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	*AES*

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?	Yes, AES support the proposal that the frameworks agreements should apply on a providing unit basis as is the case for existing HAS contracts in Northern Ireland and that this provides the simplest option due to the number of services and level of data to be submitted. AES also support the position that all qualified services providers will receive a contract under the framework which will be based on the existing HAS contracts. However AES is disappointed that only 11 of the 14 services are being remunerated under the proposed interim arrangements contracts and with the uncertainty with respect to qualification and payment for the 3 fast acting services. More detail is required regarding the proposed technology trials and who would be eligible to contract for these. With respect to the Protocol Document which appears to be linked to the Interim Framework Agreement but does not appear to be covered by the same governance process and which may be revised on a quarterly basis, without the requirement for industry consultation, AES views that this arrangement is not acceptable. The detail in the Protocol Document should be included in the Interim Framework Agreement as performance monitoring parameters, reliability targets, and associated scalar calculations will have a significant effect on participant's revenue and should be fixed for the duration of the contract. Therefore performance monitoring arrangements and parameters should be included in the Framework Agreement.
Question 2: Do you have any comment on payment being contingent on compliance requirements being met?	AES supports the proposal that payment is contingent on compliance requirements being met but that the compliance requirements should be clear and appropriate to the relevant technology and service. At present the proposed protocol document compliance requirements are based on historical evidence or additional testing for most services. However there should be scope provided to determine the appropriate historical data to use which best represents the true performance of the respective units. The combination a

	number of events and a defined time period my not provide the best outcome or reflect the true reliability of the unit. AES has noted that a number of the qualification process questions do not take account of a unit with a dual fuel status leading i.e. a unit that uses two fuels at the same time. A number of the questions are therefore inappropriate, preventing "correct and accurate" information being provided and could potentially lead to non-qualification of a number of units. This category of unit should be addressed specifically in the qualification process and the questions amended to accommodate.
Question 3: Do you have any comment on the proposal to detail performance monitoring in the Protocol document rather than in the framework agreements?	Currently the Protocol document section 4 Performance Monitoring states that "performance monitoring will take effect through the use of performance scalars" and refers to the interim framework agreements for full details. Due to the outstanding Scalars Design consultation paper decision, the level of detail on performance scalars is currently insufficient in either the Protocol document or the Interim Framework Agreement. AES supports the position that the detail of the performance scalar should be contained in the Framework Agreement in each schedule appropriate to each product and set for the duration of the contracts.
Question 4: Do you have a view on the change in notice period for termination of one or more system services by the Company?	The interim Framework Agreement states that the company can terminate the agreement with 3 months' notice for any or all of the services to be provided. Given the 1 year duration of the contract this arrangement presents decreased certainty and increased risk for providers and is inappropriate. AES is of the view that given the proposed nature of the performance scalars to reduce payments to providers who underperform, the company should not be able to terminate the agreement within the contract period for failure to perform. In addition, in the event of any performance related issue requiring remedy the duration of the remedy period is too short – only 20 business days allowing very little time to remedy anything but the simplest of technical problems, specifically if an outage is required and has to be accommodated by the TSO.

	In addition AES views that the 15 business days notice of termination for failure to pay seems too short. Re additional costs – Service providers are required to absorb the costs of compliance with grid code however not all DS3 System Services are defined in grid code and the provider is asked to accept costs of compliance with service requirements if changed?. Also the company can review any potential savings from modification to plant and revise payments rates at the next charging statement. The definition of charging statement and the governance around changes to the payment rates is ambiguous – "the Company's DS3 System Services Statement of Payments published on the Company's website". AES views that the payment rates set for the provision of system services should be set for the duration of the interim agreement and any changes proposed should be subject to public consultation and Regulatory Approval.
Question 5: Do you have a view on the proposed definition of the Product Scalars in the framework agreement?	AES accepts the proposed definition and concept of a fair and appropriate Product Scalar in the Framework Agreement and believes that in addition to substandard performance being penalised, enhanced performance should be rewarded with a higher product scalar.
Question 6: Do you have a view on the high-level definition of the Performance Scalars in the Protocol document?	AES is of the view that the performance scalar should be defined in the Interim Framework Agreement in the same manner as the product scalar as should the parameters associated with the performance scalars to ensure adequate governance is provided for the documentation for entire contracting process for systems services. The protocol document presently contains insufficient information on the minimum data provision requirements for each service or the pass rate methodology for the scalar determination used in performance assessment for each service. AES views that this level of detail is important and should be included in appropriate schedule in the Interim Framework Agreement.

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?	Existing System services definitions are stated in the grid code definitions section, new system services definitions are stated in the relevant schedules of the Interim Framework Agreement. Reserve POR, SOR, TOR1, Scaling Factors include a combination of Product and Performance Scalars Product Scalars – now include a combination of reserve type scalar and reserve trigger scalar implemented in advance of any scalar design consultation decision. The proposed reserve trigger scalar amount calculation methodology was not consulted on in the scalar design process. SIR - The SIR Factor minimum value of 15 has been set at a level that rules out most at AES main units from receiving revenue from this product. AES views that the minimum level should be lower to ensure that all substantial conventional generation is remunerated for the provision of inertia when running. In the design of the product no reason or evidence was provided as to why an arbitrary minimum figure of 15 was implemented. FFR – FFR payment is impacted by the FFR Scaling Factor which is a combination of the FFR Product scalar and performance scalar. Product Scalars – now include a combination of reserve type scalar and reserve trigger scalar implemented in advance of any scalar design consultation decision. The proposed reserve trigger scalar amount calculation methodology was not consulted on in the scalar design process. FPFAPR - FPAAPR available volume is defined as the product of the average MW output exported by the unit and the average declared availability to provide FPFAPR for the trading period. This was previously defined as the MW capability of the unit and thus the definition have been changed. Ramping – AES views that the use of Fail to synch is an inappropriate mechanism to monitor ramping performance. Fail synch is a poor proxy for ramping performance and fails to capture ramping performance when synchronised.

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?	AES is disappointed that the fast acting products are to be subject to a separate product trial and qualification process which is as yet unclear and increases uncertainty of revenue for providers who can provide these services on existing conventional units. AES believes the binary nature of the pass or fail mechanism leaves no allowance for assessment between a marginal or partial success or failure and an outright success or failure and that a degree of tolerance should be incorporated into the performance assessment (Pass/Fail) for all the payment mechanisms for all system services. Data Rich/Data Poor -The proposed data poor resolution for ramping and reserve services, whereby the industry average is applied in the event that the providing unit is deemed to be data poor, is arbitrary and unfairly penal. If a unit generally performs better than average but there are insufficient events to support this based on the proposed Data Start date (1st June 2016) and Data Backstop Timeframe (12 month rolling timeframe) it is unfair to apply an industry average performance scalar to this unit which may be worse than its actual performance. It is our view therefore that this needs further consideration and engagement with industry so that the methodology employed is realistic and hence will provide a strong and balanced incentive to improve.
Question 9: Do you have any comment on the alignment of settlement timelines between Ireland and Northern Ireland?	Currently in Northern Ireland system services confirmation statements are issued daily on a D+3 basis to account for weekends and settled on a monthly time frame. The proposed new time line for DS3 System Services is for statement of charges (payments) to be issued after 25 business days (max) following the end of each charging period and allows 10 days for the provider to produce an invoice which has to then be paid within 10 business days after that. AES views this as an inferior solution relative to the current arrangements. In an energy market moving to shorter settlement periods we see benefit in aligning the system services settlement with the energy market time lines. The daily confirmation statements should be kept and the statements of charges produced on a weekly basis or at the latest in line with the energy market payment monthly timeframe. In short the current NI arrangements or better should be adopted.