



Commission for Energy Regulation

An Coimisiún um Rialáil Fuinnimh

## Generator Secondary Fuel Testing Compensation Arrangements Decision

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QUERIES TO:	<a href="mailto:cbowers@cer.ie">cbowers@cer.ie</a>



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An Coimisiún um Rialáil Fuinnimh

*The Commission for Energy Regulation,  
The Exchange,  
Belgard Square North,  
Tallaght,  
Dublin 24.*

[www.cer.ie](http://www.cer.ie)

## CER – Information Page

### Abstract:

This Decision Paper sets out the CER's Decision with regard to the compensation arrangements for generators that carry out tests where they operate on a secondary fuel. The Decision follows previous CER consultations on the wider framework for secondary fuel and also a more recent consultation carried out by EirGrid on the specific compensation arrangements.

### Related Documents:

Secondary Fuel Obligations on Licensed Generation Capacity in the Republic of Ireland

- [EirGrid Recommendations Paper](#)
- [EirGrid secondary Fuel Clarification Document](#)
- [EirGrid Consultation Paper August 2009](#)
- [CER/09/001 Decision Paper](#)
- [CER/08/206 Proposed Decision Paper](#)
- [CER/08/006 Draft Decision Paper](#)
- [CER/07/161 Consultation Paper](#)

For further information on this decision paper, please contact **Clive Bowers** at the CER.

## Table of Contents

1.0 Introduction .....	4
1.1 The Commission for Energy Regulation .....	4
1.2 Consultation Process .....	4
2.0 High Level Compensation Framework .....	5
3.0 CER Rationale for Decisions .....	7
4.0 Next Steps .....	9

## **1.0 Introduction**

### ***1.1 The Commission for Energy Regulation***

The Commission for Energy Regulation ('the CER') is the independent body responsible for overseeing the regulation of Ireland's electricity and gas sector's. The CER was initially established and granted regulatory powers over the electricity market under the Electricity Regulation Act, 1999. The enactment of the Gas (Interim) (Regulation) Act, 2002 expanded the CER's jurisdiction to include regulation of the natural gas market, while the Energy (Miscellaneous Provisions) Act 2006 granted the CER additional powers in relation to gas and electricity safety.

### ***1.2 Consultation Process***

The CER and EirGrid has previously consulted on and decided upon the secondary fuelling obligations on certain generators in Ireland (See related documents on Page 2). The specific compensation arrangements have been developed by EirGrid in consultation with the industry.

The purpose of this paper is not to reproduce in depth all the decisions previously made regarding the secondary fuel framework but rather to set out the CER Decision on the compensation arrangements for generators that carry out secondary fuel tests.

## 2.0 High Level Compensation Framework

This CER Decision essentially endorses the compensation recommendations put forward and consulted upon with the electricity industry in Ireland by EirGrid

Interested parties should refer to the previous papers published by the CER and EirGrid for supporting information. Compensation for generators will be largely as per the EirGrid Recommendations Paper with some changes reflecting the last round of consultation. It should be noted that the compensation for secondary fuel testing will be funded through a CER approved allowance for secondary fuel testing within the EirGrid ancillary services budget. The secondary fuel testing compensation framework for generators is summarised below;

1. Generators will submit their primary fuel bids to SEMO as per usual on D-1. The secondary fuel test will occur outside the market as it will be notified after gate closure.
2. Generators will submit their secondary fuel test profile/technical characteristics to EirGrid annually or more regularly where appropriate. The generator will carry out the test with a profile broadly similar (within 10%) to the submitted profile. As per the 2009 CER Decision cer09001, generating units must be capable of generating on its secondary fuel at no less than 90% of the units registered capacity on its primary fuel.
3. When submitting their secondary fuel test profile, the generator is also required to submit **indicative secondary fuel costs** to EirGrid, i.e. their estimated costs of carrying out a secondary fuel test if the test was to occur on the date of submission of the test profile.
4. After the test the generator will submit their fuel costs for running on their secondary fuel to EirGrid. These costs should be compiled in a manner consistent with the Bidding Code of Practice. Secondary fuel Commercial Offer data should be signed off by a Company Director and submitted to EirGrid within 5 working days of the secondary fuel test. The fuel costs should cover the following:
  - Start up Costs (if incurred) (€)
    - Where applicable these are the costs associated with the start up of a unit on secondary fuel. The secondary fuel start-up costs would not be incurred if the unit was already running prior to the test.
  - No Load Costs (€/hour)
    - No Load Costs are those costs that must be incurred to keep the unit running.
  - Price Quantity Pairs (€/MWh)
    - This is an incremental cost that is entirely dependent on the MW output of the unit on secondary fuel.
5. EirGrid will review the secondary fuel commercial offer data submitted by generators and may refer the data to the CER for consideration if it is believed

that the data has not been compiled in accordance with Point 3 above and agreement has not been reached with the generator for resubmission of the costs. Generators will be compensated for acceptable incremental costs of running on their secondary fuel where the secondary fuel test is successfully carried out at the request of EirGrid. Payment for the test will be made in accordance with the ancillary services billing cycle once the generators required secondary fuel stock has been replenished and proof of replenishment has been provided to EirGrid.

6. After the test, the fuel that was used in the test must be replenished by the generator within 2 months of the test.
7. In the case of a failed test the generator will only be compensated for the failed test once a successful test takes place within one calendar month. Generators will only be compensated for a failed test once in a calendar year.
8. Generators must also submit to EirGrid the number of tonnes of secondary fuel used during the secondary fuel test.
9. Where a generator has been granted derogation from the Grid Code for a specific aspect of the secondary fuel test, the compensation payments will take this into account. Where a derogation from the Grid Code is pending, payment will not be made for a failed secondary fuel test until such time as the CER approves a derogation that would have resulted in a test being deemed successful.

To accompany this Decision Paper, EirGrid has compiled two short documents in relation to secondary fuel testing. The first sets out the testing arrangements and the criteria for a successful secondary fuel test while the second sets out the compensation arrangements for generators. Both EirGrid documents are published with this Decision Paper and are also available on the EirGrid website. The EirGrid document and the previous consultations should be referred to for much of the detailed information associated with the compensation of secondary fuel tests.

### 3.0 CER Rationale for Decisions

There are a number of issues raised by participants during the course of the various consultations. Below we set out some of the main issues that have arisen and the CER's Decision and Response.

#### **Submission of Test Costs**

Generators should submit the costs for the secondary fuel in a manner consistent with the bidding code of practice. The costs should be submitted within 5 working days of the test. The CER is of the view that a five day window should be sufficient to purchase replacement fuel. Although the fuel may not necessarily be delivered within this timeframe it is assumed that the price would be as per the day of purchase. Although some respondents to the recommendations paper felt the window should be longer the CER believes that the five days is appropriate and limits exposure to fuel price movements outside 5 working days.

#### **Allowable Costs**

As stated in Section 2, the allowable costs will fall under the following headings:

- Start up Costs (if incurred) (€)
- No Load Costs (€/hour)
- Price Quantity Pairs (€/MWh)

The CER believes that the headings above cover all incremental cost categories associated with secondary fuel testing and has not included fuel changeover costs in the final decision. For the avoidance of doubt, the secondary fuel commercial offer data submitted should only include avoidable costs directly associated with the secondary fuel test. Any costs incurred by the unit in maintaining secondary fuel capability will not be compensated via this mechanism and should not be included as part of secondary fuel commercial offer data. Additionally, the potential risk of failure of a unit to comply with the secondary fuel obligations is not deemed a valid cost for compensation and should also not be included as part of secondary fuel commercial offer data. EirGrid can query any costs that they do not see as acceptable and can refer them to the CER if there is not agreement with the generator to resubmit them.

As discussed in Section 4 the CER will carry out a review of the compensation arrangements in 2011 at which time we will consider the secondary fuel cost submissions from generators. The first round of generator testing should have taken place at that stage.

#### **Sign-off of Commercial Data**

In the EirGrid recommendations paper it was suggested that the commercial data from the secondary fuel test needed to be signed off by a Company Director and an auditor. The respondents to that paper suggested that this was an overly onerous provision and was not needed. In light of the responses the CER and

EirGrid has discussed the issue and are of the opinion that signoff is required as the generator may not be bound by their cost reflective bidding licence condition when submitting commercial offer data to EirGrid for the secondary fuel test. However we recognise that there may be logistical problems with getting access to both an auditor and director.

In light of this the CER has decided that the signoff of a Company Director on the secondary fuel test commercial data is required. It is for the company and or their director to decide whether they require their auditor to examine the costs before submission.

### **Costs and Timing of Re-Tests**

Following on from the recommendations and discussions with EirGrid the CER believes it appropriate, that generators be paid for one failed test provided that the successful re-test is carried out within one calendar month of the failed test. Some participants have argued that one calendar month is too restrictive in some cases. However, it is important that the retest takes place as soon as possible after a failed test given the possible implications on security of supply. After a failed test EirGrid has no certainty on the ability of the generator to operate on a secondary fuel and therefore cannot rely on the plant in the case of a restricted gas delivery. For this reason the CER has decided that allowing reimbursement for failed tests once a retest happens within one month provides an appropriate incentive for the generator to achieve a successful retest.

### **Replenishment of Fuel Stocks**

The CER believes it appropriate that fuel stocks should be replenished within two calendar months of the secondary fuel test. It is critical to system security that generators replenish their stocks promptly and maintain the required secondary fuel stock levels. It is also a requirement from the CER Decision 09/001.



## 4.0 Next Steps

EirGrid will shortly commence the testing of the secondary fuel capabilities of applicable generators in Ireland. Also, further changes to the Grid Code will be made in the coming months to fully capture all the secondary fuel obligations that were set out in CER 09/001. These changes will be progressed through the Grid Code Review Panel.

Finally, the CER will liaise with EirGrid and will monitor the compliance of generators with secondary fuelling obligations. To ensure that the secondary fuel testing framework achieves its objectives the CER will review the framework after one year. This review would look at the number of successful and failed tests, the appropriateness of the compensation arrangements and would examine whether any further incentives or penalties on generators are required.