

DS3 System Services Consultation – Enduring Scalar Design

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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| Respondent Company | <i>Moyle Interconnector Ltd</i> |

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

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The closing date for responses is Monday, 21 August 2017.

| Question | Response |
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| <u>Introduction</u> | <p>Moyle Interconnector Ltd welcomes the publication of this consultation paper and the opportunity to respond to the proposals presented within it.</p> <p>In addition to some general remarks and some comments relating to treatment of the FFR product, we have offered responses to specific questions that affect Moyle's business.</p> <p>Note that the inherent overlap in the two concurrent consultation papers means that some of our comments are presented similarly in both responses.</p> |
| <u>General Remarks</u> | <p>We welcome the evolution of the DS3 system services tariff and scalars so that the value of the products more closely reflects their value to the system operator.</p> <p>We value the proposal by the TSOs that the next round of contracts should last until long term 'enduring' arrangements are in place. In that context, the current proposals for tariff structures and scalar design are welcome, since they set out a longer term framework that demonstrates the value of the portfolio of services to the system and provides improved signals for investment through greater clarity on future remuneration (albeit only until the 'enduring' arrangements). We note that such investment signals are not just for new providers or new units but additionally incentivise improvement of delivery (whether through additional volumes, faster response, etc.) from existing providing units.</p> <p>Noting that SNSP is a factor in proposed scalars, we acknowledge publication of historic SNSP data. Although the consultation paper does include in table 6 a range of estimates of SNSP in the 2019/20 year, we would not expect these figures to be so useful in estimating revenues in the short term. (We note, of course, that historic SNSP is not wholly indicative of future SNSP.)</p> |
| <u>On the FFR Product</u> | <p>We draw attention to a flaw in the arguments presented on scalar design for FFR. The tariffs paper states that '...the system has been, to date, operated in a safe, secure and reliable manner without FFR' (p20). (The scalars paper implies the same – p35.) This is clearly false. The Moyle Interconnector has for many years provided a service that maps directly onto the DS3 system services FFR product and the slower reserve products. Anecdotal evidence from the real time and near time teams in both SONI and National Grid is that the product provided by the</p> |

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| | <p>interconnector is valued very highly.</p> <p>During the recent past both SONI and National Grid have come to Moyle for additional volumes of frequency response, including FFR, when other providers of the service have been unavailable to the TSOs. This is clear evidence that the systems have been operating with and, to some extent, rely on the FFR service provided by Moyle among others.</p> <p>We note that the current consultation paper on scalars in the enduring regulated arrangements proposes a higher scalar for faster response of FFR. This is further evidence that the FFR which is already being provided is highly valued by the TSOs.</p> <p>It is the case that FFR has not been paid during the DS3 system services interim arrangements. This is due the inability of TSOs to measure performance of the fast services, hence the current measurement trials, not due to any doubts over qualifying the performance of FFR-providing units.</p> <p>Two problems are consequent:</p> <ol style="list-style-type: none"> 1. The proposal to set the temporal FFR scalar to zero below 60% SNSP. (Compared to 1 for eleven other services.) 2. The proposal to set the baseline FFR tariff at the level approved for go-live of the interim arrangements in October 2017, without the +5.3% scaling applied to other products. <p>In each case it is clear that the arrangements for FFR ought to be as applied to POR, SOR, TOR1, etc. In the proposed scalar design these slower reserve products all receive a minimum temporal scalar of 1, recognising their value at all SNSP levels. Given the apparent value of FFR to the system, FFR should also receive a minimum temporal scalar of 1.</p> <p>Further, had the FFR product been paid from the beginning of the interim arrangements, a minimum scalar of 1 would have applied. FFR has been continuously available to the system from providers who formed business plans based on the tariff and scalar structures which were proposed in consultations during 2015 and 2016 and subsequently approved for the interim contracts by the SEM Committee*. The tariff and scalar structures for FFR have therefore been put in place; the only reason providers were not paid was the TSOs' need to develop measurement tools. (We would argue that Moyle's service was already adequately measurable.) There has been no break in FFR delivery.</p> <p>Failure now to reward FFR in at least the same way as originally planned and in the same way that other reserve products are treated undermines the confidence that the TSOs are aiming to provide through the proposed tariff and scalar designs. Specifically, FFR should receive a</p> |
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| | <p>minimum temporal scarcity scalar of 1 and the baseline FFR tariff should be increased in accordance with the tariff increase for the other eleven services. Without such changes to the current proposals for FFR, a reduced level of investment should be anticipated.</p> <p>An increasingly obvious missing piece of the DS3 system services jigsaw is high frequency response. It is our experience that HF events no longer represent the exceptional, emergency condition that justifies an emergency response under the grid code. Rather we understand that HF response has become a routine service which is increasingly highly valued by the TSOs, if not yet rewarded financially.</p> <p>While we acknowledge comments made at the 1st August forum that a specific HF product is not required when providers are capable of providing HF response as part of their offering under the existing reserve products, it is appropriate that HF response should be rewarded in accordance with its value to the system. A suitable approach could be application of an additional scalar to the reserve products, offering additional reward for symmetrical response, that is the same shape of HF response capability as LF response capability. We encourage the TSOs to adopt such an approach in the new contracts.</p> <p>* Consultations including: Consultation on DS3 System Services Scalar Design, 11 March 2015; Consultation on DS3 System Services Interim Tariffs, 8 April 2016; Consultation on DS3 System Services Contracts for Interim Arrangements, 21 April 2016.</p> |
| Proposed Scalars for Regulated Arrangements | |
| <p><u>Question 1</u>: 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</p> | <p>We acknowledge the motivation of the TSOs in introducing an additional measure based on accuracy of forecast availability. In the case of the Moyle Interconnector scheduled interconnector flows, from which available reserve may easily be derived, are already available in the TSO operational systems. We recommend that this data is fully considered by the TSOs as this proposal is further developed.</p> <p>For SEM today we note that MUINs generated following the interconnector daily and intraday auctions at SEM gates EA1, EA2 and WD1 should provide at least the proposed notice of availability. Day ahead EA1, EA2 gates would provide interconnector reserve availability data for 0600-1200 and 1200-1800 periods the next day, while the WD1 gate would provide the data for 1800-0000 and 0000-0600 periods.</p> |

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| why or identify what element of the proposal you believe requires amendment? | In I-SEM from May 2018 the outcome of the day ahead market coupling should provide at least the notice of availability that the TSOs propose is required. While the timing of the intraday cross-border auctions has not yet been finalised some proposals would provide less than six clear hours notice. It is our position that interconnectors should not be unfairly penalised for uncertainty of reserve availability due to operation of the cross border auctions. |
| <u>Question 2</u> : 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? | Having previously argued that faster response is of greater value to the TSOs and should be rewarded accordingly, we agree with the proposal for a faster response scalar. We are pleased to see that response faster than 0.5 seconds is rewarded and suggest that the TSOs should consider, from time to time, whether a higher scalar than that proposed for the fastest response is appropriate. |
| <u>Question 3</u> : 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? Yes, as described in the consultation document and articulated at the industry forum on 1st August, we agree that the product scalar should value continuous delivery more highly. | We agree with the TSOs' proposal for a product scalar for enhanced delivery of FFR, POR, SOR and TOR1. We note that the proposal is similar to the enhanced delivery scalar in place during the interim arrangements today and welcome the continuity that this provides. We note that maximum value under the frequency trigger is achieved at 49.85 Hz rather than 50.00 Hz, which is appropriate given the likely needs of the TSO (i.e. not setting units to trigger closer than 49.85 Hz). |
| <u>Question 4</u> : Do you agree with our proposal to implement a Product Scalar for the Continuous Provision of Reserve from FFR to TOR1? If not, | We agree with the TSOs that continuous delivery from FFR through to TOR1 should be more highly rewarded. |

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| please specify why or identify what element of the scalar design you believe requires amendment? | |
| <u>Question 5</u> : 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? | No comment. |
| <u>Question 6</u> : 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? | No comment. |
| <u>Question 7</u> : 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? | No comment. |
| <u>Question 8</u> : Do you agree with our proposal to implement a Temporal Scarcity Scalar for FFR? If not, please specify why or identify what element of | Yes, we acknowledge the higher value of FFR to the system at higher SNSP and agree with the proposal for a stepped scalar above 60% SNSP. The stepped scalar is preferred over a linear scalar because, as the TSOs suggest, it provides improved confidence to providers when SNSP is unknown, even historic SNSP not being a reliable indicator of SNSP in the following year. |

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| <p>the scalar design you believe requires amendment?</p> | <p>However, in line with arguments we have presented above and in response to the concurrent tariffs consultation paper, we disagree with the impression the TSOs have given that the system has operated without FFR to date (at < 60% SNSP). FFR has clearly been provided by a number of units as a component of a reserve service and has been highly valued, although unpaid under the interim regulated arrangements. Anecdotal evidence of the value of FFR from the near time and real time teams in the TSO is supported by the additional scalars proposed for continuous delivery and faster response in this current paper, and by the recent requests to Moyle for additional volumes from both SONI and National Grid.</p> <p>We note that the reason FFR has not been paid in the interim arrangements to date is the TSOs' need to develop tools to measure performance. If the TSOs had already been able to measure performance (and it is our argument that Moyle's performance was satisfactorily measureable already) payment for FFR today would be in line with previous proposals, at a minimum scalar of 1, which we would expect the TSOs now to propose to maintain in line with current proposals on the eleven 'existing' services. Therefore the minimum temporal scarcity scalar for FFR should be set to 1.</p> <p>Failure now to reward FFR in at least the same way as originally planned and in the same way that other reserve products are treated risks undermining the confidence that the TSOs are aiming to provide through the proposed tariff and scalar designs.</p> |
| <p><u>Question 9:</u> 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?</p> | <p>We broadly agree with the proposal, since it is clear that the services have higher value at higher SNSP. Indeed we argue that the proposed temporal scarcity scalar for the 11 services should be extended to the FFR product also. (See remarks in response to Q9.)</p> |
| <p><u>Question 10:</u> 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</p> | <p>In general we are content with the concept of a Locational Scarcity Scalar and we agree with the TSOs' proposal for a minimum value of 1, so that existing units are not unpredictably penalised.</p> |

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| believe requires amendment? | |
| Scalars not Proposed for Implementation | |
| <u>Question 11</u> : 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? | We broadly agree with the TSOs' proposal. |
| <u>Question 12</u> : 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? | We broadly agree with the TSOs' proposal. |
| <u>Question 13</u> : 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? | We broadly agree with the TSOs' proposal. |
| <u>Question 14</u> : 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? | No comment. |
| <u>Question 15</u> : Do you agree with our proposal NOT to implement a specific Temporal Scarcity Scalar for | We broadly agree with the TSOs' proposal not to implement a scalar based on availability of reserve. We note the alternative scalar based on SNSP in each settlement period. |

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| Reserve Products? If not, can you provide rationale to support your views? | |
| <u>Question 16</u> : 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? | We broadly agree with the TSOs' proposal. |
| <u>Question 17</u> : 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? | We broadly agree with the TSOs' proposal. |
| Frequency Response Curves | |
| <u>Question 18</u> : 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? | Yes, we broadly agree with the TSOs' proposals on FFR response curves. However, we encourage the TSOs to publish specific proposals for response curves that provide maximum value to the system in good time. Providers may be able to adjust the capabilities of their providing unit, but may require sufficient time and significant investment to do so. Early publication and stable design of tariffs and scalars is important in achieving the optimal response from providers. |