IWEA response to the DS3 System Services Consultation on Contracts for Interim Arrangements

03 June 2016

The Irish Wind Energy Association (IWEA) welcomes the opportunity to comment on the consultation on the Contracts for Interim Tariff Arrangements for DS3 System Services.

As outlined in previous submissions, IWEA's overriding objective with the DS3 arrangements is that they must deliver the necessary system services and any required investment for services to facilitate the achievement of the 2020 renewable targets and minimise curtailment**.** The delays that have been seen to date in increasing the System Non-Synchronous Penetration (SNSP) on the electricity system are of serious concern to the wind industry, and wind generators are likely to see increasing levels of curtailment if these system services are not introduced in a timely manner, thereby putting the 2020 renewable energy targets at risk.

IWEA has some concerns in relation to the processes associated with the implementation of system services. The tender process for the application for a framework agreement to provide system services has passed, however the required detail in terms of tariffs and contracts was not available in advance of this process. This has made the tendering process more difficult for participants given the absence of information. Having said that, IWEA is strongly of the view that there is a need to deliver System Services in October of this year, therefore we are not proposing any changes to the process at this time. Further consideration should be given to any future developments to ensure that participants are given sufficient information and time to develop any proposals which might be required.

IWEA is also concerned that the enduring arrangements are now being delayed following the recent information note from the SEM Committee. While we acknowledge that there is a lot of concern within the industry in relation to the complexity of the proposed auction design, it is essential that work continues on ensuring an appropriate design is introduced in a timely manner, so that certainty can be provided to industry and investors as early as possible. It is also essential that the Interim Arrangements are in place on time and that these can be expanded to cover all the required services for October 2017.

Clarity is required as to whether the current Framework Agreement will now apply for 2 years given the delay in the enduring arrangements. IWEA proposes that there should be further opportunities to enter into a framework agreement to provide the required services during the interim period. This will ensure that, as more generators connect to the system, the TSO will be able to benefit from the additional services which may be available.

It has been noted that there will be limited participation of wind farms on the distribution system for the first year of service provision, with only Type A connected wind farms being able to provide system services. A trial is being carried out by the DSO in relation to the participation of Type B

connected wind farms in the second half of this year and, only when this trial is complete will more wind farms be able to contribute. IWEA requests that urgency be placed on this trial in relation to timelines so that distribution connected wind farms can participate as soon as possible.

Questions from the consultation paper

Question 1: Do you agree with the proposal that the framework agreements should apply on a Providing Unit basis rather than on a Service Provider basis?

IWEA supports the proposal that the framework agreements should apply on a unit basis. Given that the tender deadline has now passed, it would seem that this question no longer applies.

Question 2: Do you have any comment on payment being contingent on compliance requirements being met?

IWEA supports the proposal that payment be contingent on compliance requirements being met. In relation to the governance of changes to the Protocol, IWEA believes that consultation should be included in this process.

Question 3: Do you have any comment on the proposal to detail performance monitoring in the Protocol document rather than in the framework agreements?

IWEA believes that the detail of performance monitoring should be included in the framework agreement. If it is to be included in the protocol document it is essential that there is industry consultation on any changes proposed to the protocol document.

Question 4: Do you have a view on the change in notice period for the termination of one or more system services by the Company?

IWEA does not have a view on this.

Question 5: Do you have a view on the proposed definition of the Product Scalars in the framework agreement?

IWEA does not have a view on this.

Question 6: Do you have a view on the high-level definition of the Performance Scalars in the Protocol document?

IWEA supports the idea of a performance scalar design and acknowledges the benefits of incentivising good performance. In order to address the data gap, IWEA proposes that the Performance Scalar be initially set to 1.0, and if data becomes available showing reduced performance then this can be taken into consideration in an updated scalar. We do not consider it appropriate that an industry or technology average be used as this penalises one generator based on the performance of others. The paper initially outlines that the performance scalar is within the control of the service provider, however if it is not set to 1.0 initially this provides an inconsistent message.

IWEA has concerns that the use of scalars will result in reduced revenues compared to what is provided today for system services. A commitment was given to keep the interim tariffs at current levels however when the performance scalars are included as proposed it makes it close to impossible to continue to receive current payment levels for ancillary services provided. In our view

this should be introduced along with the auction and not until then given the need to incentivize the provision of as much ancillary services as possible due to the DS3 auction delay.

Question 7: Do you have any comment on the technical definitions of the new system services as specified in the draft DS3 System Services framework agreement?

N/A

Question 8: Do you have any comment on the payment definitions of the new system services as specified in the draft DS3 System Services framework agreement?

N/A

Question 9: Do you have any comment on the alignment of settlement timelines between Ireland and Northern Ireland?

IWEA supports the alignment of settlement timelines between Ireland and Northern Ireland.