there will likely be a need to recast the product scalar for enhanced delivery of FFR, POR, SOR, and TOR1 services to recognise the different value offered to the TSO be these different types of static response providers. GWM would welcome further engagement with the TSOs on the refined on this scalar.

Should you have any queries please do not hesitate to contact me.

Yours sincerely,

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William Carr

Regulation, ESB G&WM