



Electric Ireland Response: DS3 System Services

Interim Tariffs Consultation Paper

20th May 2016

DS3 System Services Consultation – Interim Tariffs

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

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The closing date for responses is Friday, 20 May 2016.

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1. GENERAL COMMENTS

Electric Ireland welcomes the opportunity to respond to the Consultation on DS3 System Services Interim Tariffs. Electric Ireland generally views each of the DS3 consultations from the perspective of a standalone supplier and as a representative of the customer. We are keen to ensure that the system service framework being developed enables and promotes full and effective participation from the demand side. We believe that, given the significant volumes of intermittent generation expected in the I-SEM, there is also a significant system services delivery role for the demand side to contribute to the overall security of the system.

The benefit to customers of increased value provided by generators for similar total costs will only be achieved if the capacity pot is reduced by an adequate amount, as suggested in the paper. There will be a risk of increased supplier charges if the CPM capacity pot is not sufficiently reduced as indicated. In this case, customers would not see a direct benefit through increases in the value provided by generators for similar total costs, as proposed.

Electric Ireland recognises that a one year contract for a regulated tariff will not incentivise investment and that promoting investment is not necessarily a key component of the design of the interim phase. It should be noted however, that there is importance in setting appropriate interim tariffs in order to send out the correct market and investment signals to participants and potential investors as we move forward, towards our 2020 targets.

The Consultation Paper states that the interim rates should provide the opportunity for a range of new technologies to prove their ability to provide DS3 services and that these new service providers will increase the amount of competition in the system services market. While we agree that these new service providers will increase the amount of competition and we believe that this is important, it is unclear how some of these technologies will prove their ability to provide certain DS3 services during the interim arrangements when they may initially have to partake in a technology trial to confirm 'provenability' and / or 'measurability'. This process may not be completed by the time the auctions for the enduring arrangements are held and therefore the influence these providers will have on increasing levels of competition as a result of the interim arrangements are likely to be limited.

2. RESPONSE TO QUESTIONS

2.1 System Services Required

Question 1: Should we take any other factors into account when determining the relative importance of each service during the interim period?

The relative importance of each service is not necessarily linked to potential uptake, and vice versa. Allocating a relative importance to each service and then relating this to the tariffs, which is a limited 'pot' by its design may not incentivise and attract sufficient uptake in the short term

and may not send out correct market signals to support investment in the medium to long term. Required investability should be reflected in the tariffs.

Conversely, a means of managing expenditure for certain services may be required, in the event of excessive provision. It is noted that a scarcity scalar is required to control expenditure for both FPFAPR and DRR, but that this is not implementable in the timeline for the interim arrangements.

2.2 Interim Tariff Methodology

Question 2: Have you any comments on the methodology used to calculate the rates?

Electric Ireland supports using an exchange rate methodology that is consistent with the annual capacity exchange rate and which has been used under the existing HAS arrangements.

2.3 Benefits Provided by the Interim Phase

Question 3: Are there any other benefits from the interim arrangements that should be considered?

Electric Ireland agree with the qualitative benefits listed. The interim phase will provide an opportunity to determine the requirement for scalars and how they might operate in the enduring arrangements.

The benefit to customers of increased value provided by generators for similar total costs will only be achieved if the capacity pot is reduced by an adequate amount, as suggested in the paper. There will be a risk of increased supplier charges if the CPM capacity pot is not sufficiently reduced as indicated. In this case, customers will not see a direct benefit through increases in the value provided by generators for similar total costs, as suggested in the paper.

We would suggest regular reports should be published outlining the quantitative benefits gained throughout the interim phase and any difficulties encountered. These reports could outline spend, provision of each service, reductions in curtailment etc. This would provide some clarity for providers going into the enduring arrangements. A similar approach could be adopted on a scheduled basis for the technology trials.

2.4 Impact on Service Providers

Question 4: Have we set out the relevant impacts on service providers over this interim period?

A reduction in capacity payments has been referenced several times in the paper but is not listed under the 'Impact on Service Providers' section. While not directly associated with DS3 or the interim arrangements, this is likely to impact service providers over the interim period.