

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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Respondent Company	<i>Tynagh Energy Limited</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 confidential

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

Question	Response
Consultation on Interim Tariffs	
<p><u>Question 1:</u> Should we take any other factors into account when determining the relative importance of each service during the interim period?</p>	<p>The methodology proposed appears to place a higher importance on system services that will increase the SNSP level. The importance of a system service is on providing system security. Just because some services (RM1) have a greater impact than others (POR) on the ability to make the next step change in SNSP does not mean they are more important in terms of ensuring system security at all time. The importance of system services to system security must be taken into account when determining the importance of each service during the interim period.</p> <p>TEL believe the approach proposed by the TSO to increase the notional “pot” and apply a distorted importance ranking to each service inadvertently reduces the importance of the existing services. The importance of the existing system services does not decrease with the need to make the next step change in SNSP instead it increases. TEL consider that the importance of the existing services should remain the same therefore the existing HAS payments should be determined in a similar manner. The importance of each new service for making the next step change in SNSP should be representative of the increase in the notional “pot” size.</p>
<p><u>Question 2:</u> Have you any comments on the methodology used to calculate the rates?</p>	<p>TEL think the proposal to supplement the increase in the system services “pot” with a reduction in the SEM capacity pot is inequitable. This method effectively requires the service providers to provide the system services at a cost without extra payment. This methodology will not attract the new service providers required to increase competition which is required for capturing the full benefit of increased competition in the first auction in 2017.</p> <p>According to methodology and the figures from table 3, the FFR, FPFAPR and DRR have individual pot values of €4.2 million, €3.5 million and €1.4 million respectively. However, on page 9 it is stated that “..we do not expect the payments for these trials (fast acting reserve services) to exceed €3 million over the 2016/2017 tariff year”. If this is the case, why is there</p>

<p><u>Question 3:</u> Are there any other benefits from the interim arrangements that should be considered?</p>	<p>€9.1 million allocated to the three fast acting services? TEL believe the ~€6 million should be reallocated to the other services.</p> <p>The concept that “the learnings from the interim period should result in an earlier increase in SNSP” and that the interim arrangements will “trigger interest in provision of non-mandatory services” is flawed. Since the proposed interim tariffs are not to encourage investment, as highlighted at the DS3 workshop in Dundalk (11th April), how will interest and early development of the new system services occur.</p> <p>The primary purpose of the interim period was to assess what were the volumes present in the system, and from that estimate what additional volumes are required¹. However, there were other benefits including that IT systems should be in place to track and pay for each of the services provided for both Market and physical dispatch.</p>
<p><u>Question 4:</u> Have we set out the relevant impacts on service providers over this interim period?</p>	<p>No, the view that the “provision of the seven existing services is mandatory for licenced generators, therefore this cost is unavoidable” is imbalanced. The net loss of revenue to most service providers over this period must be detailed in this paper.</p>

¹ DS3 System Services Procurement Design and Emerging Thinking (SEM-14-108)

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