

All-Island System Services Supplier Charge

Consultation Document

31 July 2024



Executive Summary

The SEM Committee's Decision on System Services Future Arrangements (SSFA) Phase III: Detailed Design & Implementation (SEM-23-103¹) requires the TSOs to consult on and submit a recommendation paper to the SEM Committee (SEMC) on the new All-Island System Services Supplier Charge (the "FASS Charge"). This consultation paper sets out the TSOs' proposals for the implementation of the FASS Charge and invites stakeholder feedback on these proposals.

In the SEMC's SSFA High-Level Design (HLD) Decision (SEM-22-012²), it was decided that providers of System Services will receive payments from the TSOs with the TSOs recovering these costs through a new standalone All-Island charge imposed on Suppliers (who may in turn recover this cost from their customers through electricity bills).

The SEMC decided that this new charge will:

- Initially be set on an **annual basis**, with the annual cost to be forecast by the TSOs and subject to regulatory approval.
- Be recovered from Suppliers through a **per MWh tariff**, set by reference to forecast annual All-Island energy demand, also to be forecast by the TSOs.
- Incorporate a **k-factor mechanism** to account for any deviation between the estimated and actual costs, with the k-factor to be calculated by the TSOs and subject to regulatory approval.

The charge is to be set on an annual basis in the first instance. However, the SEMC's decision also states that there is scope for moving to a more granular charge (e.g. on a Trading Period basis) in the future. This potential move to more granular charging is not within the scope of the methodology contained in this consultation paper.

Within this consultation paper, the TSOs set out the building blocks of the methodology proposed to be adopted for the implementation of the FASS Charge, comprising the following:

1. the System Services cost forecast,
2. the K-Factor Mechanism for reconciliation of actual costs and revenues,
3. the Demand Forecast to be used,
4. calculation of the FASS Charge Rate,
5. calculation of the FASS Charge, and
6. FASS Charge settlement.

The paper also highlights the cashflow risk associated with using an ex-ante annual charge to recover monies paid out to System Services providers on the basis of market-pricing under the FASS arrangements.

An analysis of two different options for the legal basis for levying the FASS charge is presented, highlighting the pros and cons of each. Option 1 is to establish the methodology and charge arrangements in the FASS code and Option 2 is to establish the FASS Charge under the Supplier TUoS agreements.

On the basis of the SEMC's decision, in SEM-22-012, that the TSOs should provide in the systemisation undertaken for the potential move to a more granular charge (on a Trading Period basis) in the future, the TSOs also set out their current understanding and plan to assess the required functionality, in engagement with the RAs, to achieve an optimal system design.

Lastly, the paper lays out the assumptions and contingency arrangements that the TSOs consider will need to be in place in order to apply the proposed FASS Charge on Suppliers on an All-Island basis.

The key proposals set out in this consultation paper are:

- The TSOs will submit a report to the RAs 3 months before the start of each Tariff Year, proposing values to be used in the calculation of the FASS Charge for that Tariff Year.

¹ [SEM-23-103 - SSFA Phase III - Phased Implementation Roadmap - Decision Paper.pdf \(semcommittee.com\)](#)

² [System Services Future Arrangements High Level Design Decision Paper.pdf \(semcommittee.com\)](#)

- The k-factor will be included in the FASS Charge Submission. The k-factor will comprise the Actual Y-2 k-factor, and, if provided for within the regulatory arrangements, and with approval of the RAs, an Estimated Y-1 k-factor.
- The All-Island Demand forecast, prepared by the TSOs, will be used in setting the FASS Charge.
- The FASS Charge rate will be set by reference to forecast FASS costs, the k-factor, and forecast All-Island demand.
- SONI will convert the FASS Charge Rate to GBP using the average exchange rate over the last five business days in July.
- The FASS Charge will be calculated on an Imbalance Settlement Period basis.
- The settlement window for the FASS Charge is assumed to be offset from the DASSA settlement window.
- The FASS Charge will be levied on the legal basis of the TUoS framework.
- The TSOs' existing mechanisms for DS3 cost recovery will be used on a temporary basis, in the case that the FASS Charge is not implemented in advance of go-live of the DASSA arrangements.
- Final settlement of the DS3-related charges post go-live of the SSFA arrangements will go through the existing TUoS/SSS mechanisms.

Further information on the proposals can be found in the relevant sections.

In this consultation we are seeking stakeholders' views on these proposals and have set out a series of questions to frame this response. The feedback received will be used to inform a recommendation paper that will be submitted to the SEMC for consideration and decision.

Responses to the questions set out in this paper should be submitted through either the EirGrid or SONI consultation portals before 18 September 2024.

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Glossary

Term or Abbreviation	Meaning
BSUoS	Balancing Services Use of System
DASSA	Day Ahead System Services Auction
DS3	Delivering a Secure, Sustainable Electricity System
DUoS	Distribution Use of System
ERA	Electricity Regulation Act
FAM	Final Adjustment Mechanism
FASS	Future Arrangements for System Services
FASS Charge	Future Arrangements for System Services Charge
HLD	High Level Design
ISP	Imbalance Settlement Period
LPF	Layered Procurement Framework
PIR	Phased Implementation Roadmap
RAs	Regulatory Authorities
SEM	Single Electricity Market
SEMC	Single Electricity Market Committee
SNSP	System Non-Synchronous Penetration
SSFA	System Services Future Arrangements
SSS Tariff	System Support Services Tariff [Northern Ireland] Also referred to as the SSS Charge
TSC	Trading and Settlement Code
TSO	Transmission System Operator
TUoS Charges	Transmission Use of System Charges
UR	Utility Regulator

Relevant SEMC Decisions

<u>SEM-20-044</u>	System Services Future Arrangements Scoping Paper
<u>SEM-21-021</u>	System Services Future Arrangements Decision Paper 1
<u>SEM-22-012</u>	System Services Future Arrangements High-Level Design Decision
<u>SEM-23-103</u>	System Service Future Arrangement Phase III: Detailed Design & Implementation - Decision Paper

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1 Introduction

1.1 Background

EirGrid plc is the licenced electricity Transmission System Operator (TSO) in Ireland, and SONI Ltd is the licensed TSO in Northern Ireland. It is our job to manage the electricity supply and the flow of power from generators to consumers. Electricity is generated from gas, coal and renewable sources (such as wind, solar and hydro power) at sites across the island. The high voltage transmission network then transports electricity to high demand centres, such as cities, towns and industrial sites.

We have a responsibility to facilitate connections to the power system including increased levels of renewable sources to generate on the power system while continuing to ensure that the system operates securely and efficiently. The respective TSO licences include a requirement for the relevant TSO to contract for the provision of System Services.

The DS3 System Services arrangements were designed to facilitate new and existing technologies and participants to provide the System Services³ required to maintain a resilient power system up to 75% NSP. The next phase of the energy transition requires the implementation of new arrangements which are known as the Future Arrangements for System Services (FASS) to continue with our efforts to accommodate as much renewable generation as possible without risking operational system security.

1.2 System Services Future Arrangements

The System Services Future Arrangements (SSFA) programme was officially launched by the SEMC in July 2020 with the publication of a Scoping Paper (SEM-20-044)⁴ for public consultation.

As set out in the SEMC's SSFA Decision Paper 1 (SEM-21-021)⁵, the objective of the programme is:

“to deliver a competitive framework for the procurement of system services, that ensures secure operation of the electricity system with higher levels of non-synchronous generation.”

In April 2022, the SEMC published the SSFA High-Level Design (HLD) Decision (SEM-22-012)². The HLD set out a framework for the competitive procurement of System Services, consisting of the following:

1. **Daily Auction Framework** for the procurement of some of the System Services through a daily spot market
2. **Layered Procurement Framework (LPF)** comprising contracts with a term of more than a day and up to 12 months.
3. The existing **Fixed Contract Framework** to continue to be used to remove barriers to entry for new technologies with the use of more long-term contracts and ensure sufficient volumes of System Services, as required.

In December 2023, the SEMC published its SSFA Phase III: Detailed Design & Implementation Decision paper (SEM-23-103)¹, in which it decided that the commercial arrangements as described in the HLD should be progressed by the TSOs.

³ System Services are products, other than energy and capacity, that are required for the continuous, secure operation of the power system

⁴ [SEM-20-044 System services future arrangements scoping paper.pdf \(semcommittee.com\)](#)

⁵ [SEM-21-021 System Services Future Arrangements - Decision Paper 1.pdf \(semcommittee.com\)](#)

1.3 Future Arrangements for System Services (FASS) Charge

In the SEMC SSFA HLD Decision (SEM-22-012), it was decided that System Services providers will receive payments from the TSOs, with the TSOs recovering the associated costs through a new standalone All-Island charge imposed on Suppliers (who may in turn recover this from their customers).

The SEMC decided that this new charge will:

- Initially be set on an **annual basis**, with the annual cost to be forecast by the TSOs and subject to regulatory approval.
- Be recovered from suppliers through a **per MWh tariff**, set by reference to an annual All-Island electricity demand forecast, projected by the TSOs.
- Incorporate a **k-factor mechanism** to account for any deviation between the estimated and actual costs, with the k-factor to be calculated by the TSOs and subject to regulatory approval.

While the charge is to be set on an annual basis in the first instance, the SEMC has expressed the desire to potentially move to a more granular (down to a Trading Period basis) charge in the future, as market behaviours become better understood and the relationship between energy costs and System Services costs becomes clearer. This potential move to more granular charges should be taken into account in the systemisation to be undertaken by the TSOs. This means that while the charge will initially be based on annual TSO forecasts of cost and demand, this approach may be revisited in the future should the SEMC seek to review and implement a more granular charge.

The SEMC's Decision on SSFA Phase III: Detailed Design & Implementation (SEM-23-103) requires the TSOs to consult on and submit a recommendation paper to the SEMC on the new All Island System Services Supplier Charge (the "FASS Charge").

1.4 Phased Implementation Roadmap

In SEM-23-103, the SEMC specified that the SSFA project should progress by reference to workstreams set out in a Phased Implementation Roadmap (PIR).

A draft version of this roadmap was set out in SEM-23-103 and the SEMC directed the TSOs to review and submit a final detailed PIR for approval. The TSOs published this PIR in March 2024⁶, and Level 1 of the Roadmap is reproduced in Figure 1, showing the workstreams and projected timelines for this project.

The development and implementation of the FASS Charge sits under the Regulation and Licensing workstream.

⁶ [FASS-TSOs-PIR-March-2024-EirGrid.pdf](#)

Phased Implementation Roadmap - Level 1

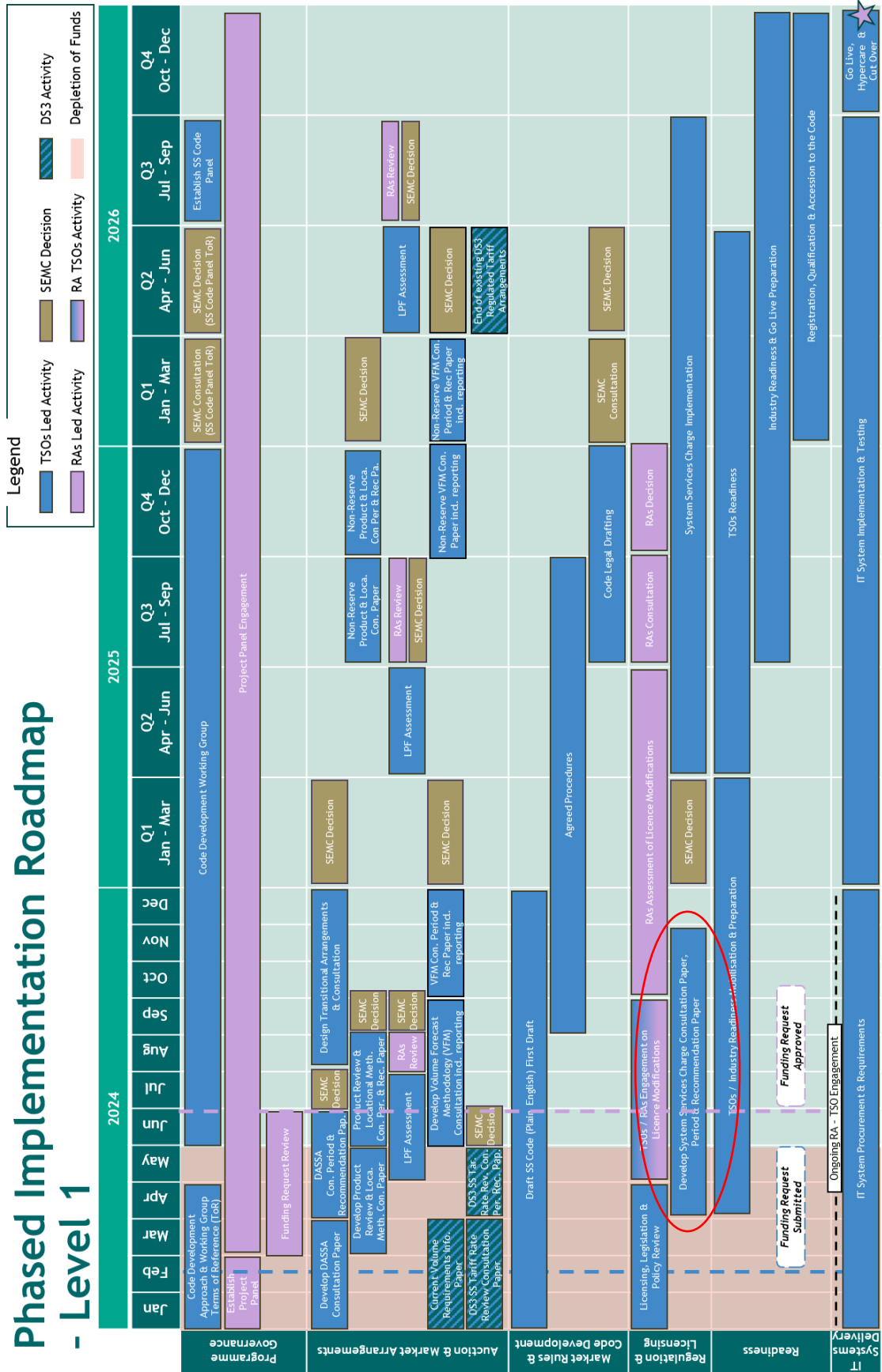


Figure 1: Phased Implementation Roadmap - Level 1

1.5 Purpose of this Paper

This consultation paper sets out the TSOs' proposals for the implementation of a FASS Charge in accordance with SEMC Decision SEM-23-103¹ and invites stakeholder feedback on these proposals.

In line with the SEMC's requirements the paper focuses on the implementation of an annual FASS Charge.

The TSOs recognise that there may be a potential move to a more granular FASS charge in the future and this may have to be taken into account when developing the systems for administering the FASS Charge.

However, the implementation of the more granular future option is not intended to be covered in detail in this consultation. Rather the TSOs have included for information their current understanding and plan to assess the required functionality, through engagement with the RAs, to achieve a future-proof system design (to the extent possible) and seek some initial feedback from participants with respect to their own system readiness for a more granular charge.

For the avoidance of doubt, this paper only covers the charge to be applied to Suppliers for recovering the costs of funding the System Services Future Arrangements, and not payments to providers of System Services under such arrangements. The framework for remunerating System Services providers is being undertaken as a separate activity within the FASS Programme, under the Auction and Market Arrangements workstream as shown in the PIR in Figure 1.

1.6 Structure of Paper

This paper sets out the TSOs' proposals related to the implementation of a FASS Charge and invites feedback from interested stakeholders on the questions posed. Where applicable, the paper makes reference to related workstreams, the schedule of which is summarised in the PIR in Figure 1.

This paper is broken down into the following sections:

- Description of the status quo in the SEM related to DS3 cost recovery.
- Approach employed in other markets for recovering the costs of System Services.
- Building Blocks of the FASS Charge implementation methodology.
- Risk of under/over recovery of monies compared to the payments to System Services providers and management of the resulting cashflow risk.
- Legal basis for levying the FASS Charge.
- Discussion on systemisation to provide for increased granularity of the FASS Charge to a trading period basis.
- Assumptions and Contingency Arrangements.
- Summary list of consultation questions.
- Next Steps related to the proposals in this paper.

1.7 Next Steps

This consultation will be open for 7 weeks, closing on 18 September 2024. Responses to the consultation should be submitted to the EirGrid ([link](#)) or SONI ([link](#)) consultation portals.

Should stakeholders have any questions or comments during the consultation period these can be submitted to FASS@Eirgrid.com or FASSProgramme@soni.ltd.uk.

An industry workshop, at which the TSOs will present our proposals and facilitate a Q&A for interested parties, will take place in early September 2024 (the date and location are to be confirmed and will be communicated to customers and stakeholders in due course).

Following this consultation on the FASS Charge, the TSOs will publish a recommendation paper in advance of the SEMC Decision in Q1 2025 as per the timelines set out in the PIR.

2 Description of Status Quo

All-Island System Services are currently procured under the DS3 Regulated Arrangements, with the costs recovered on a 75:25 basis between EirGrid TSO and SONI TSO⁷. The TSOs provide an expenditure forecast for DS3 on an annual basis as part of their respective Annual Revenue Requirement submissions. Outturn costs are then taken into account via the respective K-factor processes in subsequent periods to enable a reconciliation between forecast and actual expenditure.

In Ireland, the DS3 costs are included within the revenue recovered by EirGrid via the System Services Charge component of the Demand TUoS Charges.⁸ The System Services Charge is applied on a per MWh basis on all demand customer types in Ireland. The charge rate varies between transmission and distribution connected customers. For transmission connected customers (and the DUoS DG10 customer group) the charge rate has a peak/off-peak variation with 'peak' covering the period from 17:00 to 19:00, and 'off-peak' all other periods. Billing is done on a monthly basis. Invoices are typically issued 25 business days after the end of the month.

In Northern Ireland, the DS3 costs are included in the revenue recovered by SONI via the System Support Services tariff (SSS)⁹. This is set at a flat per kWh rate that is constant across time and customer type.

The System Services Charge under Demand TUoS in Ireland, and the System Support Services tariff in Northern Ireland, respectively, include additional costs beyond those linked to DS3. These charges will, therefore, remain in place even when the new FASS Charge has been implemented.

The final settlement of DS3-related charges, after DASSA go-live in December 2026, will continue to be performed through the existing TUoS Charges and SSS tariff mechanisms.

⁷ 100% of Non-All-Island services such as Black Start are recovered on a jurisdictional basis by the relevant TSO.

⁸ [EirGrid Statement of Charges 2023-2024.pdf](#)

⁹ [FINAL-TUoS-Statement-of-Charges-2023-24.pdf \(soni.ltd.uk\)](#)

3 Approach in Other Markets

System Services costs are recovered through regulated tariffs levied on demand in most European markets. In many cases this is done through a dedicated tariff or tariff component¹⁰.

In Italy, System Services are procured through a ‘re-dispatch’ market, with the corresponding costs borne by demand. There is a tariff differentiation based on customer type (e.g. residential vs industrial) and connection level (high vs medium-voltage). The unit fee covering the cost of the ‘re-dispatch’ market (and other costs related to the wider operation of the electricity market) is calculated by the TSO. An estimated fee for the quarter ahead is published ex-ante, by the middle of the preceding month. The actual fee for each month is published by the 5th of the second month following the month in question.

In GB, the costs for ensuring secure system operation and system balancing, including the cost of Ancillary Services, are recovered through the Balancing Services Use of System (BSUoS) tariff. This is an ex-ante fixed £/MWh tariff, which is set for 6 months at a time, currently with 9 months’ notice¹¹, and applied on a half-hourly basis. BSUoS charges are collected from Suppliers and transmission-connected demand. Generators are not charged BSUoS as of April 2023.

BSUoS Charges are calculated as the product of the metered volumes in each Settlement Period and the fixed BSUoS Price. This is, in turn, estimated using the forecasted Total BSUoS Costs.

If prior to or during a period for which the BSUoS tariff has been fixed, the TSO realises that it is not in a position to recover sufficient funds through the BSUoS Charges and/or it does not have sufficient funds in the Industry BSUoS Fund and the BSUoS Working Capital Facility, to meet the payments for balancing costs during that period, it has the right to set a revised Fixed BSUoS Price.

In the case where there is a need to revise the Fixed BSUoS Price, the TSO uses reasonable endeavours to consult on the revised price and gives a minimum notice of five Business Days before its application.

Both Italy and GB therefore recover the costs of procurement of System Services as bundled with other system costs related to system balancing and operational security. In contrast, the SEMC in SEM-22-012 requires that System Services costs be recovered through a standalone charge, with the aim of providing improved transparency of these costs.

Cost recovery arrangements in both countries set their respective charge rates at a greater time period granularity than an annual charge, with the actual unit fee in Italy set monthly and the tariff in GB set 6-monthly. It is noted in this context that in SEM-22-012, the SEMC expresses a desire to potentially move to a more granular charge rate in the future.

¹⁰https://www.acer.europa.eu/sites/default/files/documents/Publications/ACER_electricity_network_tariff_report.pdf

¹¹A modification is currently in progress to reduce the notice period from 9 to 3 months: (<https://www.nationalgrideso.com/industry-information/codes/cusc/modifications/cmp408-allowing-consideration-different-notice-period-bsuos-tariff-settings>)

4 Building Blocks of the Methodology

The SEMC opted for Option 2 (as detailed in consultation paper SEM-21-069) in SEM-22-012. Option 2 provides for a new standalone All-Island charge borne by Suppliers. Under this option, the TSOs are to provide an annual forecast of the required revenue (to cover the relevant costs), and similar to the Imperfections Charge, a MWh charge is to be levied on Suppliers, by the TSOs, based on the All-Island energy demand forecast. The TSOs will be taking on the risk of under- or over-recovery with reconciliation in subsequent years captured through a k-factor.

As market behaviours become better understood and the relationship between energy costs and System Services costs becomes clearer the SEMC may choose to move to a Trading Period based charge, rather than an annual charge. This should be taken into account in the systemisation undertaken by the TSOs.

The charge rate will initially be equal to an annual TSO cost estimate divided by the annual All-Island demand forecast. There are different ways a more granular charge could be applied in the future.

If, for example, the SEMC were to decide in the future that the FASS Charge should be set on a quarterly basis, the approach would not be that dissimilar to that adopted for an annual charge. The FASS Charge would still be set based on RA approved ex-ante estimates, with reconciliation through a k-factor. If, however, the SEMC were to decide to move to a Trading Period based FASS Charge rate with the FASS Charge rate varying depending on the actual underlying conditions in a given Trading Period, then the FASS Charge would be determined ex-post based on actual FASS costs and actual electricity demand in each Trading Period. The FASS costs comprise DASSA costs, which would vary by Trading Period, and also the costs of contracts awarded outside of the DASSA, which would not necessarily vary by Trading Period. This is summarised in the table below.

Table 1: Implications of time period granularity on the calculation of the FASS Charge Rate

	Example Case 1	Example Case 2
Time period granularity of Charge Rate	12 months, 6 months, 3 months, etc	Trading Period
Charge Rate calculation basis	<ul style="list-style-type: none"> Ex-ante with k-factor Based on cost estimates and demand forecast 	<ul style="list-style-type: none"> Ex-post Calculation in settlement systems based on actual DASSA cost and MWh demand in each Trading Period, plus calculated contribution from LPF and Fixed contracts

This section sets out the building blocks of the methodology for implementing the FASS Charge in line with the SEMC decision as set out in SEM-22-012. For the avoidance of doubt, these building blocks relate to the methodology for calculating an annual charge only and not a higher granularity charge that would involve ex-post setting of the charge rate.

4.1 Forecast System Services Cost

The System Services cost will be projected by the TSOs on an annual basis (SEM-22-012). The forecast will cover all System Services Future Arrangements costs for the coming Tariff Year, including costs linked to:

- a) the DASSA (including the FAM and net of any Compensation Payments);
- b) any contracts awarded under the Layered Procurement Framework and the Fixed Contracts Framework; and

- c) other All-Island System Services, which may in the first instance not be procured or remunerated through the DASSA, the Layered Procurement Framework or the Fixed Contract Framework.

Any costs for System Services procured on a jurisdictional basis are not recovered through the FASS Charge. The forecast System Services cost will be based on:

- projections of the payments for the required volumes of System Services procured through the DASSA
- actual costs for System Services volumes procured under long-term contracts (Layered Procurement Framework, Fixed Contracts Framework or other long-term contracts), where such costs are known (otherwise these will be in whole or in part forecasted);
- projections of the payments for the expected volumes delivered for System Services that may be procured through a tariff-based process (if any)

The Volume Forecast Methodology is currently in development under the Auction and Market Arrangements workstream of the FASS programme, as shown in Figure 1. The TSOs may use different approaches for defining the unit price/cost of different System Services, including (but not limited to) forward-looking modelling, historical data and/or a cost-based approach.

The final settlement of DS3-related charges, which may take place post go-live of the DASSA arrangements in December 2026, will not be included in the FASS Cost forecast. These charges will be reconciled through the existing TUoS/SSS mechanisms.

The proposal is for the TSOs to prepare and submit a report to the RAs 3 months before the start of each Tariff Year (noting that demand forecast data only becomes available at the end of May), proposing values (in Euro) to be used in the calculation of the FASS Charge for that Tariff Year (**the FASS Charge Submission**).

TSOs' Proposal

- Final settlement of DS3-related charges post go-live of the SSFA arrangements will go through the existing TUoS mechanism and not the FASS Charge.
- TSOs shall submit a report to the RAs 3 months before the start of each Tariff Year, proposing values to be used in the calculation of the FASS Charge for that Tariff Year.

Question 1. Do you have any comments on the proposed approach to establishing the forecast System Services cost?

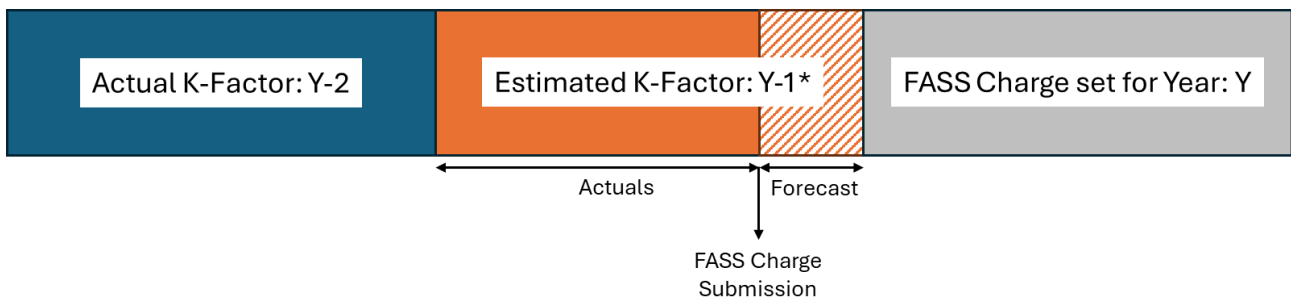
4.2 K-Factor Mechanism

As per SEM-22-012, any difference between actual costs and actual revenues is to be reconciled through a k-factor mechanism. The k-factor will be included in the calculation of the overall FASS Charge submitted for approval. There can be under recovery (where the actual costs exceed the actual revenue) or over-recovery (where the actual costs are less than the actual revenue) in a given Tariff Year. It is preferable to keep any deviation to a minimum. Over-recovery results in the TSOs holding onto customer money until the point when relevant reconciliation takes place. Under-recovery, on the other hand, can present a significant risk to TSO financeability.

There are multiple reasons for deviation between costs and revenues, but in general this will stem from differences between forecast and actual values, in particular in terms of demand, DASSA prices and System Services volumes (amongst others).

As part of the FASS Charge process for Year Y, the TSOs will include in the calculation the actual outturn k-factor for the period Y-2. For example, the actual k-factor for the 2026/2027 Tariff Year, which may be positive or negative, would be included in the setting of the FASS Charge for the 2028/2029 Tariff Year.

To further mitigate and manage volatility the TSOs are of the view that an estimated k-factor for the Y-1 year is required. In such a scenario the total k-factor applied in the setting of the FASS Charge for Year Y would be the sum of the Actual k-Factor Y-2 and the Estimated k-Factor Y-1. However, for this to happen, there may be a need to modify the Annex to the SONI TSO licence to facilitate the Y-1 estimate of the k-factor in a TSO levied charge. Separate statutory processes would need to be followed to implement those modifications. These would require a specific consultation by the UR under Article 14 of the Electricity Order 1992.



* Estimated k-Factor: Y-1 will only be applicable if provided for within the regulatory arrangements and approved by the RAs.

Figure 2: Illustration of proposed k-factor mechanism for FASS Charge

TSOs' Proposal

- The k-factor will be included in the FASS Charge Submission. The k-factor will comprise the Actual Y-2 k-Factor, and, if provided for within the regulatory arrangements, and with approval of the RAs, an Estimated Y-1 k-Factor.

Question 2. Do you have any comments on the proposed approach to establishing the k-factor?

4.3 Forecast All-Island Demand

The SEMC has determined under SEM-22-012 that the FASS charge is to be set by reference to the TSOs' forecast of annual All-Island electricity demand¹². The TSOs prepare the forecast demands for application in tariffs in Ireland and Northern Ireland. The All-Island SEM demand forecast, currently employed in setting the Imperfections and a range of other market charges, will also be used in the setting of the FASS Charge.

TSOs' Proposal

- The All-Island Demand forecast, as prepared by the TSOs, will be used in setting the FASS Charge.

Question 3. Do you have any comments on the proposed approach?

4.4 FASS Charge Rate

The SEMC has determined under SEM-22-012, that the FASS Charge will initially be set on an annual basis, recovered from Suppliers through a per MWh tariff, set by reference to forecast annual All-Island energy demand and incorporate a k-factor mechanism.

Reflecting these decisions the FASS Charge Rate for an upcoming year, Y, will be set as follows:

$$\text{FASS Charge Rate}_Y (\text{€/MWh}) = (\text{Forecast Cost}_Y + \text{K-Factor}) / \text{Forecast Demand}_Y$$

The k-factor may be positive or negative.

If the SEMC were to make the FASS Charge more granular in the future, whilst the approach was still to be based on ex-ante forecasting and ex-post reconciliation (e.g. in the case of a charge based on a 6-month period), this equation would be adapted accordingly, where effectively Y would refer to the specific period.

However, if the SEMC were to increase the granularity in the future to the extent where the FASS Charge Rate would have to be determined on an ex-post basis (e.g. in the case of a FASS Charge applied on a Trading Period basis), the above equation would need to be adapted, as the k-Factor would no longer be needed and the FASS charge would no longer depend on forecasts.

The FASS Charge Rate will be included in the FASS Charge Submission. The FASS Charge Rate will be fixed for a Tariff Period (1 year in the first instance as per SEM-22-012). However, there will need to be provisions in place to address adverse situations, which may arise in relation to significant cost under- or over-recovery, and some within Tariff Period adjustment may be needed in specific circumstances. This is discussed in more detail in Section 5 below.

Similar to the practice adopted for other tariffs that are initially set in Euro, SONI will convert the approved FASS Charge Rate to GBP using the average rate over the last five business days in July¹³ before including it in its TUoS charging statement that is submitted to the UR for approval.

¹² In the case where the granularity of the charge was increased, but where it remained appropriate for the charge to be set ex-ante (e.g. if it were to be set on a 6-monthly basis) then the demand forecast would need to relate to that specific 6-month period.

TSOs' Proposal

- In line with SEM-22-012 the FASS Charge Rate will be calculated as:
$$\text{FASS Charge Rate}_{\gamma} (\text{€}/\text{MWh}) = (\text{Forecast Cost}_{\gamma} + \text{K-Factor}) / \text{Forecast Demand}_{\gamma}$$
- The FASS Charge Rate will be included in the FASS Charge Submission.
- SONI will convert the FASS Charge to GBP using the average exchange rate over the last five business days in July (in keeping with existing processes).

Question 4. Do you agree that the proposed methodology reflects the SEMC decision?

4.5 Calculation of the Charge

The SEMC has determined, under SEM-22-012, that the FASS Charge will be charged to Suppliers based on actual demand in each period. SONI will invoice suppliers in GBP and EirGrid will invoice in Euro.

The TSOs propose that the resulting FASS Charge to Suppliers is calculated on an Imbalance Settlement Period basis. The FASS Charge Rate will initially have a uniform value for all Imbalance Settlement Periods in a 12-month period¹⁴, and it would only be the demand that will change across periods within a given Tariff Period.

The TSOs have already proposed for the DASSA Trading Period to be of a 30 minute duration, aligned with the existing Imbalance Settlement Period¹⁵. There should, however, also be flexibility to be able to move to even shorter Trading Periods in the future (e.g. to align with a 15-minute Imbalance Settlement Period).

The same approach is proposed as to the calculation of other All-Island supplier charges, such as the Imperfections Charge. That is, that each TSO shall calculate the FASS Charge for each Supplier Unit, v , in each Imbalance Settlement Period, γ , as follows:

$$\text{FASS Charge}_{v\gamma} = \text{QMLF}_{v\gamma} \times \text{FASS Charge Rate}$$

Where:

$\text{QMLF}_{v\gamma}$ is the Loss-Adjusted Metered Quantity for Supplier Unit, v , in Imbalance Settlement Period, γ , in the SEM.

TSOs' Proposal

- Charge will be calculated on an Imbalance Settlement Period basis
- Each TSO will calculate the FASS Charge for each Supplier in each Imbalance Settlement Period as follows:
$$\text{FASS Charge}_{v\gamma} = \text{QMLF}_{v\gamma} \times \text{FASS Charge Rate}$$
- SONI will invoice suppliers in GBP and EirGrid will invoice in Euro

Question 5. Do you have any comments on the proposed approach to calculating the FASS Charge?

¹⁴ Save in the event of specific adverse situations - ref section 5.

¹⁵ [FASS-DASSA-Consultation-Paper-March-2024-EirGrid.pdf](#)

4.6 Settlement of the Charge

Due to the risk to TSO financeability, the TSOs are assuming that the settlement window for the FASS Charge will be offset from the DASSA settlement window. This will need to be taken into account in the development of the FASS Code. In the case where the FASS Charge is levied under the TUoS Frameworks, and the settlement window for the Charge is already established within the TSOs' existing TUoS mechanisms, the DASSA settlement window would need to be set cognisant of these TUoS timeframes. This approach will allow for funds to be collected and distributed to System Services providers in a timely fashion.

The total FASS Charge for the settlement window will be calculated as follows, for each supplier, v , Imbalance Settlement Period, γ , and settlement window S :

$$FASS\ Charge_{vS} = \sum_{\gamma=1}^S FASS\ Charge_{v\gamma}$$

TSOs' Proposal

- The settlement window for the FASS Charge is assumed to be offset from the DASSA settlement window. This should be taken into account in setting the timelines for payments to providers under the DASSA.
- The total FASS Charge for the settlement window will be:

$$FASS\ Charge_{vS} = \sum_{\gamma=1}^S FASS\ Charge_{v\gamma}$$

Question 6. Do you have any comments on the proposed approach to levying the FASS Charge?

4.7 Summary of Proposed Methodology

Many of the building blocks of the FASS Charge methodology have been decided upon by the SEMC in SEM-22-012. The table below summarises the building blocks of the methodology as identified by the TSOs, the SEMC's decisions in respect of those building blocks, and the TSOs' proposals.

Building Block	SEMC Committee Decision	TSO Proposals
Forecast Cost	<ul style="list-style-type: none"> Annual forecast initially All-Island forecast To be forecast by the TSOs Cover all System Services Future Arrangements procurement costs To be approved by the RAs 	<ul style="list-style-type: none"> TSOs shall submit a report to the RAs 3 months before the start of each Tariff Year, proposing values to be used in the calculation of the FASS Charge for that Tariff Year (the 'FASS Charge Submission') for approval For clarity it is noted that Final settlement of DS3-related charges post go-live of the DASSA arrangements will be recovered through the existing TUoS/SSS mechanisms and not the FASS Charge.
K-Factor	<ul style="list-style-type: none"> K-factor mechanism to be used K-factor to be approved by SEMC 	<ul style="list-style-type: none"> The k-factor will be included in the FASS Charge Submission. The k-factor will comprise the Actual Y-2 k-Factor, and, if provided for within the regulatory arrangements, and with approval of the RAs, an Estimated Y-1 k-Factor.
Forecast All-Island Demand	<ul style="list-style-type: none"> Annual all-island energy demand To be forecast by the TSOs 	The TSOs will employ the All-Island Demand Forecast, as currently employed in the setting of the Imperfections and other market charges.
FASS Charge Rate	<ul style="list-style-type: none"> Charge will be charged to suppliers based on actual demand in each period 	<p>FASS Charge Rate_Y (€/MWh) = (Forecast Cost_Y + K-Factor) / Forecast Demand_Y</p> <ul style="list-style-type: none"> The Charge Rate will be included in the FASS Charge Submission SONI will convert the FASS Charge rate to GBP using the average exchange rate over the last five business days in July
Calculation of the Charge	<ul style="list-style-type: none"> Charge will be charged to suppliers based on actual demand in each period 	<ul style="list-style-type: none"> Charge will be calculated on an Imbalance Settlement Period basis Each TSO will calculate the FASS Charge for each Supplier in each Imbalance Settlement Period as follows:

		<p>FASS Charge_{vγ} = QMLF_{vγ} X FASS Charge Rate X FASS Charge Factor</p> <ul style="list-style-type: none"> SONI will invoice suppliers in GBP and EirGrid will invoice in Euro
Settlement of the Charge	<ul style="list-style-type: none"> The Charge will be levied by the TSOs 	<ul style="list-style-type: none"> The settlement window for the FASS Charge is assumed to be offset from the DASSA settlement window The total FASS Charge for the settlement window will be: $FASS\ Charge_{vS} = \sum_1^S FASS\ Charge_{vγ}$

Table 2: Building blocks of the FASS Charge methodology, with the SEM Committee's decisions and TSO proposals in respect of each one.

Question 7. Have we correctly identified the building blocks of the methodology?

Question 8. Do you agree with the TSOs' proposed methodology for implementing the FASS Charge?

5 Cash Flow Risk Management

As the FASS Charge will be based on annual forecasts initially, there is the risk of a mismatch between actual monies collected and actual monies paid out. This risk can be expected to be highest in the period after go-live of the new DASSA arrangements due to the time needed for participants to become familiar with those arrangements and establish their trading behaviours, and the difficulty in forecasting the outcomes of a new market in that context.

SEM-22-012 refers to this point, raised by respondents to the SEM Committee's original consultation, related to cash flow risk:

“Most respondents expected the magnitude of the cashflow risk to increase initially, as a move to a market-based approach will lead to greater uncertainty in expected costs until market behaviours are established and understood. This leads to a potential for greater divergence between forecast and outturn costs.”

By setting the initial charge period to 12 months, the SEMC:

“hopes to mitigate potential cash flow [...] risks faced by suppliers, and believes that cashflow risks to the TSOs are manageable, and at least partially controllable by the TSOs.”

The SEMC set out in SEM-22-012 that any deviation of actual costs from actual revenues is to be catered for through a k-factor mechanism. The TSOs note that while a k-factor will form part of the overall process for rebalancing any cash flow exposure, it cannot mitigate or manage the potentially significant cash flow volatility that may occur within year from month to month, nor the potential for adverse cash flow exposure to arise between years due to the time lag for the ultimate resettlement of k-factors through tariffs.

As with the DS3 and market arrangements, EirGrid and SONI expect that working capital facilities will be required to support the smooth operation of the FASS procurement by allowing settlement of payments where not fully funded by the FASS Charge in the first instance. The prudent scale of such facilities and the necessary regulatory frameworks to support same will be a matter of bilateral engagement between each TSO and the respective RA.

As with the extant arrangements in the market there will however be a limit to any such facilities and therefore, necessary arrangements will need to apply where such facilities are exhausted. These arrangements will need to be included in the FASS Code; similar to those set out in Section B13.2.2 of the Trading and Settlement Code (TSC). Those being that in the event that a shortfall due to insufficient revenue recovery persists, even after available working capital facilities are exhausted, the TSO would reduce the payments owed pro-rata across System Services providers until the total payment can be met with the funds available. The amount for each individual provider that is short paid will be tracked, and providers will be reimbursed when the funds are recovered (and after any working capital facility payments are made). The TSOs are conscious that such provisions, while necessary, would in turn have impacts on System Services Providers in the short term.

Cognisant of the potential for the above scenario to arise, as well as the opposite scenario where the actual revenues exceed the actual costs, as outlined in Section 4.2 the TSOs believe it would be prudent to include in the final arrangements provision that a Within Year (Y) Adjustment could be made to the FASS Charge Rate, subject to RA approval. This is in addition to the proposed inclusion of the estimated k-factor Y-1, in the calculation of the k-Factor, as described in Section **Error! Reference source not found.**, within the calculation of the charge itself.

Such an adjustment process would be employed to help manage adverse situations which may arise whereby either the approved FASS Charge:

- (a) does not provide for the adequate recovery of anticipated costs and such under recovery is such that it is not appropriate to include as an adjustment in subsequent Years or

(b) over provides for the recovery of anticipated costs and such over recovery is such that it is not appropriate to include as an adjustment in subsequent Years.

In such a scenario the TSOs would submit to the RAs a Within Year (Y) Adjustment, detailing the level of deviation and the proposed Adjusted FASS Charge Rate to mitigate same for RA Approval. SONI would convert any updated FASS Charge Rate to GBP using the average exchange rate over the last five business days of the most recent month that data are available for.

Finally, the TSOs note that consideration may need to be given to setting the ex-ante FASS Charge rate to reflect seasonality in the payments and/or revenue profiles, should it become evident that seasonal divergence in the payment and revenue flows over the year is driving cash flow challenges. This seasonality could be reflected for example by employing two FASS charge rates over the annual period, with one to be applied for the first 6 months of the year and the other for the second 6 months, though both would be published in advance of the year.

6 Legal Basis of Levying the FASS Charge

The existing arrangements for recovery of the cost of System Services in Ireland and Northern Ireland, described in Section **Error! Reference source not found.**, are based on charges levied under the respective Supplier Transmission Use of System Agreements in accordance with the TSOs' Statements of Charges approved by each RA.

The EirGrid Supplier TUoS Agreement¹⁶ requires the User to pay Use of System Charges in accordance with the Tariff Schedules, the Statement of Charges and the General Conditions of Connection and Transmission Use of System¹⁷. The annual Statement of Charges then sets out the TUoS charges, including the Demand System Services Charge component. The setting and approving of these charges are in accordance with Sections 35 & 36 of the ERA 1999, as amended.

The SONI Supplier TUoS Agreement¹⁸ requires the user to pay both Use of System Charges and "Other Charges" as set out in SONI's Statement of Charges, which is approved by the UR under Condition 30 of SONI's licence. These Other Charges include the System Support Services (SSS) tariff.

SEM-22-012 states that

"all arrangements relating to the governance, settlement and procurement of System Services will be set out in a System Services Code" and that "this option has been chosen to improve the transparency of the System Services arrangements".

The TSOs have identified two options that would meet this requirement,

1. The FASS methodology and charge arrangements are set out within the FASS Code itself.
2. The FASS Charge Methodology is approved, and charge levied under the respective Supplier Transmission Use of System Agreements, which would be cross referred to from the FASS Code

Both options would provide transparency of the System Services arrangements.

Under both approaches the TSOs would prepare and provide the RAs a report (see Section **Error! Reference source not found.**) that sets out the Forecast FASS Costs and FASS Charge for approval, ensuring both the costs and charge are separately identifiable from any other TSO costs or charges.

Under both options the FASS Code would either directly include or clearly set out by reference the bases for levying the charge, both approaches would be consistent with approaches in other extant codes.

Option 1: Methodology and charge arrangements are set out in the FASS Code

Under this Option the legal basis for setting and levying the FASS Charge would be established through the FASS Code. Akin to how detailed methodologies for Imperfections are set out in the TSC.

This approach would require suppliers to accede to the FASS Code with the necessary obligation to do so having been reflected in Supplier Licences. The TSOs are cognisant that the timeframe for the amendment of licences can be significant and thus this must be considered in determining the approach to be implemented.

In addition, the implementation of this approach would create an obligation on Suppliers to post separate security cover in respect of the FASS Charge in accordance with the FASS Code. For clarity it is noted that as the FASS Charge will be levied jurisdictionally by the respective TSOs Suppliers who operate in both jurisdictions will be required to provide separate security cover to each TSO in line with the established payment security policy in each jurisdiction.

Option 2: Levying the FASS Charge under Supplier TUoS agreements

¹⁶ [TUoS Agreement for Suppliers July 2013.docx \(eirgrid.ie\)](#)

¹⁷ [General Conditions July 2013.docx \(eirgrid.ie\)](#)

¹⁸ [Supplier-TUOS-Agreement-Template.pdf \(soni.ltd.uk\)](#)

The FASS Charge Methodology would be set out in a dedicated RA approved methodology paper, similar to that which underlies the existing standalone Generator TUoS charging mechanism¹⁹ or Other System Charges²⁰, and the charge would be levied under the respective Supplier Transmission Use of System Agreements. Akin to Section A.1.1.1 of the Capacity Market Code which refers out to the TSC for the Capacity Charge arrangement, the FASS Code would refer out to the FASS Charge Methodology Paper and Supplier Transmission Use of System Agreements.

The respective Supplier Transmission Use of System Agreements are established mechanisms for the collection of charges (including System Services charges) from suppliers by the TSOs and no supplier licence amendments would be required. No additional process for suppliers to accede to the FASS Code would be necessary.

The SONI Supplier TUoS Agreement specifically covers Other Charges, in addition to Use of System Charges:

“The User shall pay to SONI charges for other services provided by SONI to the User as set out in the Statement or as otherwise published by SONI from time to time.”

The FASS Charge could be thus introduced as a dedicated category of “other charge”, thereby ensuring the transparency required by the SEMC. SONI currently bases its charges on the same demand data proposed to be used for the new FASS charge.

In the case of the EirGrid Supplier TUoS agreement, the associated General Conditions of Connection and Transmission Use of System also refer to Other Charges:

“In addition to the charges provided for in Clause 27.1 [TUoS Charges], the User shall pay to the Company charges for services provided by the Company to the User and any other charge deemed applicable to a User as set out in the Statement of Charges and approved by the CER.”

EirGrid notes that a minor amendment may be required in the Supplier TUoS agreements to reflect that the FASS charge will be levied on All-Island SEM demand data (Refer to Section 4.4). This is not envisaged to be a significant effort.

No separate security cover would be required as suppliers are already required to post security cover in respect of the charges they pay under their Supplier Transmission Use of System Agreements. The amount of security cover may increase in light of the additional payment liabilities introduced with the inclusion of FASS Charge, but it would be done in accordance with arrangements in-place in each jurisdiction.

Error! Reference source not found. below summaries the pros and cons of the two options discussed above, presenting a comparison between the two.

Assessment Criterion	TUoS Framework	FASS Code
Transparency	+ Both can provide full transparency	
Ease of Establishment	+ Relatively easier to establish through the existing framework + Largely decoupled from wider FASS code development, requiring only a refer out in the code	– Comparatively more complex to establish – Cross-dependent on FASS Code development
Supplier Impacts	+ Suppliers are already required to sign up to the TUoS Agreements + Suppliers already post security cover under those agreements and any increase in the required cover due to the FASS Charge would be given	– Would require suppliers to accede to the FASS Code, which would in turn require Supplier Licence amendments – Separate additional supplier security cover requirements

¹⁹ [SEM-11-079 Generator TUoS Methodology Statement.pdf \(semcommittee.com\)](#)

²⁰ [EirGrid/SONI Other System Charges Methodology Statement.pdf, 2023](#)

	effect in accordance with arrangements in-place	
Flexibility	– Could accommodate differing designs of the FASS Charge methodology, but might require modification	+ Could be more flexible in accommodating differing designs of the FASS Charge methodology
Accommodating Trading Period Granularity	<ul style="list-style-type: none"> • Moving to high granularity, e.g. hourly, would be complex under either route • The system requirements/changes required will be the same under either route • The TSOs consider that the granularity could be accommodated through either route 	

Table 3: Summary of pros (+) and cons (-) of the two options for the legal basis for levying the FASS Charge

Although either the FASS Code or the TUoS framework could provide the legal basis for the FASS Charge, the TSOs consider that on the current analysis the TUoS framework would be preferable and more pragmatic for the reasons outlined above. Stakeholder feedback is welcomed on the TSOs’ assessment of the pros and cons of these two options, and on any other considerations not identified here, to assist the TSOs with reaching a final recommendation in regard to the preferable option.

TSOs’ Proposal

- The TUoS framework shall be used as the legal basis for levying the FASS Charge.

Question 9. Do you have any comments on the TSOs’ assessment of the two routes for providing a legal basis for the FASS Charge?

Question 10. Are there other considerations not identified here that are relevant to the use of either the FASS Code or the TUoS framework as the legal basis for the FASS Charge?

7 Providing for Increased Granularity

As per the SEMC's decision, in SEM-22-012, the FASS Charge is initially to be set annually by reference to an annual TSO cost estimate and energy demand forecast.

However, in SEM-22-012, the SEM Committee also states that:

*“A supplier-based MWh charge in line with option 2 in the consultation paper will be implemented initially. As market behaviours become better understood and the relationship between energy costs and system services costs becomes clearer the SEM Committee may move to Option 3, i.e. a trading period based charge. **This decision will be provided for in the systemisation that will be undertaken by the TSOs following the publication of this decision paper.**”* [Emphasis added]

If the granularity of the FASS Charge Rate were to be increased to a trading period basis, a number of parameters would need to be considered in determining and applying the charge. In the first instance, the TSOs' systems would need to be capable of:

1. Applying the charge rate on a Trading Period basis.

The TSOs have proposed, separate to this consultation paper²¹, that for the initial implementation of the DASSA, the Trading Period will be of 30 mins duration, aligned with the existing Balancing Market settlement period. The design of the DASSA will also be compatible with the introduction of Trading Periods of different durations in the future, e.g. to align with a 15-minute imbalance settlement period.

By designing the FASS Charge Methodology to apply the charge rate in each Imbalance Settlement Period therefore, the TSOs' systems will by extension be capable of *applying* the charge rate on a trading period basis (as the DASSA trading period granularity is expected to be aligned with the Imbalance Settlement Period granularity).

2. Calculating the charge rate dynamically using actual cost and actual MWh demand for each trading period.

Adding the functionality for dynamically *calculating* the charge rate will represent a significant additional development of the TSOs' systems beyond that required to implement an annual charge rate, with an annual charge rate requiring only a fixed value to be input in advance of the given year. By contrast, the dynamic charge rate calculation will require:

- The actual DASSA cost for each trading period,
- The actual MWh demand for each trading period, and
- Fixed inputs of the cost of LPF and Fixed Term contracts, to be updated as frequently as these contracts are awarded and expire.

Furthermore, implementation of any changes to the timeframe granularity of the FASS Charge will require modification of the FASS methodology and charge arrangements, which would also require consultation on the algebra for the calculation of the FASS Charge.

Considering the complexities, as discussed above, the TSOs will undertake an assessment of building in the functionality required to shift to a trading period based FASS Charge and will discuss the costs and benefits of future proofing against a need that may or may not arise with the RAs to ensure that the optimum system specifications are delivered for go-live.

Stakeholders are welcome to submit responses to highlight any information they would need at this stage from the TSOs and any impact this may have on their system readiness programme.

²¹ [FASS-DASSA-Consultation-Paper-March-2024-EirGrid.pdf](#)

Question 11. Do you require any information on the system design from the TSOs at this stage?
Question 12. Do you have any concerns around the impact of the TSOs' assessment of the required IT system design on your system readiness?

8 Assumptions and Contingency Arrangements

In order to apply the proposed single FASS Charge Rate on Suppliers on an All-Island basis it is assumed that:

- Any TSO, Generator or Supplier Licence modifications, where required, are in place.
- Where the decision is to levy the charge directly under the FASS Code, that the FASS Code is complete and in effect.
- Where the decision is to levy the charge via the TUoS Arrangements, any required modifications are in place and the respective Statement of Charges is approved by the respective RA.
- The legal basis for the RAs' approval of the FASS Charge Amount, and Charge Rates is affirmed and that the subsequent approvals are provided.
- That the required regulatory frameworks and support has been put in place to enable the TSO to secure the necessary working capital facilities.
- That any required billing system modifications in EirGrid and SONI respectively are complete.

In the event that the FASS Charge is not implemented in advance of go-live of the DASSA arrangements, EirGrid and SONI's existing mechanisms for recovery of DS3 costs are to be used on a temporary basis for the recovery of all FASS related costs until such time as the charge is put in place.

This is in keeping with what was envisaged by the SEM Committee in SEM-23-043, which states:

“For the avoidance of doubt, the system services charge is not a dependency for the delivery of the first auction as the TSOs can recover their costs through the existing mechanisms until the charge is put in place.”

TSOs' Proposal

- If the FASS Charge is not implemented in advance of go-live of the DASSA arrangements, the TSOs' existing mechanisms for recovery of DS3 costs be used on a temporary basis.

Question 13. Do you have any comments on the TSOs' proposed contingency arrangements?

9 Summary of Consultation Proposals and Questions

Table 4: Summary of Consultation Proposals and Questions

Section	TSOs' Proposals and Questions
4.1 Forecast System Services Cost	<p>Proposal:</p> <ul style="list-style-type: none"> Final settlement of DS3-related charges post go-live of the SSFA arrangements will go through the existing TUoS mechanism and not the FASS Charge. TSOs shall submit a report to the RAs 3 months before the start of each Tariff Year, proposing values to be used in the calculation of the FASS Charge for that Tariff Year. <p>Question 1: Do you have any comments on the proposed approach to establishing the forecast System Services cost?</p>
4.2 k-Factor Mechanism	<p>Proposal:</p> <ul style="list-style-type: none"> The k-factor will be included in the FASS Charge Submission. The k-factor will comprise the Actual Y-2 K-Factor, and, if provided for within the regulatory arrangements, and with approval of the RAs, an Estimated Y-1 K-Factor. <p>Question 2: Do you have any comments on the proposed approach to establishing the k-factor?</p>
4.3 Forecast All-Island Demand	<p>Proposal:</p> <ul style="list-style-type: none"> The All-Island Demand forecast, as prepared by the TSOs, will be used in setting the FASS Charge. <p>Question 3: Do you have any comments on the proposed approach?</p>
4.4 FASS Charge Rate	<p>Proposal:</p> <ul style="list-style-type: none"> In line with SEM-22-012 the FASS Charge Rate will be calculated as: $\text{FASS Charge Rate}_Y (\text{€}/\text{MWh}) = (\text{Forecast Cost}_Y + \text{K-Factor}) / \text{Forecast Demand}_Y$ The FASS Charge Rate will be included in the FASS Charge Submission. SONI will convert the FASS Charge to GBP using the average exchange rate over the last five business days in July (in keeping with existing processes). <p>Question 4: Do you agree that the proposed methodology reflects the SEMC decision?</p>
4.5 Calculation of the Charge	<p>Proposal:</p> <ul style="list-style-type: none"> Charge will be calculated on an Imbalance Settlement Period basis Each TSO will calculate the FASS Charge for each Supplier in each Imbalance Settlement Period as follows: $\text{FASS Charge}_{vY} = \text{QMLF}_{vY} \times \text{FASS Charge Rate}$

	<ul style="list-style-type: none"> SONI will invoice suppliers in GBP and EirGrid will invoice in Euro <p>Question 5:</p> <ul style="list-style-type: none"> Do you have any comments on the proposed approach to calculating the FASS Charge?
4.6 Settlement of the Charge	<p>Proposal:</p> <ul style="list-style-type: none"> The settlement window for the FASS Charge is assumed to be offset from the DASSA settlement window. This should be taken into account in setting the timelines for payments to providers under the DASSA. The total FASS Charge for the settlement window will be: $FASS\ Charge_{vS} = \sum_1^S FASS\ Charge_{vY}$ <p>Question 6: Do you have any comments on the proposed approach to levying the FASS Charge?</p>
4.7 Summary of Proposed Methodology	<p>Question 7: Have we correctly identified the building blocks of the methodology?</p> <p>Question 8: Do you agree with the TSOs' proposed methodology for implementing the FASS Charge?</p>
6 Legal basis of levying the FASS Charge	<p>Proposal:</p> <ul style="list-style-type: none"> The TUoS framework shall be used as the legal basis for levying the FASS Charge. <p>Question 9: Do you have any comments on the TSOs' assessment of the two routes for providing a legal basis for the FASS Charge?</p> <p>Question 10: Are there other considerations not identified here that are relevant to the use of either the FASS Code or the TUoS framework as the legal basis for the FASS Charge?</p>
7 Providing for increased Granularity	<p>Question 11: Do you require any information on the system design from the TSOs at this stage?</p> <p>Question 12: Do you have any concerns around the impact of the TSOs' assessment of the required IT system design on your system readiness?</p>
8 Assumptions and Contingency Arrangements	<p>Proposal:</p> <ul style="list-style-type: none"> If the FASS Charge is not implemented in advance of go-live of the DASSA arrangements, the TSOs' existing mechanisms for recovery of DS3 costs be used on a temporary basis. <p>Question 13: Do you have any comments on the TSOs' proposed contingency arrangements?</p>

10 Next Steps

This consultation will be open for 7 weeks, closing on 18 September 2024. Responses to the consultation should be submitted to the EirGrid ([link](#)) or SONI ([link](#)) consultation portals.

Should stakeholders have any questions or comments during the consultation period these can be submitted to FASS@Eirgrid.com or FASSProgramme@soni.ltd.uk.

An industry workshop, at which the TSOs will present our proposals and facilitate a Q&A for interested parties, will take place in early September 2024 (the date and location are to be confirmed and will be communicated to customers and stakeholders in due course).

Following this consultation on the System Services Charge, the TSOs will publish a recommendation paper in advance of the SEMC Decision in Q1 2025 as per the timelines set out in the PIR.

11 Annex setting out example calculation

Example calculation of an annually set FASS Charge Rate:

The example below determines the annual FASS Charge Rate for the following assumed inputs:

Forecast Cost_γ = 400 €m

K-Factor = 10 €m (under recovery)

Forecast Demand_γ = 48 TWh

Applying the proposed formula in Section 4.4:

$$\text{FASS Charge Rate}_{\gamma} (\text{€/MWh}) = (\text{Forecast Cost}_{\gamma} + \text{K-Factor}) / \text{Forecast Demand}_{\gamma}$$

Gives:

$$\text{FASS Charge Rate}_{\gamma} (\text{€/MWh}) = [(400 + 10) \times 10^6] / [48 \times 10^6]$$

$$\text{FASS Charge Rate}_{\gamma} (\text{€/MWh}) = 410/48$$

$$\text{FASS Charge Rate}_{\gamma} (\text{€/MWh}) = 8.54$$

The annual FASS Charge Rate to be applied in pound sterling per kWh is determined as follows:

FASS Charge Exchange Rate_γ = 0.8745 £/€

$$\text{FASS Charge Rate}_{\gamma} (\text{p/kWh}) = \text{FASS Charge Rate}_{\gamma} (\text{€/MWh}) \times \text{FASS Charge Exchange Rate}_{\gamma} (\text{£/€}) \times 100 (\text{p/£}) / 1000 (\text{kWh/MWh})$$

$$\text{FASS Charge Rate}_{\gamma} (\text{p/kWh}) = 8.54 \times 0.8745 / 10$$

$$\text{FASS Charge Rate}_{\gamma} (\text{p/kWh}) = 0.7468$$

Please note that input figures used in the example above were arbitrarily selected and do not present any view or expectation of the TSOs.