

DS3 System Services Consultation – Interim Tariffs

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

Respondent Name	<i>Mary Doorly</i>
Contact telephone number	<i>045 899341</i>
Respondent Company	<i>IWEA</i>

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 Friday, 20 May 2016.

General Comments

The Irish Wind Energy Association (IWEA) welcomes the opportunity to comment on the consultation on Interim Tariffs 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 welcomes the recent increase of SNSP to 55% which has resulted in a significant decrease in curtailment levels and we acknowledge and commend the work carried out by EirGrid in implementing this increase.

Investment Certainty

IWEA believes that wind farms can play an important role in the provision of system services, however the timelines for certainty in relation to revenues is critical. There is expected to be significant build out of wind farms in the next two years in order to be compliant with the REFIT 2 construction deadline of December 2017. If these wind farms are to invest in enhanced provision of system services it is essential that there is clarity in relation to the revenues that will be available to ensure the investment case is there. There also needs to be clarity that the REFIT calculation does not take these revenues into account as this would erode the value of the investment. For wind farms connecting to the system in the next two years, many are currently signing contracts and approaching financial close for their projects. In Northern Ireland NIE has issued a moratorium on new connection offers due to the flood of new application for projects pursuing NIRO accreditation. DS3 services should be incentivised from all the projects which will be commissioned before 31 March 2017.

If there is no certainty into the likely DS3 revenues at this time these projects may not be able to deliver the required services as the investment case cannot be made. This is particularly relevant for the provision of Dynamic Reactive Response and Fast Post Fault Active Power Recovery. Barriers to entry could result in significant delays to the delivery of DS3 investments.

Participation of Windfarms

It was noted at the industry forum in Dundalk 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.

IWEA also notes that a trial is required in relation to the new system services to ensure that they are measurable and the technologies can demonstrate the capabilities. Again IWEA requests that these trials be carried out in a timely manner to ensure that these services can be provided as soon as possible and that the required technologies can be delivered. These services have been in the pipeline for a number of years now and it would seem late in the day to commence a trial in parallel with the implementation of the system service arrangements rather than this being carried out in advance.

Question	Response
Consultation on Interim Tariffs	
<p><u>Question 1:</u> Should we take any other factors into account when determining the relative importance of each service during the interim period?</p>	<p>IWEA supports the process of determining the relative importance of each service during the interim period so that the SNSP can be increased in the short term. As the system develops and other changes such as the RoCoF grid code modification are introduced, the relative importance is expected to change and it seems reasonable that this would be reflected in the weightings for interim tariffs. It would be useful to the industry if the estimated weightings could be provided out to 2020 to provide predictability to the industry in relation to how the tariffs may be expected to change in the coming years as their relative importance is expected to change over time.</p>
<p><u>Question 2:</u> Have you any comments on the methodology used to calculate the rates?</p>	<p>It is important to ensure that the methodology will deliver the required system services, therefore if a service which is of lower importance costs more to provide this may also need to be taken into consideration in the calculation of the rates. IWEA notes that the system services pot is expected to increase by something in the region of €20million for the first year. This is only a small portion of the estimated saving that the consumer will expect to see by 2020 and it is essential to ensure that the incentive is sufficient to provide services and deliver the benefits to the consumer.</p>

Question 3: Are there any other benefits from the interim arrangements that should be considered?

IWEA welcomes the information provided in the consultation paper in relation to the benefits to the consumer arising out of increased levels of renewable generation on the system and the resulting decrease in wholesale electricity prices. This corresponds with similar work carried out by IWEA in relation to the impact of wind generation on wholesale electricity prices.

IWEA believes there is also a benefit in terms of Foreign Direct Investment in Ireland. We have seen an increasing number of companies (e.g. Apple, Facebook) seeking to locate in Ireland with the use of wind energy being a primary driver for the investment, combined with Ireland's reputation for a stable electricity grid. The DS3 programme is at the heart of bringing these two aspects together through increased levels of renewable penetration while maintaining system security. The value of this investment should not be underestimated and is reliant on integrating increasing levels of renewables on the system.

Question 4: Have we set out the relevant impacts on service providers over this interim period?

IWEA welcomes the recognition that there will be costs to service providers associated with the provision of services and the monitoring equipment and it is essential that the payment for services remunerates these costs. There will also be impacts in relation to how the generator participates in the market, as well as an impact on capacity payments which have to be taken into account. This will be particularly important if the interim arrangements are required beyond the first year and in parallel with the new I-SEM market.