

DS3 System Services

Quarterly Update

August 2017



1. Introduction

1.1 Background

System Services is a key workstream within the DS3 Programme¹. The overall aim of the DS3 Programme is to put in place the required changes to system policies, tools and performance to support the realisation of 75% System Non-Synchronous Penetration (SNSP) on the island of Ireland by 2020.

In December 2014, the SEM Committee published a decision paper on the high-level design for the procurement of DS3 System Services (SEM-14-108) (“the Decision Paper”). The Decision Paper also set out the SEM Committee’s emerging thinking on many aspects of the detailed design and implementation of the new arrangements. Some of the key changes from this decision and the transition from the previous Harmonised Ancillary Services (HAS) arrangements include:

- An increase in the number of services procured from 7 to 14 services;
- An increase in the amount payable for the services from €60 million to €235 million by 2020; and
- Movement from bilateral contracts with service providers to a new more transparent procurement process, consisting of either a Regulated Tariff arrangement or an Auction depending on the level of competition for each service.

Since the Decision Paper was published, EirGrid and SONI (the TSOs) and Regulatory Authorities have worked to implement many aspects of the SEM Committee’s high-level design including the successful development and implementation of the DS3 System Services Interim Arrangements in October 2016.

Notwithstanding the successful implementation of the Interim Arrangements, a number of key issues have emerged which impact the design of the DS3 System Services programme of work as envisaged by the SEM Committee in its Decision Paper. In response, the SEM Committee published the DS3 System Services Future Programme Approach Information Paper on 23 March 2017² which outlines the emerging thinking of the SEM Committee for System Services going forward.

¹ [DS3 Programme - Delivering a Secure, Sustainable Electricity System](#)

² [DS3 System Services Future Programme Approach – Information Paper](#)

1.2 Purpose of this Paper

This paper presents an update on the status of delivery of the Enduring Arrangements, provides an overview of the key milestones which have been delivered, and sets out key dates that will underpin development of the detailed programme plan.

This document is the sixth in a series of quarterly updates since the publication of the DS3 System Services Project Plan³ in May 2015:

- DS3 System Services Quarterly Update – March 2017⁴
- DS3 System Services Quarterly Update – December 2016⁵
- DS3 System Services Quarterly Update – September 2016⁶
- DS3 System Services Project Plan Quarterly Update – December 2015⁷
- DS3 System Services Project Plan Quarterly Update – October 2015⁸

³ <http://www.eirgridgroup.com/site-files/library/EirGrid/DS3-System-Services-Project-Plan.pdf>

⁴ http://www.eirgridgroup.com/site-files/library/EirGrid/Quarterly_Update_March_2017.pdf

⁵ http://www.eirgridgroup.com/site-files/library/EirGrid/Quarterly_Update_Dec2016.pdf

⁶ http://www.eirgridgroup.com/site-files/library/EirGrid/160908-Quarterly-Update_Sept_FINAL.pdf

⁷ <http://www.eirgridgroup.com/site-files/library/EirGrid/DS3-System-Services-Dec-15-Quarterly-Update.pdf>

⁸ <http://www.eirgridgroup.com/site-files/library/EirGrid/DS3-System-Services-Quarterly-Update-FINAL.pdf>

2. TSOs - Key Updates

The TSOs have been developing a revised plan for the delivery of DS3 System Services with key industry dates outlined in Sections 3 and 4 of this document. Key programme updates since March 2017 on work areas such as “Rollover” tariffs, enduring regulated tariffs, contracts and procurement, Qualification Trials Process and performance monitoring are provided below.

2.1 DS3 System Services Industry Workshop

In April a DS3 System Services Industry Forum was held in Dundalk, with over 100 participants attending. The forum included an update from the Regulators following the recent publication of the DS3 System Services Future Programme Approach Information Paper in March. EirGrid presented on the emerging thinking for the System Services contracts and procurement processes, along with other presentations on product design and development, and Performance Monitoring.

A second DS3 System Services Industry Workshop was held on 1 August, with 135 people attending the event in Dundalk. The workshop was well received by stakeholders with a number of constructive discussions throughout the day. The workshop also saw many new faces with the event sparking interest from companies in the United States and Asia, along with financial investment companies and legal firms.

The morning session worked through the technical and commercial issues discussed in the recently published DS3 System Services Enduring Tariffs⁹ and DS3 System Services Enduring Scalar Design¹⁰ consultation papers. This was followed by the TSOs laying out their emerging thinking on the procurement of System Services, including the introduction of a gated process to allow new providers to qualify for System Services contracts at regular intervals as well as existing providers to change their contracted capabilities.

Fast Frequency Response (FFR) Product Characteristics was the first session of the afternoon with the presenter providing a detailed description of the methodology

⁹ <http://www.eirgridgroup.com/site-files/library/EirGrid/DS3-System-Services-Enduring-Tariffs-Consultation-Paper.pdf>

¹⁰ <http://www.eirgridgroup.com/site-files/library/EirGrid/DS3-System-Services-Enduring-Scalar-Design-Consultation-Paper.pdf>

employed in the studies and the associated modelling results. The workshop concluded with an update on some of the initial learnings coming out of the DS3 System Services Qualification Trials Process.

The presentations from the DS3 System Services Industry Workshop are located [here](#).

2.2 October 2017 – April 2018 “Rollover” Tariffs

Following the SEM Committee decision to extend the duration of the Interim Arrangements to the end of April 2018, it was necessary to determine a new set of tariff rates to apply for the seven month contract rollover period. The October 2017 – April 2018 “Rollover” Tariffs are the tariff payment rates to apply to the existing Interim Framework Agreements for the 11 services that are being extended to the end of April 2018.

A consultation on the “rollover” tariffs was held during May 2017. A TSO recommendations paper was approved by SEM Committee and published on the SEM Committee [website](#) on 21 July 2017.

2.3 Enduring Tariff Arrangements

On 4 July the TSOs published two consultation papers on (1) the DS3 System Services Enduring Tariffs¹¹ proposed to apply from 1 May 2018, and (2) the associated proposed DS3 System Services Enduring Scalar Design¹².

In the Enduring Tariffs consultation paper, we set out the proposed enduring tariff framework and enduring tariff rates to apply to all 14 services following execution of the new system services contracts in May and September 2018. The Enduring Scalar Design consultation paper looks at how scalars could be implemented to incentivise flexibility, reliability, and value for money, and sets out our proposed approach on how these would be best implemented for the Regulated Arrangements.

2.4 Contracts and Procurement

As noted in SEM-17-01 DS3 System Services Future Programme Approach, the Interim Arrangements Framework Agreements will be extended until 30 April 2018 after which

¹¹ <http://www.eirgridgroup.com/site-files/library/EirGrid/DS3-System-Services-Enduring-Tariffs-Consultation-Paper.pdf>

¹² <http://www.eirgridgroup.com/site-files/library/EirGrid/DS3-System-Services-Enduring-Scalar-Design-Consultation-Paper.pdf>

time the Regulated Arrangements will be in effect. EirGrid has issued extension letters to all service providers who are members of the Interim Arrangements Framework. A further update on the procurement process for the Regulated Arrangements was provided at the industry workshop on 1 August 2017. Procurement of DS3 System Services for the Regulated Arrangements will be done using a Qualification System (with contracts replacing the Framework Agreements used for the Interim Arrangements). It will be enacted in two phases. Phase 1 will cover the procurement of the existing 11 services (with terms and conditions modified relative to the Interim Arrangements to reflect the outcome of the enduring scalar and tariff consultations, as well as learnings from the QTP). Phase 1 procurement will commence on November 30 2017 with contract execution on May 1 2018. Phase 2 will cover the procurement of the remaining 3 services, commencing on March 30 2017 with contract execution on September 1 2018.

2.4.1 Short Term Active Response (STAR) scheme

At the industry workshop in April, EirGrid stated that we were minded to extend the STAR scheme to align with the extension of the DS3 System Services Framework Agreements subject to regulatory approval. This proposed extension has now received regulatory approval and EirGrid has issued extension letters to all STAR scheme participants. The scheme will end on 30 April 2018, coinciding with the end of the Interim Arrangements and the start of the Regulated Arrangements.

2.5 Qualification Trial Process

Midpoint review meetings took place with the 12 trialists taking part in the Qualification Trial Process (QTP) during the months of June and July. Midpoint meetings also took place with NIE Networks and ESB Networks to discuss potential impacts for the distribution network.

The QTP was completed on 31 August, the trials went well with focus now on the analysis of data received and feeding learnings into relevant workplans to enable the TSOs to set standards and to utilise services from new service-providing technologies should they receive contracts through future central procurement processes.

Performance Monitoring

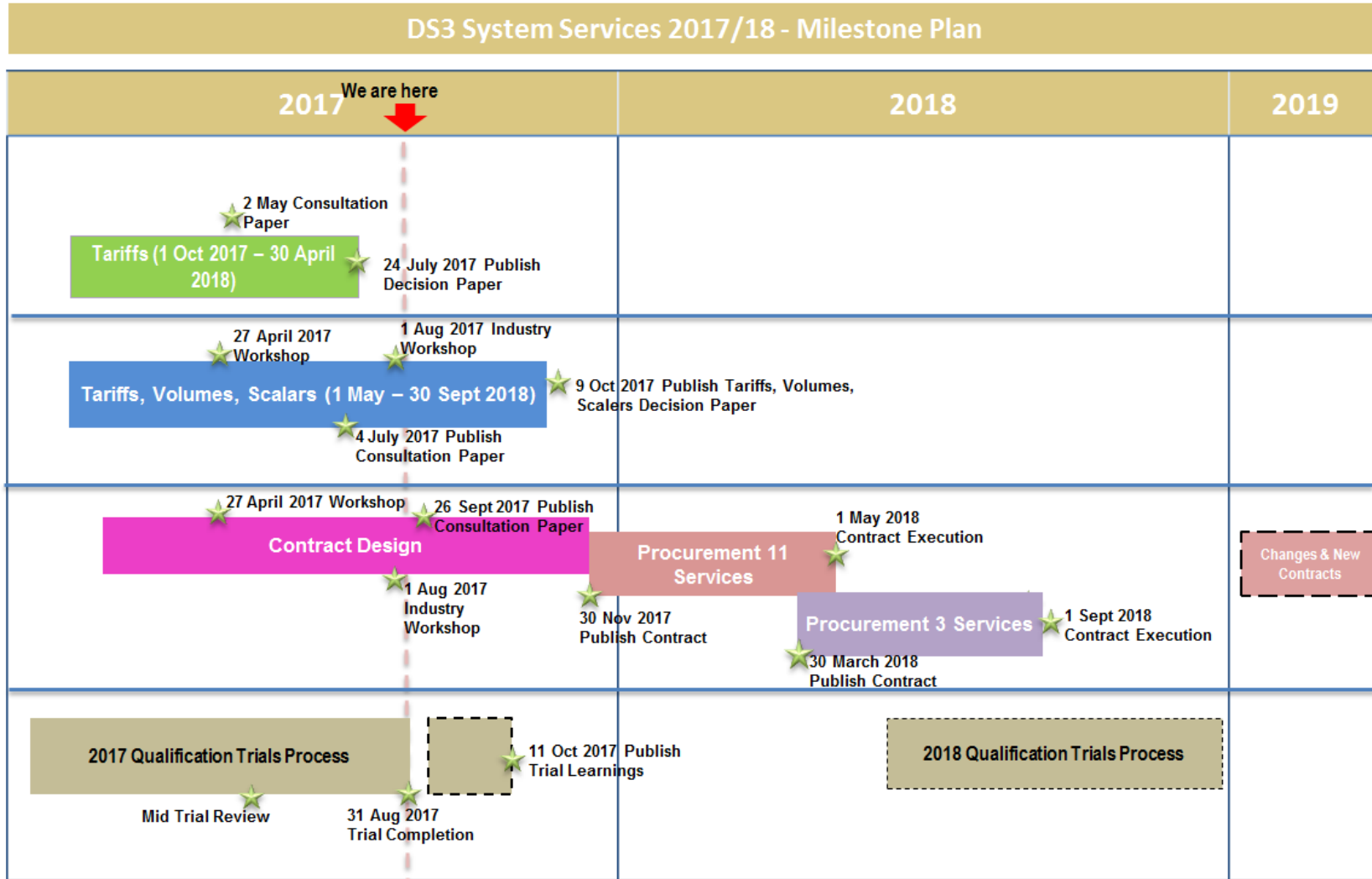
Following a [consultation](#) on the proposals for revising the DS3 Performance Scalar calculation methodology a [decision paper](#) was published in late June. The changes were implemented following a large amount of feedback from industry since the commencement of the Interim Arrangements. Details of the latest DS3 Performance Scalar and accompanying business process can be found in the [DS3 System Services Interim Protocol Document](#) – Version 2.1¹³.

¹³ <http://www.eirgridgroup.com/site-files/library/EirGrid/DS3-System-Services-Interim-Protocol-Documents/Version-2.1.pdf>

3. Stakeholder Engagement / Key Dates

Date	Item
09 October 2017	Publication of Tariffs, Volumes & Scalars (for period 01 May – 30 Sep 2018) Decision Paper
26 September 2017	Publish Contract Consultation Paper (3 week consultation period)
26 September – 17 October 2017	DS3 System Services Contract Consultation period
30 November 2017	Publish System Services Contract for 11 Services
12 December 2017	Bidders Conference for 11 Services
30 March 2018	Publish System Services Contract for 3 new Services
12 April 2018	Bidders Conference for 3 new Services
1 May 2018	Contract Execution for 11 Services
1 September 2018	Contract Execution for 3 new Services

4. Revised DS3 System Services Project Plan



5. Next Steps

Feedback from the Qualification Trials Process, Enduring Tariffs and Scalar Design consultations will be feed into the System Services contracts and procurement process over the coming weeks, with consultation on the System Services contracts to be held over a 3 week period from 26 September.

The Regulatory Authorities initial investigative work on competitive procurement started in Q1 2017 with the detailed design phase anticipated to start in Q3 2017.

