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REF: TEL/DV/13/053

**RE: Generator Availability and Outturn Availability Consultation**

**Introduction**

Tynagh Energy Limited (TEL) welcomes the opportunity to respond to the Process for the Calculation of Outturn Availability Consultation. TEL has a number of concerns, and these are as follows:

- Regulatory Supervision and Change Control
- Discrimination
- Status
- Availability Records
- Principles Underlying Calculation of Outturn Availability

**1. Regulatory Supervision and Change Control**

TEL is concerned at the proposed status of the availability policy that is intended by the TSOs to result from the consultation process, as set out in section 1 (Introduction) of the Consultation Document. It is stated in section 1 (Introduction) of the Consultation Document that:

*"... the policy that results from this consultation will effectively sit under the Grid Code and Trading & Settlement Code, i.e. **rather than representing a change to either of these codes**, it will be a "bridging" document which explains the link between them in terms of the treatment of availability." (emphasis added)*

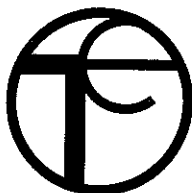
The availability policy that results from the consultation will indeed "bridge" the interface between the Grid Code and the SEM TSC, by providing a mechanism by which the operational rules set out in the Grid Code will be translated by the TSOs into availability data for use pursuant to the SEM TSC.

However, this does not mean that it is acceptable for the availability policy itself to reside in neither of these instruments (as is suggested by the wording emphasised in the excerpt above). Furthermore, the above excerpt does not seem to be accurate, in that if the availability policy is not to be included in either the Grid Code or the SEM TSC, it is not clear how it can possibly be described as "sitting under" both documents.

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The respective Grid Codes and the SEM Trading & Settlement Code are regulated multilateral agreements that are central to the physical operation and financial settlement of the Irish electricity sector (albeit, in the case of the SEM TSC, in the context of the all-Island SEM). As such, they are all subject to clear regulatory supervision and unambiguous change control procedures. Due to the financial and operational importance of the availability policy, TEL regards it as crucial that the policy also be subject to an equivalent degree of regulatory supervision, and be subject to an appropriate change control regime.

To address these issues, TEL would argue that the policy should be added explicitly to either the respective Grid Codes in each jurisdiction or to the Trading and Settlement Code, in the same manner as any other changes are made to these documents. As the asset ownership boundary is different in both jurisdictions it would be more appropriate for the policy to be implemented by defining Outturn Availability separately in each of the respective Grid Codes.

## **2. Discrimination**

It is stated in section 1 (Introduction) of the Consultation Document that:

*"... should there be any conflict between any principle set out within this paper and anything set out in any contract between TSO and a connecting party, ... then that contract ... shall have precedence over the principles derived from this consultation process."*

TEL is concerned that this statement gives rise to the possibility of discriminatory treatment of connected parties, and reminds the TSOs of the non-discrimination obligations set out in their TSO licences. Again due to the financial and operational importance of the availability policy, and to reduce (through regulatory oversight) the possibility of such discriminatory treatment occurring, TEL contend that this policy should be explicitly included as a defined term in the respective Grid Codes in each jurisdiction.

## **3. Status**

TEL has, in its commercial arrangements with third parties, assumed a number of contractual obligations in relation to (among other things) compliance with industry agreements and the consequences of changes to the electricity market. In TEL's view it is likely that a number of other Irish generation-side market participants, particularly those in private ownership, have undertaken similar obligations to their counterparties.

In the event that the TSOs document an availability policy but that the policy is placed in neither the respective Grid Codes nor the SEM TSC, TEL is concerned that this unusual status may cause uncertainty in the implementation of a number of its commercial contracts, as well as those of other market participants. This uncertainty would be greatly reduced in the event that the availability policy was included in one of the acknowledged industry agreements – again, the respective Grid Codes are the preferred destination.

## **4. Availability Records**

It is stated in section 3.3 (How Availability Records are Produced for Non-Wind Units) of the Consultation Document that:

*"... All centrally dispatched non-wind units make availability declaration to the TSO via EDIL...A declaration can be entered in EDIL by either the Generator or the System Operator."*

Clause SDC1.4.5 of the EirGrid Grid Code outlines the requirements for revisions to availability declarations by Generators. The only circumstance outlined for declarations by



the TSO are Post Event Notices. A Post Event Notice can be issued by the TSO where non-compliant availability declarations by the Generator are encountered through monitoring, testing or investigation. The procedures for this are strictly controlled and contain a dispute procedure. Other than this specific circumstance the TSO could only enter a declaration in EDIL in line with an Availability Notice received from a Generator. This distinction should be contained within any policy developed following this consultation.

## **5. Principles Underlying Calculation of Outturn Availability**

It is stated in section 4 Part 1 (Outages of the Connection Assets) of the Consultation Document that:

*"...This decision [as to whether the outturn availability should be 0MW or not] should be based on a number of factors including what party is driving the outage requirement, who owns the assets in question, who paid for the assets and the associated level of security of the connection, who controls the duration of the outage, what options exist for mitigating the impact, likelihood and duration of the outage and who controls these options."*

TEL agrees that these factors are relevant but TEL would argue that the cost to the consumer should be the primary consideration. TEL strongly contends that only Option 2 adequately address this and the TSOs existing criteria. These three options are considered in more detail below.

### Option 1: Outturn availability is set to 0MW for all outages

The TSO make two separate statements to justify the rationale for settling outturn availability to 0MW for all outages. The first being that generators may have opted for a lower level of security in connecting to the grid by opting for a tail fed or multi-unit connection as opposed to a looped connection. If this is the rationale then surely the type of connection should be taken into consideration when determining outturn availability i.e. only tail fed and multi-unit connections should be set to 0MW during outages. Setting all generators to 0MW contradicts the rationale used to justify this option.

The second statement is that generators are given priority access to outage planning. Where a generator makes a subsequent change which cannot be matched by the TSO it is within the generator's control to move the outage. The TSOs have recognised that with the increase in wind power on the system, running regimes are a lot less predictable and maintenance intervals, which are based on factored fired hours and/or starts, are harder to forecast. Generators have limited scope for delaying outages that are required under contractual service agreements. Running regimes are largely dictated by dispatch decisions which are out of the control of the Generator. The high level of constraints and resulting reduced running hours and/or additional starts on the turbines impact outage planning and will result in changes to the Committed Outage Plan which is finalised six months prior to the start of the outage season.

The TSOs have indicated that they will, where possible, accommodate these changes by moving the transmission outage. To date TEL has not had any specific problems with changes to outages being accommodated but the consultation paper acknowledges that aligning Transmission and Generation outages has become increasingly difficult.

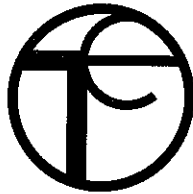
Dispatch decisions made by the TSOs can alter the running regime of a generator to the extent that a change in a planned outage is needed. Should this occur and the transmission outage could not be aligned with this, then any proposal to set Outturn Availability to 0MW during the outages of the connection assets would result in the generator not receiving capacity payments during both the outage of the generator and the separate outage on the

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transmission asset. This scenario would incorrectly impose a significant penalty on generators for decisions which are outside of their control without any benefit through reduced cost to consumers.

Option 2: Outturn availability is set to the technical availability of the generation unit for all outages

TEL supports the adoption of Option 2 in the availability policy that results from the consultation process. The rationale for this option recognises the fact the generator does not control the connection assets and cannot take actions to reduce the outage duration. Option 2 is the only option which considers the cost to the consumer. Where a generator is technically available but unable to export to the grid another out of merit generator will need to be constrained on to cover the short fall.

Where an out of merit unit is constrained on the cost to the consumer is the difference in bid price multiplied by the level of constraints i.e. if the out of merit plant is constrained on at 200MW with a bid price €1/MWh higher, the cost to consumers will be €200/hour. If the technically available unit had its outturn availability set to 0MW this plant would be displaced in the merit order by the more expensive unit. The cost to the consumer would now be an increase of €1/MWh in the SMP which would be paid by all demand i.e. if demand was 3,000MW the cost to the consumer would be €3,000/hour. There would be no difference to the cost of capacity paid by consumers in either scenario as the total size of the Capacity Payment Mechanism is pre-determined at the start of the year and is not impacted by the availability of plant.

Option 3: Outturn availability is set to 0MW for a subset of outages

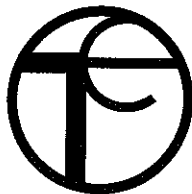
The TSOs state that the rationale for setting the outturn availability to 0MW for the standard duration of maintenance outages or forced outages only is that it shares the associated financial consequences between consumers and Generators. This statement is not accurate. Where there is an outage on the connection assets which result in a cheaper generator being unable to export its power to the meshed transmission system the consumer will pay for this regardless of the policy decided upon. The question should be which policy result in the lower cost for the consumer.

As illustrated above, where the Generators outturn availability is set to 0MW, this will result in the consumer paying a higher cost. This is because a more expensive SMP will be paid across all demand rather than the difference in cost only being paid on the volume of generator constrained on out of merit. In the example above a €1MW/h difference in price would result in a 15 fold increase in the cost to the consumer where the outturn availability is set to zero. Setting the outturn availability to 0MW does not share the financial consequences between consumers and Generators. It in fact penalises generator and consumers disproportionately.

The standard duration of maintenance outages has also not been defined. When a generator plans a maintenance outage it schedules the works on a 7 x 24 basis. While generators would expect that the TSOs would operate a similar schedule there is no indication in the paper that this will occur or indeed how long a standard outage would take. Generators have no way of influencing or minimising the duration of maintenance outages and so should not bear the cost through the decision to set the outturn availability to 0MW. There is no justification for this particularly where there is no benefit to the consumer.

## **Conclusion**

TEL recognises that the relationship between Availability in the Grid Code and Outturn Availability in the TSC is not explicit. It is understandable that the TSOs desire to develop a



harmonised policy on an All Island basis but neither the Grid Codes nor the definition of connection assets has been harmonised. It is difficult to see how a harmonised policy can be developed where these fundamental differences exist. If a policy were to be developed, it should be defined in the Grid Codes of the separate jurisdictions.

Availability payments are an important revenue stream for generators and any proposal by the TSOs to amend the calculation of Outturn Availability must be justified, proportionate and result in a saving for consumers. TEL strongly contends that the only option presented by the TSOs that does not disproportionately impact Generators is Option 2. This is also the only option that would minimise the costs to consumers. TEL is available to further discuss any of the issues if required.

Yours sincerely

**David Vaughan**  
**Business Analyst**