

# Future Power Markets

## DS3 System Services Tariffs to FASS ('The Gap') Consultation

Industry Webinar

13<sup>th</sup> March 2025



# Agenda

- 01 Welcome
- 02 Update on DS3 System Services Gate Closure Risk Assessment
- 03 Overview of Consultation Paper
- 04 Questions received prior to Webinar
- 05 Q & A [Questions received during the Webinar]

## Update on DS3 System Services Gate Closure Risk Assessment

# Update on DS3 System Services Gate Closure Risk Assessment

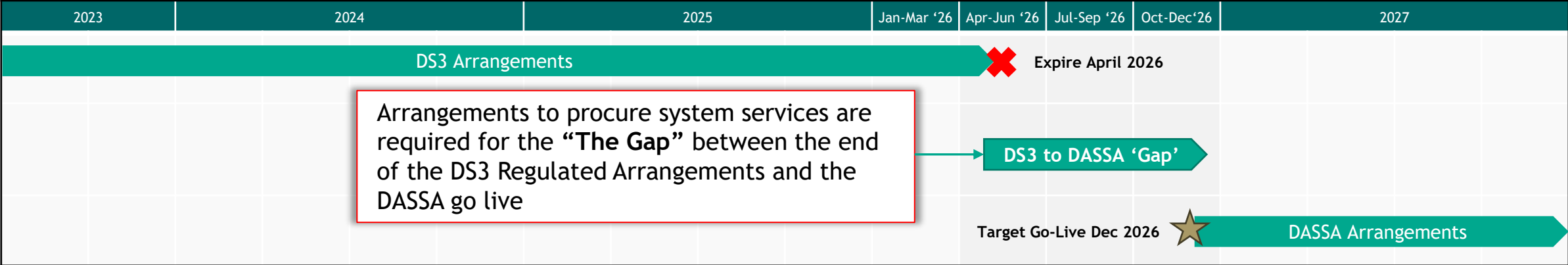
- SEM Committee issued letter to TSOs on 6<sup>th</sup> March 2025.
  - Based on the information provided by the TSOs, in the risk assessment and in subsequent follow up queries, the SEM Committee has decided to leave the procurement gates open.
  - The SEM Committee considers that the tariff review process should continue to be used as a method to send market signals and to adjust spend on these services, as necessary.
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## DS3 System Services Tariffs to FASS ('The Gap') Consultation Paper Summary



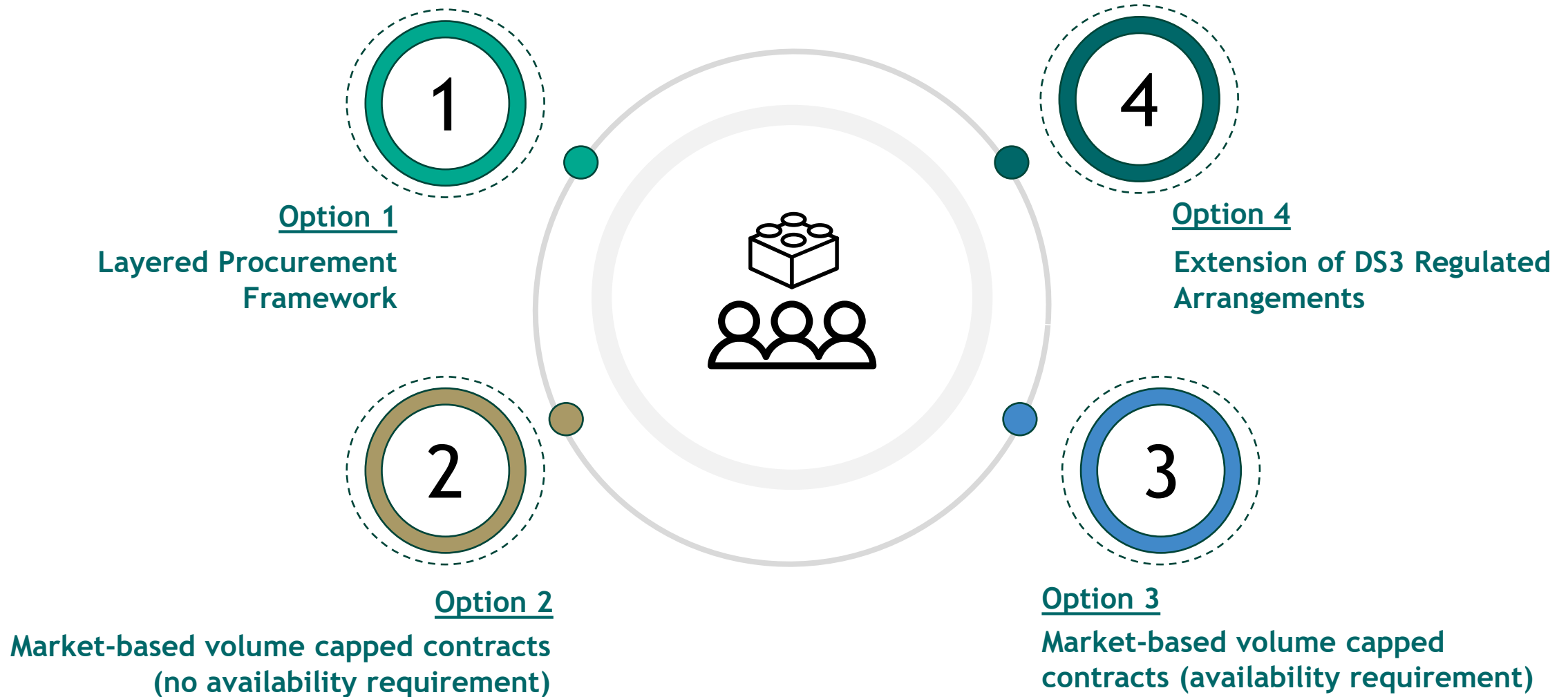
# Context



Arrangements are required to ensure that the continued correct volume and quality of services can be procured such that system security is maintained and can be securely managed with a high level of renewables during this period.

# Procurement Options for the Gap

Following multiple assessments 4 options have been shortlisted.



# Assessment Criteria



Consumer	The mechanism aims to deliver consumer value by keeping prices market-based and ensuring appropriate alignment between the markets in energy, capacity, and System Services, along with all other relevant revenue streams, to ensure an efficient overall outcome for consumers.
System Needs	The mechanism aims to operate in a manner that ensures that the needs of the system (including security of supply) are met.
Compliance	The mechanism aims to comply with relevant legislation, including the Directive on common rules for the internal market for electricity (EU/2019/944) and the Regulation on the internal market for electricity (EU/2019/943) as part of the Clean Energy Package (CEP) and Electricity Balancing Guideline (EBGL) Network Code 2017/2195.
Enabling the Energy Transition	The mechanism aims to be cognisant of policy decisions in Ireland, Northern Ireland and the UK, and will enable the energy transition in so far as possible.
Deliverability	The TSOs have confidence that the mechanism can be delivered ahead of April 2026.
Investors	The arrangements will be clear in terms of how auctions will operate, in order to give a reasonable degree of clarity to developers in terms of financing and shall be transparent in regard to making information accessible and simplistic to understand.



# Options Analysis:

## 1) LPF mechanism

### Implementation Considerations







Requires implementation of an auction at regular intervals

Estimated implementation of contract framework > 21 months

Code / Contractual framework as investigated under LPF

Robust IT Solution

Significant implementation costs based on LPF Quarterly auction

Criteria	RAG status	Explanation
Consumers		Estimated implementation costs would be comparable with the LPF Quarterly Auction. LPF Assessment submitted to RAs in July 2024.
System needs		Risks the procurement of insufficient system services to meet real-time system needs.
Compliance		If the LPF will procure balancing capacity this mechanism must comply with Electricity Regulation (943) and EBGL.
Deliverability		Option cannot be delivered by April 2026 - Minimum 1 year delay to account for significant IT implementation timelines and the development of a code / contractual framework. Delay to DASSA go-live
Energy Transition		Fails to support participation of all technologies and renewables
Investors		Option provides some certainty for providers.

# Options Analysis:

## 2) Market-based volume capped contracts (No Availability Requirement)



### Implementation Considerations







Estimated implementation will take ~26 months

Requires bilateral contract negotiation with ~281 providers

Over procurement required to meet system needs

IT uplift required

Medium delay to DASSA due to diversion of resources

Criteria	RAG status	Explanation
Consumers		Significant implementation costs to resource an additional process and fund IT settlement changes. Over procurement required which may not be cost efficient.
System needs		Lack of availability requirement risks the procurement of insufficient system services to meet real-time system needs.
Compliance		New proposals for terms and conditions and methodologies must comply with Electricity Regulation (943) and EBGL. Legal effort would also be required throughout the development process to ensure that all contracts meet the necessary regulatory and legal standards.
Deliverability		Option cannot be delivered by April 2026. Option would cause medium delay to go-live of DASSA due to diversion of resources.
Energy Transition		Continues to support participation of all technologies and renewables
Investors		Option provides some certainty for service providers. Significant additional effort required for service providers to participate in the gap arrangements.

# Options Analysis:

## 3) Market-based volume capped contracts (Availability Requirement)









### Implementation Considerations

Estimated implementation will take ~28 months

Requires bilateral negotiation with ~281 providers

Availability requirement increases IT and contract uplift

Significant delay to DASSA due to diversion of resources

Criteria	RAG status	Explanation
Consumers		Significant implementation costs to resource an additional process and fund IT settlement changes, which are expected to be larger than Option 2 due to increased complexity. Potentially high procurement costs due to availability requirement.
System needs		Risk to sufficiency of reserve services is mitigated by contracted commitment obligations. Dependency on procurement of appropriate volumes (agreed with System Operations), setting of sufficient availability requirement, and the design of effective incentives.
Compliance		New proposals for terms and conditions and methodologies must comply with Electricity Regulation (943) and EBGL. Legal effort would also be required throughout the development process to ensure that all contracts meet the necessary regulatory and legal standards.
Deliverability		Option cannot be delivered by April 2026. Option would cause significant delay to go-live of DASSA due to diversion of resources. Note this approach assumes close to 100% availability; anything less, or variable availability across technologies, will require a sophisticated IT solution and increase the timelines presented in slide 16.
Energy Transition		Fails to support participation of all technologies and renewables
Investors		Option provides some certainty for providers. Significant additional effort required for service providers to participate in the gap arrangements.

# Options Analysis:

## 4) Extension of the Regulated Arrangements

### Implementation Considerations







Extension legally permissible

Requires written approval of RAs and providers

Extension can leverage BAU gate processes

~3-month lead time to complete bilateral contract negotiation with ~281 providers

No significant IT uplift

Criteria	RAG status	Explanation
Consumers		Cost of procurement once operational may be high, however the impact of the reduction to the TSS is yet to be known. The TSOs continue to monitor costs through monthly and quarterly expenditure reports. This could be mitigated by further adjustments to the rates/ scalars if necessary.
System needs		Ensures the procurement of sufficient system services to meet system needs.
Compliance		Extension of the tariff arrangements procuring availability is legally permissible subject to the written approval of the RAs and service providers. EBGL does not apply as this is not procuring balancing capacity.
Deliverability		This option is deliverable within the required timeframe. Would not cause a delay to DASSA go-live date. No additional procurement exercise is required outside of reviewal and awarding of contracts to successful bidders.
Energy Transition		Continues to support participation of all technologies and renewables
Investors		Option provides certainty for providers and has strong industry support

# Summary and Conclusion



Option	Impact to DASSA Go Live	Estimated Time to Implement	Additional IT Changes
1	Yes	c. 21 Months	Yes
2	Yes	c. 26 Months	Yes
3	Yes	c. 28 Months	Yes
4	No	c. 3 Months	No

- Option 4 is the only viable option for implementation ahead of DASSA Go-Live.
- As such, the TSOs propose that the procurement mechanism for all system services for the duration of ‘the gap’ be through the extension of the DS3 Regulated Arrangements

- ✓ To extend the DS3 System Services Regulated Arrangements to cover the gap between the DS3 contracts' expiry date (30th April 2026) and the Go Live of the DASSA Arrangements and the future arrangements for the procurement of non-reserve services (planned for December 2026).
- ✓ The termination of the DS3 Regulated Arrangements would be triggered by the earlier of (i) a long stop date\* or (ii) the go-live date of new procurement arrangements for system services (FASS go-live), which would be triggered by certain pre-defined events applicable to each individual service, for both reserve and non-reserve services.

\*This would be a date after planned FASS Go-Live date to ensure sufficient headroom should there be any unforeseen delay.

## Next Steps

- Consultation published on 11/02. Responses to the question set out in this paper should be submitted through either the EirGrid or SONI consultation portals by 5pm, Tuesday 25<sup>th</sup> March.
- TSOs to begin drafting Recommendations Paper—SEMC Decision expected in April 2025.





Questions received prior to Webinar

# Questions Received Prior to Webinar



Category	Industry Questions	TSOs Comment
Schedule	<p>How long will the DASSA delay be? To respond properly to the Gap Consultation, industry must know how long DASSA will be delayed for.</p>	<p>Overall programme red status pertains to two issues:</p> <ol style="list-style-type: none"> <li>1. Vendor contracting - A path forward has agreed by the TSOs executive teams and we are now in a position to progress this workstream.</li> <li>2. Publication of consultation papers - The TSOs acknowledge that there also have been some delays to baseline plan on some consultation papers and decisions. We are working with the RAs to resolve these issues ASAP.</li> </ol> <p>Any changes to be communicated at later date or as part of PIR V3.0, noting that publication of the PIR is dependent on RA agreement and is now expected in April.</p>
Schedule	<p>Why was LPF was descoped? Long-stop date to DASSA go live - would it be simpler to specify a cutover date as it makes it a lot more uncertain?</p>	<p>Per SEM-23-103 the LPF is a mechanism available to the TSOs for the procurement of System Services and can be defined as procurement for periods greater than one day ahead, up to 12 months ahead of provision of the service. In developing options for 'the Gap' the TSOs assessed the use of the LPF, however it was not deemed a viable solution for the gap due to the reasons outlined in this slide pack.</p> <p>Also, per SEM-23-103 the TSOs are required to assess the need for the LPF mechanism on an annual basis. The milestone (FASS.18) noted as 'descoped' in PIR2.0 references the SEMC decision on the Annual LPF Assessment 2024, however as no need for additional procurement at this time was identified by the TSOs it was descoped.</p> <p>A fixed cutover date is dependent on agreement on a schedule with several IT vendors which is not available at this stage in the programme. Cutover planning will be communicated through the Readiness Workstream at a later date.</p>
Schedule	<p>Will there be overlapping consultations to catch up on delay?</p>	<p>Yes, there may be parallel consultations. The TSOs are working with the RAs to baseline the PIR timelines which will provide industry with more clarity in relation to future consultations.</p>
Schedule	<p>For "the gap" information session: is there more evidence to demonstrate timelines for delivery of the options and also the interpretation against EU legislation please? Because currently in that consultation it is hard to really comment on the feasibility of the options otherwise.</p>	<p>These timelines are based on the TSOs' experience in delivering fixed-term contracts, such as the DS3 Volume Capped and Low Carbon Inertia Services (LCIS), in addition to other major market development programmes. The individual steps relating to the programme critical path are outlined in the Implementation Requirements section associated with each option.</p> <p>In relation to compliance, the TSOs reference relevant legislation including, but not limited to, the Directive on common rules for the internal market for electricity (EU/2019/944) and the Regulation on the internal market for electricity (EU/2019/943) as part of the Clean Energy Package (CEP) and Electricity Balancing Guideline (EBGL) Network Code 2017/2195 as well as the Utilities Directive 2014/25/EU and SEM C decisions.</p>

# Questions Received Prior to Webinar



Category	Industry Questions	TSOs Comment
Other Options	The timeframes for each of the options, can there be an explanation of how these were arrived at?	Addressed as part of presentation today.
Other Options	Industry require an update on the risk DS3 System Services Gate Closure and the procurement of non-reserve services.	Addressed as part of presentation today.
Other Options	Have the following options been considered: <ul style="list-style-type: none"> <li>a. opening DASSA to other services</li> <li>b. opening the additional new contracts under FASS as a way to provide temporary contracts for non-reserve services for the interim period, so these services are at least still in FASS?</li> </ul>	Yes, further detail will be included in the Non-Reserve Consultation paper scheduled to release in April.
Other	Can you provide an example of what a market-based volume capped contract with or without an availability obligation is?	Existing DS3 Volume Capped Arrangements are an example of a contract with an availability obligation. These contracts require that service providers have an overall availability of at least 97%; availability performance scalars apply should rolling availability be less than this. DS3 Volume Uncapped Regulated Tariff contracts do not have an availability obligation; services providers are paid based on their availability and performance scalars only apply if a unit does not deliver a service when called upon to do so.
Schedule / DS3 Procurement Gates	<ol style="list-style-type: none"> <li>1. What is the final go-live date for DASSA and FASS now, given that there has been a highlighted red signal at the FPM in February?</li> <li>2. How certain can we be that the additional 9 months of DS3 will cover this and we will not get another roll over?</li> </ol>	<ol style="list-style-type: none"> <li>1. Answered in previous slide.</li> <li>2. The RAs have proposed that a 'long-stop' date would signal the end of the DS3 Arrangements. This would be a date after planned FASS Go-Live date to ensure sufficient headroom should there be any unforeseen delay in Go-Live.</li> </ol>

# Questions Received Prior to Webinar



Category	Industry Questions	TSOs Comment
DS3 Procurement Gates	Does the 3 months' timeframe for DS3 roll over extension include a full-scale review of the 235m limit?	<p>The estimated 3 months timeframe to extend the DS3 Arrangements includes the time to issue a 'side letter' to each of the contract holders and for these side letters to be signed by both the relevant TSO and individual contract holder. For clarity, it does not include a review of the €235m limit.</p> <p>The TSOs will continue to submit quarterly expenditure reports on the DS3 Regulated Arrangements to the RAs to monitor ongoing expenditure. Further tariff reviews may be required prior to the commencement of the future arrangements for system services.</p>
DS3 Procurement Gates	I note that you reference that the DS3 roll over option is compliant with EU legislation because it is not balancing capacity. Can you please explain? The regulator was clear in the VFM that standard products is the starting point for all future assessments of system services reserve and non-reserve. So how can DS3 be said to be compliant?	<p>DS3 is compliant under EU legislation as it does not procure balancing capacity. Payments under DS3 are made on a tariff basis to available providers that hold a DS3 contract.</p> <p>Under EBGL (2017/2195) 'balancing capacity' "means a volume of reserve capacity that a balancing service provider has agreed to hold and in respect to which the balancing service provider has agreed to submit bids for a corresponding volume of balancing energy to the TSO for the duration of the contract".</p> <p>As providers under DS3 are not holding any capacity, DS3 does not procure balancing capacity.</p> <p>In addition, Article 26.1.b, EBGL allows TSOs to define specific balancing products whenever is required.</p>
DS3 Procurement Gates	Do you have SEMC approval or support for DS3 roll over again?	The RAs approved the inclusion of an extension of the DS3 Arrangements as an option in this consultation paper, and approved the issue of this consultation paper. The mechanism chosen to bridge the gap from April 2026 to DASSA go-live is subject to industry consultation, TSOs' recommendation and SEMC decision as outlined in the PIR V2.0.
DS3 Procurement Gates	Have TSOs done the risk assessment for closing procurement of FFR-TOR2?	Per SEM Committee letter issued to TSOs on 6 <sup>th</sup> March, DS3 Procurement Gates can continue during an extension of DS3 Arrangements.
DS3 Procurement Gates	During "the Gap" will new units be permitted to test and enter the market (if the existing arrangements are extended)?	Yes, per SEM Committee letter issued to TSOs on 6 <sup>th</sup> March, DS3 Procurement Gates can continue during an extension of DS3 Arrangements.



Questions received during the Webinar

# Questions received during the Webinar



Category	Industry Questions	TSOs Comment
Other	Can we get a copy of these slides, please?	Yes, the slides will be published on the TSOs' websites after the webinar.
Other Options	What were the costs of Option 1, 2 & 3 - can you provide actual financials? What costs are we avoiding with Option 4?	The TSOs are avoiding significant implementation costs with Option 4, in comparison to Options 1 - 3 which all require IT implementation and the design of new contractual arrangements. A detailed analysis has been conducted, and the costs we are avoiding are substantial. The forecast financial costs have been shared with the RAs.
DS3 Procurement Gates	I see the response that DS3 gates will remain open during the gap period. Can you confirm that (1) procurement for all DS3 services continues and (2) timelines for gates?	<p>The RAs approved the inclusion of an extension of the DS3 Arrangements as an option in this consultation paper. This proposal is subject to industry consultation, a TSOs' recommendation and a SEMC decision.</p> <p>(1) The TSOs were asked by the SEMC to conduct a risk assessment on the Regulated Arrangements procurement gates as part of the 2024 DS3 Tariff Review. In response to this risk assessment, the RAs confirmed that the gates will continue to remain open. The terms and conditions of the DS3 Regulated Arrangements arrangements will remain in place, including the facility to cease/limit procurement should it be required.</p> <p>(2) The schedule of the procurement gates for the gap is dependent on the SEMC decision; information on this will be communicated to industry in due course.</p>
Other	Can you confirm, will we see a consultation on the review of the DS3 allowance and tariffs, and when? DS3 is being rolled over even further than the 2 18-month periods provided in the original decision.	The SEMC has advised the TSOs that the tariff review process should continue to be used as a method to send market signals and to adjust spend on these services, as necessary. The TSOs will conduct a DS3 tariff review when directed to by the SEMC. The DS3 procurement budgetary guideline of €235 million is set by the SEMC (rather than the TSOs); the SEMC will determine if there will be any adjustments to this value.
Schedule	For services not covered by the DASSA, will the gap arrangement remain in place until a mechanism is put in place for non-reserve services, i.e., will the gap arrangement likely run in parallel for some services with DASSA for others?	The TSOs' proposal for the gap is to extend the existing Regulated Arrangements for both reserve and non-reserve services. A separate TSO workstream to address the future procurement of non-reserve services is in progress. It is intended that new arrangements for non-reserve services will be implemented to align with the go-live of the DASSA. These arrangements will be subject to industry consultation and subsequent SEMC decision.



# Questions received during the Webinar



Category	Industry Questions	TSOs Comment
DS3 Procurement Gates	Can you confirm when we expect the last procurement gate to be? Can we expect April 2026 and October 2026?	The schedule of the procurement gates for the gap is dependent on the SEMC decision on the extension of the DS3 arrangements. Should the arrangements be extended, the DASSA go-live date will inform when the last procurement date will be feasible: for example, the TSOs would not conduct a procurement gate in October 2026 with a DASSA go-live in December 2026, given the overhead to onboard service providers to the new arrangements.
Schedule	How will industry be consulted on in respect to (a) the proposed Long Stop Date and (b) the definition for the FASS Go-Live trigger for individual services, as neither have been included in the consultation?	The TSOs determined that the only viable option for the gap that will not impact DASSA go-live is the extension of the DS3 Regulated Arrangements. The TSOs were asked by the RAs to include provisions such that the DS3 arrangements would be extended to the earlier of FASS go-live or a long-stop date. Engagement is ongoing between the RAs and TSOs to define the long-stop date and potential FASS go-live triggers; the outcomes of these discussions will be communicated to industry in due course.
Other	Can industry receive a copy of the SEM Committee letter issued to TSOs on 6th March? Not getting a clear picture on qualification and gate opening.	The TSOs are unable to share correspondence received from the SEMC. However, the TSOs will take this point away and revert with a slide to further illustrate our position in the next Future Power Markets Industry Workshop on 19/03.

# Questions received during the Webinar



Category	Industry Questions	TSOs Comment
DS3 Procurement Gates	How long can the DS3 extension go on? Is it possible to go into 2028 and can Option 4 go this far?	The RAs have proposed that a long-stop date would signal the end of the DS3 Regulated Arrangements and that it cannot be extended indefinitely. This would be a date after planned FASS go-live date to ensure sufficient headroom should there be any unforeseen delay in go-live.
Other Options	The 21, 26 and 28-month timeframe to implement Options 1 - 3 is not lining up for non-reserve?	This options assessment was done taking into consideration both the reserve and non-reserve arrangements. Our assumption is that non-reserve services under FASS will be procured under contractual mechanisms in the first instance, and that no IT implementation will be required. To procure reserves under Options 1 - 3 in our assessment, IT changes would be required, feeding into the delivery timelines.
Other	Can you follow up and provide written responses to the questions above raised during the webinar?	Responses noted in these slides.