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Ref: TEL/PH/17/204

24th October 2017

RE: Consultation on DS3 System Services Contracts for Regulated Arrangements

Dear Sirs,

TEL welcomes the opportunity to respond to this consultation, however it is unfortunate that this consultation was issued prior to the publishing of the outstanding Decisions.

TEL believe (as we have said in previous responses) that looking at DS3 apart from I-SEM and CRM is short-sighted and is unlikely have a successful outcome. The DS3 workstream appears to have looked at the current generation portfolio and seen that they are meeting the required volume. Therefore, there is limited requirement for investment in these services. This is not taking account of the effect of CRM and I-SEM. Both of these streams are seeking to send exit signals to unnecessary generation in the market. The SEMC cannot seek the removal of this generation (and their contribution to System Services) in some streams and not plan for the replacement of their volume contribution under DS3. Some of those plant that currently provided System Services will leave the market, and there is very little in this consultation or in recent DS3 Consultations or Decisions that will encourage any participant to invest.

The SEMC appear to have focussed on minimising the risk of DS3 over expenditure rather than the successful delivery of the system services that are required to facilitate the high level of wind penetration. The proposed six-year contract (with a termination clause) and payments that are based on the level of wind generation will not encourage the necessary investment.

In terms of the DS3 System Service Contracts for Regulated Arrangements Consultation, TEL have the following comments:

- The Decision needs to clarify exactly what is a High Availability Providing Unit. The current definition is ambiguous. TEL believe that the proposal to treat the capped volume providers and uncapped volume providers differently is inequitable. The capped volume providers will receive a guaranteed contract term of five years with no termination clause whereas providers of uncapped volume can have their contract terminated with one year’s notice. This current proposal favours investment in high availability providing units over investment from other technologies through a guaranteed contract. Such a proposal is not technology neutral and is against SEMC’s decision (SEM-14-108).
- Any changes to section 11 of the contract (limitation of liability) should be consulted upon in a separate consultation.

- As per TEL's response to the Enduring Scalar Design consultation, TEL do not agree with the decision to delay the implementation of the Market v Physical dispatch position. However, TEL understand that this will be resettled in June 2019. TEL ask the RAs to provide participants with indicative settlements through the year prior to a final resettlement.
- The introduction of a regular tariff structure review will also serve to reduce investor confidence. TEL do not believe a prudent investor would consider a non-guaranteed contract that can be terminated with one year's notice and which can be changed after three months as a viable investment project.
- Further clarity is required on why providing units should be contracted to provide a forecast availability of the POR, SOR, TOR1, TOR1, RRS, RRD, FFR, RM1, RM3 and RM8 services. In light of the unpublished Enduring Scalar Design decision, TEL want to reiterate that TEL do not agree with the proposal to include forecast accuracy in the performance scalar. The performance scalar should be based on the unit's ability to provide the required service. The forecast ability of the plant should not be negatively impacting on the performance scalar.

In summary, the current mindset to focus on minimising the risk of DS3 overspending should be compared to the penalty costs of Ireland failing to meet the EU 2020 targets. The lack of investment certainty now provided through the proposed DS3 structure tariffs, scalars and contract decisions will be judged not just against Ireland's progress against the 2020 EU targets but the 2030 EU targets.

Please do not hesitate to contact me if you have any queries on this response.

Yours sincerely,

Paraic Higgins

Paraic Higgins
I-SEM Analyst