



***Response to TSO Consultation on –
DS3 System Services Enduring Tariffs–
and
DS3 System Services Enduring Scalar Design***

**On behalf of
AES Kilroot Power Ltd and AES Ballylumford Ltd**

21st August 2017

Introduction

AES welcomes the publication of the TSOs consultation document on the proposals relating to Enduring DS3 Tariffs and Scalars. AES would like to submit the following response to both consultation papers.

AES is a global energy company with assets in the all island market consisting of coal and gas fired conventional and CCGT plant with additional distillate fired peaking gas turbine plant. AES is a non-vertically integrated independent generator which owns and operates Kilroot and Ballylumford power stations in Northern Ireland with a combination of merchant and contracted base load, mid merit and peaking plant. AES also operates Energy Storage via its battery array located at Kilroot. The responses to this consultation reflect our current position and portfolio of assets operating in the All Island Market (SEM) and the electricity grids, as well as development plans for new generation and storage assets.

This response is submitted with reference to the level of detail that is currently available on the changes to the electricity industry on the Island, including DS3, RoCoF studies and other Regulator and TSO decisions.

Detailed responses are provided in the accompanying completed questionnaires, to provide clarification to the comments below.

Implementation

Whilst we acknowledge the strong approach taken by the TSOs in attempting to attract investment of new technologies into providing services during periods of high System Non-Synchronous Penetration (SNSP), it should be viewed in the context that other work streams are completed. These include the successful completion of RoCoF testing of existing generators and the inclusion of such capability by all generators connected to the Transmission and Distribution system. There exists concern that the proposals within the consultations could be undermined by the inability of the TSO to operate the system at levels above 60% (and subsequently 70%) SNSP, due to factors outside of the TSOs and any new technology investors control.

Investment return

The TSOs and RAs have identified that both 'contract length and revenue certainty are critical to ensuring investor confidence'. We are of the opinion that investment in plant for the longer term brings benefit to customers along with security for customers. This longer-term investment requires contracts for that time frame, and contract terms that have stability in forecast revenue. This level of risk mitigation for investors is missing in these consultations.

We acknowledge the options proposed by the TSOs in the papers regarding 'Full Spend' and 'Min Spend'. We fully support the 'Full Spend' approach in that it aligns with the RAs glide path of expenditure, and shall provide stronger incentive for investment in the short term.

AES supports the 'Stepped' scarcity scalar design, over the 'Linear' approach. We have suggested some adjustments, such as the introduction of a step at 65% SNSP. Detailed comments are contained in the questionnaire response.

Other

There is a proposal within the consultation to utilise the higher of a unit's market position or physical despatch. It is understandable that the decision on whether to implement this shall be delayed for at least 12 months, in order to assess the interaction of such approach.

It is understandable that the TSOs, in addressing the RAs 'glide path', are concerned with under and over expenditure. Should there be an under expenditure then that would highlight lack of contracted volume and potential lack of investment incentive. This would attract a potential inability to operate at high SNSP and costs to customers. Over expenditure could highlight that there is additional resources capable of supporting high SNSP, albeit ahead of the glide path, and this should benefit the customers.