



Secondary Fuel Clarification Document

October 2009

Purpose of this document

EirGrid published a secondary fuel paper in August 2009 for consultation for a period of six weeks. The responses to this consultation paper raised a number of issues that required further clarification. The objective of this document is to clarify these issues. The main clarifications required were the timeline for implementation of the secondary fuel arrangements, the funding of the ancillary services pot for secondary fuel testing and the market arrangements for secondary fuel testing. This document should be read in conjunction with the published secondary fuel consultation paper¹.

Timeline for Implementation of Secondary Fuel Arrangements

Many respondents commented on the delay in the go live date for the Harmonised Ancillary Services arrangements. Questions were raised about how this would impact on the timeline for implementation of the secondary fuel arrangements.

The secondary fuel testing arrangements will commence from 1 Feb 2010 in line with the go live date for Ancillary Services Harmonisation.

Ancillary Services Funding

There were some concerns expressed by industry respondents about the Ancillary Services Pot for 2010 and the amount of funds allocated to secondary fuel testing.

While the CER 09/140 "2010 Transmission Revenue Decision Paper"² paper allowed revenue to cover the costs of EirGrid performing secondary fuel testing, this was a forecast estimate and the revenue allowed will be adjusted ex –post for outturn costs on a pass-through basis. The secondary fuel costs are of course dependent on a decision on the secondary fuel arrangements.

Market Arrangements

Following the secondary fuel consultation in August/September of this year, there were a number of questions and comments received from industry regarding the market arrangements for secondary fuel testing.

¹ <http://www.eirgrid.com/operations/ancillaryservices/ancillaryservices-all-islandharmonisation/secondaryfuelconsultationpaper/>

² <http://www.cer.ie/en/electricity-transmission-network-current-consultations.aspx?article=9d48e678-f247-457f-8d2e-44fb30d1337c>

During a secondary fuel test it will appear as if the generator carrying out the secondary fuel test is running on primary fuel and that there is no test happening from a SEM perspective. The incremental secondary fuel costs associated with secondary fuel testing will be handled completely separate from the market through the Ancillary Services mechanism.

Key Questions/Clarifications:

1. Will generators submit two sets of offers – one for their primary fuel and one for their secondary fuel?

No, the generator will only submit offer data for their primary fuel into the market. The generator offer data will be submitted to SEMO as normal. Only 5 hours advance notice of the test will be given to generators, therefore it would not be possible for the generator to bid into the market day ahead on their secondary fuel.

2. Will primary or secondary fuel offers be used in the market systems to determine market schedules?

Generators will only submit offer data for their primary fuel into SEM.

3. Will the market systems use the generator's availability as declared for their primary fuel or will the availability of the generator on its secondary fuel be passed through to the market?

The generators availability will be calculated as normal. The generators declared availability on the greater of either its primary or secondary fuel will be used. The generator will receive capacity payments based on the availability value advised to SEMO. The TSO will select the availability based on the max of the fuel availabilities and will send this to SEMO who will receive and process a single availability value as normal.

4. How are the resulting differences in energy revenues due to resulting changes in MSQ managed?

There will be no differences in energy revenues for the unit carrying out the secondary fuel test, the market scheduled quantity (MSQ) will remain the same as scheduled in the market schedule and the energy revenue will be calculated in exactly the same way as normal. I.e. Energy Revenue = SMP * MSQ

5. Will the generator be guaranteed to recover from the market the same capacity and energy revenue as it otherwise would have received on its primary fuel had it not carried out the fuel switching test?

As noted above, if the secondary fuel availability is less than the primary fuel availability then the higher availability is submitted to the market, and the market systems will treat the generator as being available to its primary fuel availability.

6. Will the generator be guaranteed to recover, via the constraint payment mechanism or some other mechanism, the costs of carrying out the fuel switching test?

The incremental costs of running on the secondary fuel (costs in excess of primary fuel costs) during the secondary fuel test will be recovered through the Ancillary Services

mechanism. The allowable costs for secondary fuelling are currently in the process of consultation. The generator will recover its energy revenue through the market as normal.

7. Will the generator be treated as on test in the market; either a market test (all day) or a within day test? Will the generator have to pay a testing charge?

The generator will not be treated as under test in the market and will therefore not be liable for a testing charge for secondary fuel testing.

8. Will there be any resulting differences in MSQ? Could forcing the MSQ in the market result in unanticipated and anomalous SMP results?

There will be no resulting differences in MSQ. As stated above, the MSQ will not be different to any other day's operation for that unit in the market.

9. How will UIs be calculated? Will UIs be calculated based on the instructions issued as part of the test and therefore in line with the generator's availability on its secondary fuel (as it would seem problematic to calculate UIs based on the assumed generation a unit may have exported had it not had to complete the test) or set to zero for the duration of the test.

Normal uninstructed imbalance rules will apply. NCC will dispatch units carrying out a secondary fuel test to a secondary fuel test profile which will be provided by the generators. Uninstructed imbalances will only apply if the generator's metered output is different from the dispatch quantity issued from NCC.

10. Will the generator be subject to the same trip and SND charges during the fuel switching test?

Yes, trip charges will apply during the secondary fuel test, SND charges will not apply during the test.

11. How will full cost recovery be ensured?

The proposed payment mechanism will work as follows:

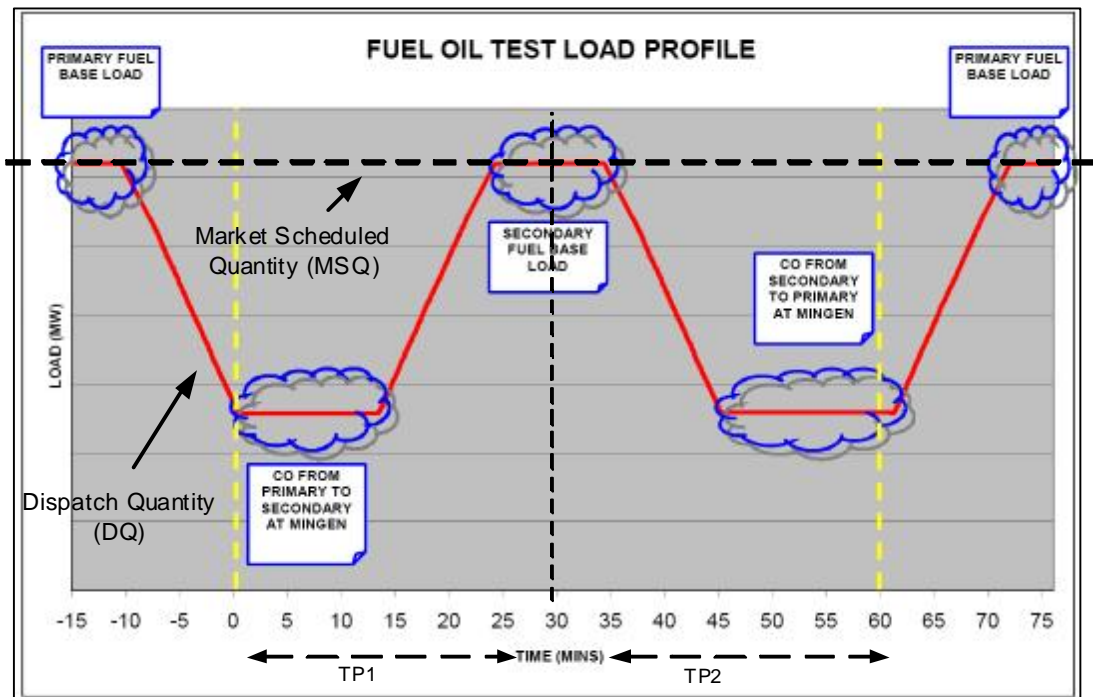
Dispatch instructions are issued from NCC to the generator (based on secondary fuel test profile provided by generator) and these are sent to SEMO. The Instruction Profiling software will then create a profiled Dispatch Quantity value which will follow the output of the generator station. Regardless of the MSQ position of the generator, the Constraint Payment calculation will ensure that in the SEM, the generator is compensated to their output at their primary fuel. Costs in respect of secondary fuel will then be recovered separate from the market through the Ancillary Services mechanism. Note: uninstructed imbalances will apply where a generator does not follow the secondary fuel test profile as specified.

12. How will ancillary services payments be affected?

Generators will be required to declare their ancillary services capability throughout the test. Ancillary services payments will be calculated accordingly.

Example: Secondary Fuel Test

- The operator in NCC will issue dispatch instructions in line with the secondary fuel test profile provided by the unit carrying out the test.
- SEMO will see the dispatch instructions for the unit carrying out the secondary fuel test. Constraints will arise if the dispatch quantity (DQ) is different from the market scheduled quantity (MSQ).
- The metered generation should be approx. equal to the dispatch quantity (provided the behaviour of the unit is line with profile provided) thereby minimising the uninstructed imbalances.



- § In TP1, the generator will receive energy payments which are equal to the MSQ multiplied by the SMP.
- § In TP1, because $DQ < MSQ$ (Fuel switchover output $<$ MSQ), the generator will pay back the avoided production costs to SEMO. The constraints payment will be calculated based on the generator offer price multiplied by the difference in MSQ and average DQ during TP1.
- § In this scenario, during TP1 the generator DQ should be approximately equal to their metered generation (MG) provided the behaviour of the unit is in line with their profiled output.
- § In addition to the transactions through the market, the generator will receive a payment for the difference between the primary fuel price in the market (offer price) and the secondary fuel costs incurred during the secondary fuel test.
- § The generator will also be compensated for a specific set of allowable maintenance costs for secondary fuel testing.