

DS3 System Services

Quarterly Update

September 2016



1. Introduction

1.1 Background

The System Services work stream within the DS3 Programme relates to the procurement of services from generators, other market participants and connected entities to support the realisation of 75% System Non-Synchronous Penetration (SNSP) on the island of Ireland by 2020. It is a significant component of the broader DS3 Programme and comprises a number of complexities and inter-related issues, and important policy interactions with the I-SEM Programme being undertaken concurrently. In December 2014, the SEM Committee published a decision paper on the high-level design for the procurement of DS3 System Services (SEM-14-108) (“the Decision Paper”). The Decision Paper also set out the SEM Committee’s emerging thinking on many aspects of the detailed design and implementation of the new arrangements. Following on from this, EirGrid and SONI (“the TSOs”) worked together with the Commission for Energy Regulation and Utility Regulator to develop an initial project plan for delivery of the market arrangements in line with the key milestones set out in the Decision Paper:

- 1st October 2016: Go-live of Interim Arrangements; and
- 1st October 2017: Go-live of Enduring Arrangements.

This document is the third in a series of quarterly updates to the [DS3 System Services Project Plan](#) published in May 2015. The previous quarterly updates were issued in [October](#) and [December](#) 2015 respectively. No update was issued in March 2016 as a number of stakeholder engagements were scheduled for this time and industry were updated through these instead.

1.1 Purpose of this Paper

The paper presents an update on the status of delivery of the Interim and Enduring Arrangements, key milestones which have been delivered and work to be completed going forward. Overall, DS3 System Services is still on track for go-live of the Interim Arrangements on 1st October 2016. Parts of the Enduring Arrangements remain on schedule for 1st October 2017 with a number of the Enduring Workstreams on hold

following the SEM Committee notification of delay to Auction Design¹. A coordinated revised project plan to account for this decision is being finalised between the TSOs and the relevant Regulatory Authorities currently and is expected to be published in early Quarter 4, 2016 separately to this document.

2. TSOs Key Updates

Since the last publication of this Quarterly update a number of key project milestones have been delivered. Below is a summary of these;

Interim Contracts Design Consultation and Decision Paper

The Interim Arrangements Contracts [Decision Paper](#) was published on the EirGrid Website on the 3rd August 2016. This paper outlined the TSOs final decision on the content and format of contracts which will be awarded to successful tenderers of the Interim procurement process. The contracts will be split into three separate parts consisting of the following;

- A framework agreement containing the standard contractual arrangements and specific contracted details for each service provider. Sample framework agreements for service providers in each jurisdiction can be found below;
 - [NI Framework Agreement](#)
 - [IE Framework Agreement](#)
- A protocol document which outlines compliance requirements, performance scalar assessment details and performance monitoring methodologies. The document can be found at the link below;
 - [Protocol Document](#)
- A Statement of Payments document which details the DS3 System Services Payment rates for the next year will make up the final part of the Interim Contracts.

Interim Tariffs Consultation and Decision Paper

The [Tariff Rates](#) for the Interim Period have been finalised and published on the EirGrid website. These rates set out the payment each service provider will receive and are a result of a significant amount of work and consultation with industry. The accompanying [Interim Tariff Decision Paper](#) was published on 24th August 2016.

¹ DS3 System Services - Notification of delay to Auction Design
<https://www.semcommittee.com/news-centre/ds3-system-services-notification-delay-auction-design>

Interim Procurement Process

The Central Procurement process for the Interim Arrangements is nearing completion. Following the Contracts decision publication a two week resubmission window was opened to allow tenderers to resubmit aspects of their original submission. This period closed on 17th August and final letters are now being drafted to tenderers to confirm the outcome of the procurement process.

Interim Operational Readiness

Work is ongoing on a number of Operational Readiness work items required prior to the Interim Arrangements Go Live including the following;

1. **Contracts** – Following the outcome of the procurement process, work is now underway on developing the actual contracts for individual service providers. This requires a large volume of processing to ensure the specific parameters of each providing unit are correctly recorded and verified in Schedule 9 of their framework agreement and also requires these values to be recorded centrally for processing via the new Settlement systems being developed.
2. **Settlement** – The development of the new Settlement system remains on track for Interim Arrangements Go Live. The project is in the advanced stages of delivery with system and user acceptance testing scheduled to commence in the coming weeks.
3. **Performance Assessment** – Work is underway on the calculation of finalised industry averages based over a 24 month timeframe and updating the tool used to calculate performance scalars during the interim period in line with the final methodologies outlined in the protocol document. Work is also underway on developing the format and timelines by which performance scalars are communicated to industry during the interim period. The Enhanced Performance Monitoring System is now scheduled to undergo User Acceptance Testing in early Q1 2017.

Qualification Trials

A trial for new technologies / existing technologies providing additional services that have not met the qualification criteria of the interim procurement process will take place to assess their “provenability” and “measurability”. A [Consultation](#) on the principles and the proposed trial format closed on the 22nd July with 25 responses received. We are

currently in the advanced stages of drafting a decision paper for publication over the coming weeks. The procurement process for the trials is planned to begin in late September with the trials themselves commencing in Q1 of 2017.

DS3 System Services Volumes and Decision Paper

A [Decision Paper](#) on the Volumes Calculation Methodology and Portfolio Scenarios was published on 27th July. This paper describes the calculation methodologies for calculating volumes over the next five years following the Interim Arrangements. This decision paper follows a significant amount of work and engagement with industry over the past year and represents a significant milestone for System Services Enduring Arrangements.

Auction Design Decision

Following a significant amount of feedback from industry on the proposed Auction Design platform the SEM Committee took the decision to delay the final decision on the Auction Design to allow further engagement with industry. The delay to the Auction Design decision affects a number of the Enduring Arrangements workstreams including Auction Design, Contract Design and Procurement. A coordinated revised project plan to inform the delivery of this work stream is currently being finalised between the TSOs and the relevant Regulatory Authorities. The project plan will be published in early Q4 2016. Other aspects of the Enduring Arrangements remain on track for 01 October 2017 such as the inclusion of all 14 services in the main procurement process, enduring scalar arrangements, enduring settlement systems and the enhanced performance monitoring system.

Stakeholder Engagement

A number of engagements with industry have taken place since the last update published including;

- An industry forum on Auction Design took place in March
- An industry forum on the Interim Arrangements took place in April
- A bidders conference for stakeholders interested in partaking in the Interim Arrangements main procurement process took place in April
- A half day workshop outlining our emerging thinking on the Qualification Trials process took place in April

All the presentations slides from these forums can be found on the EirGrid website [here](#).

Further engagements with industry are planned to take place in early October (dates TBC) including an Industry workshop on DSM and a Bidders conference on the Qualification Trials. The next Advisory Council meeting is scheduled for the 21st September.

2. Next Steps and Timelines

Work is ongoing on redeveloping the project plan following the decision to extend the development and allow further consultation on Auction Design. It is expected that an updated plan will be agreed and communicated to industry by early Quarter 4, 2016. A supplementary document outlining the project plan and timelines will be included as part of this communication.