

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

Respondent Name	<i>Derek Russell</i>
Contact telephone number	<i>+44 28 90 380 647</i>
Respondent Company	<i>Energia</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
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 why or identify what element of the proposal you believe requires amendment?</p>	<p>Energia does not support this proposal.</p> <p>Firstly the introduction of such a scalar may be open to being viewed as discriminatory against providers of Reserve and Ramping Margin services compared to other ancillary services providers.</p> <p>Secondly the TSOs have not outlined a strong argument as to why such a scalar is believed by them to be necessary.</p> <p>Thirdly it is contended that generators are already incentivised to forecast accurately without the need for this additional scalar, given generators are exposed to the product of the difference between their final physical notification and their actual dispatch, and the balancing market price. Given the unpredictability of the BM price, it is unlikely any generator will wish any volume to be exposed to this unknown price, and thus they are more likely to try to forecast their volumes as accurately as possible.</p> <p>Fourthly whether a plant is running or not has a hugely material impact on its ability to predict its output accurately 12 hours ahead, and whether it is running or not is not in its control.</p> <p>Finally for marginal plant in particular it is not possible to forecast accurately 12 hours in advance as required, given the variability in their operations due to being a marginal plant.</p> <p>The appropriate application of the Performance Scalar without the Certainty of Service Availability requirement should be sufficient to obtain the desired behaviour for the TSOs.</p>

<p><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?</p>	<p>It is not possible to provide an informed reply on this proposal as the TSOs have not provided any evidence that the economic benefit to the system of having a FFR response time of 0.15 seconds justifies a scalar of 3.0 to apply to it, or that a scalar of greater than 1.0 should be applied if the FFR response time is under 2.0 seconds. However in the absence of details and factual information to justify higher scalars for FFR faster than 0.5 seconds, it would be Energias view that a Scalar value of 3.0 firstly seems arbitrary, and secondly appears excessive compared to other scalars particularly given it is 50% higher than the payment for FFR at 0.5 seconds.</p>
<p><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?</p>	<p>Energia supports the Product Scalar as proposed given;</p> <ul style="list-style-type: none"> (i) the maximum Scalar value is 1.0, and it is in essence not truly an incentive to provide these services, but more a disincentive to not providing the service given the scalar is less than 1.0 (SEM-14-108). (ii) this proposal is contrary to the SEM Committee decision to have Scalar values of at least 1. <p>A product scalar value of a minimum of 1 should be applied to this service, with a maximum in excess of 1.0 such value analysis from the TSOs should inform.</p>

<p><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, please specify why or identify what element of the scalar design you believe requires amendment?</p>	<p>If the provision of Reserve from FFR to TOR1 justifies a Scalar of 1.5, it is difficult to understand that there is no additional value to the system in providing continual reserve from FFR to say SOR, or FFR to POR. It is suggested that;</p> <p>(i) a Scalar of [1.2] is used if a unit provides reserve from FFR to POR and SOR, and</p> <p>(ii) a Scalar of [1.1] is used if a unit provides reserve from FFR to POR.</p> <p>In the absence of the above there is no incentive for a unit to provide anything other than FFR, if it cannot supply Reserve to TOR1, which may be contrary to what the system requires at a given moment in time.</p>
<p><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?</p>	<p>Energia does support a Product Scalar for enhanced delivery of SSRP with an AVR, but questions if the value to the system of having an AVR operational justifies a scalar of 2.0. The TSOs are asked to provide justification of a Scalar as high as 2 for such an enhanced SSRP service. In principle Energia agrees that logically a scalar in excess of 1.0 should be applied for the provision of this service.</p>

<p><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?</p>	<p>The TSO's have not provided any information detailing why their thinking has changed from previously being minded not to implement this Scalar. Without such detail it is not possible to provide informed comments on this proposal. Further the TSO have not provided a rationale for justifying setting this Scalar to 2 instead of something lower e.g. 1.5. Energia thus reserve their opinion on this Scalar while awaiting further information from the TSOs, but in principle agree that a scalar in excess of 1.0 should be applied for the provision of this service.</p>
<p><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?</p>	<p>The TSO's have not provided any analysis or justification for such as high level of Temporal Scarcity Scalar as 8.5 for DRR and FPFAPR. Without such detail it is impossible for Energia to support the Scalar regime as proposed.</p> <p>However in principle Energia supports the application of a Scalar in excess of 1.0 for this Temporal Scarcity Scalar for DRR and FPFAPR.</p> <p>Given the relationship between high RoCoF levels and high SNSP levels, there is a real concern that the uncertainty surrounding whether RoCoF values of 1.0hz/s will be achieved in I-SEM will significantly discourage investment in DRR and FPFAPR services given scalars for same will only kick in at SNSP levels in excess of 70%.</p>

<p><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 the scalar design you believe requires amendment?</p>	<p>The TSO's have not provided any justification for a Temporal Scarcity Scalar for FFR set as high as 6.2 and/or 8.5. Without such detail it is very difficult for Energia to support this Scalar regime as proposed.</p> <p>However in principle Energia supports the application of a Scalar in excess of 1.0 for this Temporal Scarcity Scalar for FFR.</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>Energia supports the application of a Temporal Scarcity Scalar above 1.0 for the 11 existing Services which is in line with the proposal of the SEMC in SEM-14-108.</p> <p>Further the scalars that should apply should be materially greater than 1.0 given these services have been provided to the system in the transition from SNSP levels of 50% to the current 60% over the last two years with no additional payments for same.</p> <p>The TSOs are asked to advise full details of the analysis and calculations behind how the Scalar values of 6.2 and 8.5 were arrive at, so that industry can determine if the scalar values as proposed make economic and logical sense.</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 believe requires amendment?</p>	<p>Energia supports the application of Locational Scarcity Scalars as a tool for the TSOs to incentivise certain behaviour to allow the smooth running of the system, and thus agree that the minimum value for Locational Scarcity Scalar should be 1.0.</p> <p>However setting Locational Scalars to 1.0 will not incentivise the delivery of system services where they are most need.</p>

Scalars not Proposed for Implementation	
<p><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?</p>	<p>Energia support the TSO's view as outlined given no strong rationale for its introduction has been provided by the TSOs and thus introducing it does not appear justified</p>
<p><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?</p>	<p>The TSOs are asked to provide evidence as to how and why they have come to making this proposed decision?</p> <p>In the absence of this information Energia would like to advise that in principle it agrees with the TSOs proposal not to implement this Scalar as proposed.</p> <p>In their rationale for not implementing this Scalar the TSOs have argued that introducing such a Scalar would not meet the objective of a Product Scalar as set out in SEM-14-108. The TSO's are asked to provide more details to explain this fully.</p> <p>If the logic for this is that as per SEM-14-108 such a Scalar should have a minimum value of 1.0 and thereafter increase, then it is argued for the same rationale the proposed implementation of the Product Scalar for Enhanced Delivery of FFR, POR, SOR and TOR1 should not be implemented in the current way it is proposed but rather introduced with Scalar in excess of 1.0 as per Energia's response to Question 3 above.</p>

<p><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?</p>	<p>The TSOs are asked to provide evidence as to how and why they have come to making this proposed decision? In the absence of this information Energia would like to advise that in principle it agrees with the TSOs proposal not to implement this Scalar as proposed.</p> <p>As outlined by the TSOs, SIR and Reserve are two separate products but there appears to be a high risk that the introduction of such a product Scalar for SIR with Reserve will negatively affect the potential offering for both of these separate services from providers (which will have negative results for the system potentially) by creating an artificial relationship between them via this product scalar. This is the main reason for Energia supporting the TSOs stated view not to introduce this scalar.</p>
<p><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?</p>	<p>Energia supports the TSOs view not to introduce this product scalar. However our rationale for this is not the same as that of the TSOs. Our rationale is as follows. Firstly no strong argument has been made by the TSOs or otherwise to warrant the introduction of this product Scalar. Secondly at a time when the system requires FPFAPR, the TSOs will essentially require all providers of this service to do all they can, and this Energia argue is best achieved but simply having a better base rate tariff for FPFAPR, and not through the introduction of this product scalar.</p>
<p><u>Question 15:</u> Do you agree with our proposal NOT to implement a specific Temporal Scarcity</p>	<p>The TSOs are asked to provide evidence as to how and why they have come to making this proposed decision? The rationale for this Temporal Scarcity scalar for Reserve products as outlined in the TNEI/Poyry report has merit, but the potential complexity of operating</p>

<p>Scalar for Reserve Products? If not, can you provide rationale to support your views?</p>	<p>such a scalar is a concern.</p> <p>Due to this, and in the absence of the logic for why the TSOs are suggesting not to implement this scalar, Energia are of the view to support the TSOs view not to introduce this Scalar at I-SEM go-live. However Energia advocate that the situation be re-evaluated after 12 months of experience of I-SEM operation. This re-evaluation should determine if there is a reasonable case for introducing the scalar, and if so if it can be implemented more simply. It is suggested that if such a Temporal Scarcity Scalar for reserve products were introduced then Reserve products should move to this new Scalar and thus would no longer be eligible to receive the common Temporal Scarcity Scalar enjoyed by the other 11 existing DS3 products.</p>
<p><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?</p>	<p>Energia supports the TSO's view not to introduce a Temporal Scarcity Scalar for SIR as the value and benefits of same are not clear.</p>
<p><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?</p>	<p>In principle Energia agrees with the TSO's proposal not to implement a Volume Scalar. If there is a concern in relation to over-spend in particular technologies then targeted action on such specific technologies, or certain key scalars, or on specific or all tariff rates, would be a more preferable alternative. As per Energias suggestion in its response to the Enduring Tariff regime, Energia advocate the use of a rolling five year DS3 payment regime, such that not overspend in one year will cause an adjustment to be made to payments if there has not been an overspend in aggregate over a rolling five year period. Such a</p>

	regime provides a good balance between the risk of overspend (as expressed by the TSOs in their consultation) and the risk of underspend in the event of low SNSP years.
Frequency Response Curves	
<p><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?</p>	<p>Given the lack of details provided in the consultation paper, and the generic nature of same, it is very difficult to provide a definitive response to this query. Further detail from the TSO would assist greatly in this regard, including details on (i) why the TSOs believe having these two curves will maximise the benefits of the service to the system while ensuring security (ii) the control parameters bespoke to providing units (iii) the variation range acceptable in the two generic curves provided.</p> <p>While in principle having two curves may appear to make analysis easier to perform and understand, both for the TSOs and market participants, the benefits of doing this, and the impact on accuracy and quality of data, compared to utilising a separate curve for each providing unit, has not been articulated in detail by the TSOs in the paper.</p>