DS3 System Services Consultation – Contracts for Regulated Arrangements

This questionnaire has been prepared to facilitate responses to the consultation. Respondents are not restricted to this template and can provide supplementary material if desired.

Please send responses in electronic format to DS3@eirgrid.com or DS3@soni.ltd.uk

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Respondent Company	*IWEA*

Note: It is the TSOs' intention to publish all responses. If your response is confidential, please indicate this by marking the following box with an "x". Please note that, in any event, all responses will be shared with the Regulatory Authorities.

Response confidential ☐

The closing date for responses is Tuesday, October 17 2017

Question	*Response*
Contracts for Regulated Arrangements	
Question 1: Do you have a view on how the contractual terms for Volume Capped procurement should differ from those of the Volume Uncapped procurement?	We welcome the inclusion of a construction period in the Volume Capped procurement but we are concerned at the long-stop date on January 1st 2020. Delivery for this date will be dependent on items such as a grid where there is currently no path to grid connection today. As such, developers should not be penalised for delays outside of the their control (e.g. grid). The timelines for delivery should be aligned with the timelines that emerge from the upcoming grid offer process, including some sensible buffer to facilitate financing. We disagree with the ability of EirGrid/ SONI to unilaterally terminate the contracts in the Volume Uncapped procurement where these services are being delivered by new build projects as opposed to existing generation units. New build projects must have a high level revenue certainty for the period of the contract. This is acknowledged by the SOs in the Volume Capped procurement by removing their ability to unilaterally terminate and the same principal should apply to any new-build projects providing system services regardless of procurement category. We wish to clarify that new build projects in the Volume Uncapped procurement can begin delivering services as they become available from 1st May 2018 but that the end date for the contract would remain 31st April 2024.
Question 2: Do you have any comment on the high-level options proposed for managing the Transition period?	New units will not build based on Transition period payments and these units will not have contract certainty on Volume Capped procurement until September 2018 therefore we do not see how they will provide services in the Transition period.

Question 3: What is your view in relation to the proposed term of the Regulated Arrangements and related contract?	We agree with setting out a reasonable time-frame ahead of implementation of full auction-based system services procurement and we believe 6 years is a reasonable time-frame.
Question 4: Do you have a view on the notice period for the termination of one or more system services by the Company?	We disagree with the ability of EirGrid/ SONI to unilaterally terminate the contracts in the Volume Uncapped procurement where these services are being delivered by new build projects as opposed to existing generation units. New build projects must have a high level revenue certainty for the period of the contract. This is acknowledged by the SOs in the Volume Capped procurement by removing their ability to unilaterally terminate and the same principal should apply to any new-build projects providing system services regardless of procurement category.
Question 5: Do you have any comment on the addition of a provision to terminate the contract for a Providing Unit to provide System Services based on repeated poor performance?	We have no issue in principal with this additional provision but we note that drafting of this clause is still outstanding. It is important that this clause is drafted in a way which provides clarity on performance metrics and pass/ fail criteria and that the approach taken is reasonable.

Question 6: Do you agree with our proposal to implement Frequency Response Curves to define the provision of the FFR Service and our proposed components for the product scalar for the Enhanced Provision of FFR? If not, please specify why or identify what element of the curve design or scalar composition you believe requires amendment?	We have no issue with a differentiation between a static and dynamic response and having an incentive for providers to develop a dynamic response. We note that this differentiation is significant with a maximum product scalar for dynamic set to 1 while for static the maximum achievable will be 0.76. From a wind perspective, we are concerned at the new requirement for 'delayed energy recovery' for a dynamic response. Emulated Inertia from wind should be a very cost-effective provider of FFR and POR since it entails software upgrades to existing equipment. Emulated inertia from wind can be configured to provide the full dynamic frequency response curve shown in Figure 6 of the consultation document but, as things stand it, will be excluded from qualifying as a dynamic provider since it will not meet the 'delayed energy recovery' criterion. Therefore there is no incentive on wind OEMs to implement the dynamic response curve and as a result the SOs will lose out on cost-effective dynamic response. We would like clarity on the statement in the consultation *"The unit's provision of POR, SOR and TOR1, if contracted for any of these Services, should mirror its FFR response characteristics".* Are we right in understanding that this means that the unit response in terms of static/ dynamic will be identical for POR, SOR, TOR 1 as per FFR and performance will be measured on that basis? Will the product scalars associated apply to POR, SOR, TOR1 or only to FFR? We would also request clarity on how and when the curve parameters are defined for FFR. Will this be similar to current requirements for Frequency Response under the grid code where parameters are supplied 120 days pre-commissioning of the unit with SO having ability to amend settings with 2 weeks notice.

Question 7: Do you have any comment on the proposals for Price Certainty?	Price certainty is crucial for incentivising the required new build to provide these services. We do not agree with any conditional review of tariffs for contracts already signed. While we recognise the responsibility to manage expenditure this must be balanced with providing the required level of certainty to investors. We disagree with any measure which would materially negatively impact on revenues for parties which are already contracted. Once a party has signed a multi-year contract they should be able to rely on a base case revenue stream driven by the tariff on signing along with a reasonable certainty of scalar impacts on that tariff. We note that project developers are already exposed to significant Operational SNSP risk based on the recently-published setup of Temporal Scarcity Scalars. We wish to reiterate our belief that it is inappropriate to expose DS3 project developers to the level of volatility associated with SNSP i.e. large differences in volumes in different SNSP ranges from year to year. Please see our response to the Tarriff consultation (Q.8) for more detail. There will be one of two outcomes to this decision: • Consumers will pay more than necessary for the services because of the high financing costs resulting from this volatility exposure • EirGrid will not get enough new build projects to provide these services under the tariff cap Either of these outcomes is negative for the wind industry since it jeopardises the success for the DS3 programme and puts the industry at risk of higher rates of curtailment. Since new contracts will be awarded on a regular basis and SOs have created a specific Volume Capped procurement structure we believe that managing expenditure can be achieved more pragmatically via that mechanism
Question 8: Do you have any comment on the proposed change to the Governance of the Protocol document ?	We are concerned by any change to agreed terms once the contract is signed. We note that any material changes will be subject to RA approval and we believe it is important that any such changes are approached on a collaborative basis with service providers.

Question 9: Do you have any comment on the summary changes in relation to Performance Monitoring?	From a wind perspective, we wish to note the importance of having a reasonable time-frame for the forecasts. We agree that the proposal to provide a 6-hour forecast 6 hours ahead is workable. We think further work is needed to agree how this will work and the impact of this performance scalar on revenue. Wind farms are already mandated to provide data to SOs in order for them to forecast output. As such the SOs may be best placed to produce a portfolio forecast of availability from wind farms providing system services. We believe that this scalar should default to 1 and increase with provision of accurate forecasts in order to incentivise providers to increase their forecast accuracy. We also note that increased incentives for accurate forecasting will be introduced with i-SEM and suggest that this scalar should not be implemented until at least 12 months after I-SEM go-live. We note the statement around pass/ fail criteria for FFR, POR, SOR, TOR1 from new providers: *"For new providers partaking in the Qualification Trial Process (QTP) and those providing FFR, utilise the recommendations and learnings from the QTP to implement Pass/Fail standards"* It is important that providers have clarity on the pass/fail criteria in a timely manner ahead of bidding into competitive procurement in May, 2018. We also note that further thinking may be required around pass/fail criteria for wind providers where response varies with Available Active Power over the period of response.