

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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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 confidential

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

Question	Response
Proposed Scalars for Regulated Arrangements	
<p>BnM Overall Response:</p> <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>Please note that BnM has supplied a single Supplementary Note, which is in fact labelled as a 'Summary Note' of the BnM viewpoint in respect of both DS3 Enduring Tariffs and Enduring Scalar Design Consultations - combined.</p> <p>We do not agree that it is fair that that there will be a 'discount' reduction in service provider revenue regardless of whether the forecast is long or short, given that the current proposal rewards a perfect forecast with only a unitary scalar at best. In this context we note the desire to 'incentivise' within the question, and propose that, accordingly, a good quality forecast should be scaled & rewarded with a scalar greater than unity.</p> <p>We are further concerned that such a potentially far reaching provision has already reached contract stage, albeit in a dormant untriggered stage without adequate notice to, or participation from industry. We note the minded to position to require forecast availability for a block of 6 hours but note the lack of specifics as to the design of this provision; this would require further consultation. In this regard we note that the Poyry 'High Level Principles of Scalars for DS3 System Services'¹ document acknowledges the risk of 'an unnecessary penalty for providers'.</p> <p>Our general view across all of our responses is that better than expected behaviours should be rewarded, rather than good behaviours being punished. This comment is guided again by our over arching understanding that it is the CRM which will edge excess capacity out of the market, and that the market expectation would be that DS3 would at very least cover lost energy revenues given that these are more likely to reduce than to increase.</p> <p>We note that it could be worth considering multiple forecast windows which would allow service providers make more accurate nearer-term predictions based on changing conditions.</p>

¹ 'High Level Principles of Scalars for DS3 System Services', a report to Eirgrid and SONI, February 2016

<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><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><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,</p>	<p>With regard to the principle of rewarding forecast accuracy we would see merit in applying weightings to the scalar which could reflect that an over estimated forecast, ie, under-supply is a worse result than an over estimated forecast.</p> <p>Yes, while we support the current 2017 design which rewards faster response of FFR at a greater level than that in the 2016 proposals, we take issue with the proposed nul payment under the temporal scalar for SNSP levels less than 60% (Q8 A8) Our counterproposal is that there should be a scaling up of the temporal scarcity scalar, ramping up between the values of 'zero' at 55% SNSP and 'one' at 60% SNSP. Non payment to service providers (ie the severity of no payment) for FFR at times where less than 60% SNSP prevails does not seem appropriate for what is in effect a new service which needs to be 'seeded' and which is forecast to become the highest revenue generating service by 2020. Our belief is that potential changes can easily be re-modelled within Plexos modelling.</p> <p>Yes, and in doing so we note the reduction in max scalar value of '0.5' for a stepped response under 2017 proposals vs '0.75' under 2016 thinking.</p> <p>Yes we support the incentivisation to providers capable of delivering a sustained MW between 2 seconds and 5 minutes. The proposed scalar multiplier of 1.5 for providers of FFR which also provide all of POR, SOR & TOR1 looks to be reasonable at this stage but this may need further future review to see if justified at a greater scalar.</p>
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<p>please specify why or identify what element of the scalar design you believe requires amendment?</p>	<p>Within this response we refer again to our suggestion and rationale that there should be some scaling up of the temporal scarcity scalar, ramping up between the values of ‘zero’ at 55% SNSP and ‘one’ at 60% SNSP for reasons outlined in Q1 A1.</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>Yes, we welcome this continuity from the Interim Arrangements to the Regulated Arrangements.</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>While we support the generality of the proposal to implement a product scalar for SSRP with Watt-less VARs we are concerned that there is no provision within DS3 for remuneration of the energy cost of providing reactive power at 0MW output. There needs to be greater clarity as to what operational support contracts are under consideration and for what period these will be held under consideration and also how such energy costs can ultimately be assigned to dispatch instructions if this is the intended remuneration route to the service provider.</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>We recognise the TSO’s quest to distinguish between a stepped response and a linear response and have set out our position in relation FFR that there is a need for a ‘hybrid’ provision of sorts for temporal scarcity between 55% and 60% SNSP. In the case of DRR and FPFAPR it could be argued that a similar case should be made. However we do not see this as a strong argument in respect of the 70% SNSP temporal threshold for these two measures due to their relatively low importance in overall service design and revenues, as well as in the flagged context of their possible incorporation to the Grid Code. Consequently we do not propose any amendments</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><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><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</p>	<p>other than to highlight that it is a given that synchronous machines are not being encouraged to invest, given the peak scalar value of only unity.</p> <p>We agree strongly with the proposal to implement a Temporal Scarcity Scalar for FFR. However we take issue with the proposed nul payment under the temporal scalar for SNSP levels less than 60%. It would not be unreasonable to suggest that a scalar of unity would apply from 0-60% SNSP. Our counterproposal however is more modest, ie, that there should be a scaling up of the temporal scarcity scalar, ramping up between the values of 'zero' at 55% SNSP and 'one' at 60% SNSP. Non payment to service providers (ie the severity of no payment) for FFR at times where less than 60% SNSP prevails does not seem appropriate for what is in effect a new service which needs to be 'seeded' and which is forecast to become the highest revenue generating service by 2020. Our belief is that potential changes can easily be re-modelled within Plexos modelling.</p> <p>We agree with this proposal which incorporates a stepped scalar at 60% SNSP, notwithstanding the earlier rationale we expressed supporting a ramping up for the FFR Temporal Scarcity scalar value.</p> <p>We agree generally with this proposal but are conscious that excessive use could remove the incentive for investment in the upgrade of poorly serviced areas of the distribution network.</p>
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<p>identify what element of the scalar design you believe requires amendment?</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><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>N/A</p> <p>Yes – we agree because the provision for power system stabiliser not working falls within the Performance scalar, rather than the Product scalar.</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>We do not agree with the proposal NOT to implement this Product scalar. It is our belief that this should be offered. The main reason proffered for not implementing it appears to be the TSO's concerns around gaming. We believe that this is a valid and valuable service as recommended by the TNEI/Poyry paper² which should be remunerated and that the TSO's should be able to implement the appropriate measures to determine the lowest min generation levels so as to ensure that gaming does not occur.</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>N/A</p>
<p><u>Question 15:</u> 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?</p>	<p>Yes – we agree with this proposal on the basis that this scalar is already covered under the temporal scarcity scalar already proposed for the 11 existing services referred to in Q9 A9.</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>Yes- as for Q15, we agree with this proposal on the basis that this scalar is already covered under the temporal scarcity scalar already prioposed for the 11 existing services referred to in Q9 A9.</p>

² 'High Level Principles of Scalars for DS3 System Services', a report to Eirgrid and SONI, February 2016

<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>We fully agree with the proposal NOT to implement a specific Volume Scalar for Regulated Arrangements.</p> <p>However we remain very concerned as to the conditional provisions and the scope of the Protocol document to achieve the same result.</p> <p>This is extremely important in ‘fogging’ visibility on prospective future DS3 revenues which will be needed for normal budgeting and investment purposes as well as for the forecasting of DS3 revenues for the Unit Specific Price Cap calculation within the CRM auctions, including the T-4 auction next September 2018.</p>
<p>Frequency Response Curves</p>	
<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>Yes, we agree with the proposal in principal to implement frequency response curves to define the provision of the FFR service, however we would welcome further clarity on the level of response at various set points.</p>