DS3 System Services Consultation – Contracts for Interim Arrangements

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	*Bord Gáis Energy*

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**

The closing date for responses is Friday, 3 June 2016.

Question	*Response*
Contracts for Interim Arrangements	
Question 1: Do you agree with the proposal that the framework agreements should apply on a Providing Unit basis rather than on a Service Provider basis?	We agree that the framework agreements should apply on a Providing Unit basis rather than on a Service Provider basis. This approach is consistent with the wider wholesale market design where contracts and settlements will be applied on a unit basis as a means of negating market power of portfolio players.
Question 2: Do you have any comment on payment being contingent on compliance requirements being met?	While we believe compliance to the Grid Code is an extremely important issue, we do not believe that it should be considered as a part of the DS3 system service contracts. Governance on overall Grid Code compliance requirements should be a separate consultation process as we have requested in our response to the Other System Charges (OSC) 2016-17 consultation and we believe that this should remain separate. Provided that "all necessary testing requirements" are met and complied with as outlined in Table 1 of the DS3 System Services Protocol document, then we believe that DS3 payments should be contingent on meeting the necessary testing requirements. Further to this, we believe that DS3 payments should not be contingent on Generators meeting all compliance requirements.
Question 3: Do you have any comment on the proposal to detail performance monitoring in the Protocol document rather than in the framework agreements?	Given that Generators are moving into 1 year contracts for DS3 system services, we believe that all elements of the contract should be locked down for the duration of that year in order to give certainty to parties on their expected performance and their expected revenue streams. We do not understand why the performance monitoring details must be included in the Protocol document, especially since the TSOs already have substantial historical data available to assess the performance of existing and ramping margin services. Having the flexibility to change performance monitoring details could potentially have significant impacts on Generator revenues and we therefore believe that it should not be separate to the framework agreement.

Question 4: Do you have a view on the change in notice period for termination of one or more system services by the Company?	We believe that the TSOs should not change the notice period for termination of system services from the current arrangements of 12 months. We agree that a termination clause relating to breaches is an important section of a framework agreement and that Section 8.2 of Schedule A fully addresses the conditions of termination for malpractice. However, we believe that the contents of Section 8.1 are too broad to allow the TSOs to terminate a DS3 contract for no specific reason with 3 months notice. A change to 3-month notification creates additional and unnecessary risks for generators, especially given that the TSOs already have the tools for managing inefficient generators through the performance scalars. Recognising that this framework agreement is specific to the interim period and that the contracts are only for 12 month durations, we suggest that the TSOs remove this section from the interim framework agreement or alternatively retain the 12-month notice if the intention is to develop the agreement with an enduring solution in mind.
Question 5: Do you have a view on the proposed definition of the Product Scalars in the framework agreement?	The product scalars defined in the framework agreement for enhanced delivery of operating reserve (FFR, POR, SOR and TOR1) is consistent with our understanding of the DS3 Scalars consultation. We have concerns that the product scalar for SSRP does not have the same level of detail in the framework agreement as the operating reserves mentioned above. In the DS3 Scalars consultation, the TSOs propose that a Scalar of 2 will be awarded to Generators who have a

	successfully installed and fully operating Automatic Voltage Regulator (AVR). We request that the framework agreement be amended to include this numerical value for the SSRP scalar rather than only defining it as "1 + Declared Automatic Voltage Regulator Status".
Question 6: Do you have a view on the high-level definition of the Performance Scalars in the Protocol document?	We have concerns that the details of performance monitoring calculations are too strict and they will not provide the necessary incentives for Generators to improve their overall performance. This is because the insignificant number of frequency events below 49.5Hz seen to date indicates that no Generator will have adequate data to be assessed on their own level of performance (i.e. they will not be 'data rich'), and therefore each unit will likely be allocated the industry average scalar. This is our view dampens the incentive to improve performance. As a way of improving the performance monitoring calculations, we believe that the criteria should be changed as per the following: • For new Generators and technologies with limited historical evidence, their level of performance should be based on the average performance of that technology. We believe it is inappropriate to compare the performance of a new OCGT or CCGT with the performance of wind Generators for example and that therefore Generators should not be assessed on the overall industry average. • For existing units with adequate running time, a threshold for performance events to distinguish between data rich and data poor should be reduced. The rolling timeframe should also be increased from 6 months to 24 months. In addition to the above concerns, we also believe that the TSOs are inappropriately monitoring the performance of Ramping Margin system services given the dynamic nature of a generator's ramping capabilities. As we have highlighted in our response to the DS3 Scalars consultation, a Generator's capability to provide Ramping Margin can change depending on its heat state or whether the unit is synchronised or de-synchronised. For example, a CCGT can provide RM1

	and RM3 only when it is synchronised while it could provide RM8 when it is both synchronised and de-synchronised. Under the proposed arrangements, a CCGT's ramping when synchronised will never be accounted for and therefore it's RM1 and RM3 would be incorrectly assessed. Therefore we believe the performance monitoring for Ramping Margin system services should be based on both following dispatch instructions (DIs) when synchronised and following start-up DIs when de-synchronised. To be clear, we highlight the differences that flexible Generators (OCGTs) and non-flexible Generators (i.e. CCGTs) should have with performance monitoring for Ramping Margin services.
	
	• Performance Monitoring for CCGTs
	  ○ RM1: DIs when synchronised only
	  ○ RM3: DIs when synchronised only
	  ○ RM8: DIs when synchronised and start-up instructions
	• Performance Monitoring for OCGTs
	  ○ RM1: DIs when synchronised and start-up instructions
	  ○ RM3: DIs when synchronised and start-up instructions
	  ○ RM8: DIs when synchronised and start-up instructions

Question 7: Do you have any comment on the technical definitions of the new system services as specified in the draft DS3 System Services framework agreement?	We are concerned that the framework agreement does not define the Ramping Margin system services (RM1, RM3 and RM8) to the same level of detail as the SEM Committee's Decision paper on DS3 System Services Technical Definitions, SEM-13-098. In their paper, the SEMC recognises the dynamic nature of providing ramping services by stating that both synchronised and de-synchronised units are eligible to provide these services. We therefore request that the framework agreement includes the definitions of Ramping Margin services as provided by the SEMC's Decision paper.

Question 8: Do you have any comment on the payment definitions of the new system services as specified in the draft DS3 System Services framework agreement?	Understanding that flexible generators such as OCGTs may be required to synchronise to the system for very short periods of time, we are unsure as to how the definition of "Trading Period Duration" in the payment formula will be applied. For example, where the TSOs require a flexible Generator for less than 30 minutes, and yet the unit is available to provide DS3 services for the full 30 minutes, will the unit be paid for the full Trading Period?
Question 9: Do you have any comment on the alignment of settlement timelines between Ireland and Northern Ireland?	No comment.