

**SINGLE ELECTRICITY MARKET
COMMITTEE**

**SEM Testing Tariffs 2016
SEM Committee Consultation**

SEM-15-087

20 October 2015

1 Introduction

In March 2012 the SEM Committee published SEM-12-014 which approved a revised methodology for the calculation of the SEM Generator Testing Tariffs from that which had applied since 2005. This decision also stated that *“commencing in 2013, the TSOs shall review these tariffs annually and submit their recommendations to the SEM Committee not later than 31st August each year. The SEM Committee may revise the tariffs taking these recommendations into consideration.”*

In accordance with this Decision the TSOs have made a submission to revise the existing tariffs based on the application of the approved methodology. The Regulatory Authorities have reviewed the proposals and the SEM Committee has decided to issue the recommended tariffs for consultation prior to forming a view.

2 Request for Comments

The SEM Committee requests responses from industry on the proposed tariff changes. For the avoidance of doubt this consultation relates to the revision of the tariffs only, and not the underlying methodology approved in SEM-12-014b. Comments should be submitted, preferably by email, to Billy Walker (Billy.Walker@uregni.gov.uk) at the Utility Regulator and Aoife Parker-Hedderman at the CER (aparkerhedderman@cer.ie) by **17.00 Monday 9th November, 2015**.

3 Generator Testing Tariffs

The application, by the TSOs, of the approved methodology results in the revised tariffs as set out in the tables at the end of this document. Tariff A, generally associated with commissioning units, is primarily increasing (only three of the ten tariff bands are decreasing), while Tariff B, associated with units in the latter stage of commissioning or general testing of existing units, is decreasing (in all tariff bands). Despite the increase in charges in 2016 in comparison to their level in 2015, it should be noted that the 2016 charges are lower than they were in 2014.

Cost Drivers for Tariff A:

- Updates to the fuel prices forecast for the relevant period;
- The type of unit scheduled to cover the required additional run hours per Generator Unit Under Test (GUUT); and
- A refinement to the calculation of the cost of a sudden output (further details below).

Cost Drivers of Tariff B:

- A refinement to the calculation of the cost of a sudden output (further details below).

Details on the revised calculation of the cost of a sudden output:

The TSO propose a refinement in how the cost of a sudden output drop is calculated. Rather than assuming that there is an equal amount of each trip type (direct, fast wind down and slow wind

down) that occurs, the TSOs have included weightings in the cost per trip calculation. The weightings for each trip type are derived from analysis of actual trip data over a 4 year period from October 2010. The result is an amendment of trip type weightings from that of equal weighting to a weighting of 62.4% direct trip, 22% fast wind down and 15.6% slow wind down. This is outlined in the TSO's 2016 Testing Tariff Paper and is consistent with the calculation methodology outlined in the 2011 recommendations paper.

Clarifications (Section 5.0 of TSOs' Testing Tariffs 2016 Paper):

The paper provides clarifications on three queries, two queries were raised by generators to the TSOs as part of general day to day correspondence (see Clarification 1 and 2 below). The third query was raised by a respondent to the 2015 Consultation paper. The RAs requested that the TSOs consider same and clarify their position on the proposal (see Clarification 3 below).

Clarification 1: Short Notice Declarations are not applicable to a GUUT if the GUUT follows their agreed load profile.

Clarification 2: Unit tariff rates are based on the registered capacity of a GUUT and not their real-time output, as this is considered reflective of the higher system risk with the sudden loss of a larger generator.

Clarification 3: A respondent to the 2015 paper queried whether a 4th phase of testing could be introduced for units under test trying to ensure compliance with Grid Code changes, proposing that no testing tariffs apply. The TSOs having considered this are not in favour of a new phase of testing whereby no tariff applies, for the following reasons:

- The additional imperfections costs incurred from the GUUT would need to be recovered in arrears via the K factor adjustment. The TSO would therefore have to include an additional provision to cover these costs in the annual Imperfections Revenue Requirement submission.
- The type of testing that would be carried out during the proposed new phase is likely to be high risk testing which assigned as Phase 1 testing and associated with Tariff A.
- There would be no incentive on the GUUT to carry out testing as efficiently as possible.

The TSOs' Recommendations Paper contains a detailed discussion on the calculation of the revised tariffs and is published alongside this paper.

Tariff A:

| Generator Capacity | MW | 2016 €/MWh | 2015 €/MWh | % Variance |
|--------------------|-----|------------|------------|------------|
| GEN <50 | 50 | €9.01 | €6.57 | 37% |
| 50 < GEN ≤100 | 100 | €7.76 | €6.59 | 18% |
| 100 < GEN ≤ 150 | 150 | €7.82 | €7.30 | 7% |
| 150 < GEN ≤ 200 | 200 | €7.27 | €7.05 | 3% |
| 200 < GEN ≤ 250 | 250 | €7.59 | €7.96 | -5% |
| 250 < GEN ≤ 300 | 300 | €7.80 | €7.82 | 0% |
| 300 < GEN ≤ 350 | 350 | €8.16 | €7.78 | 5% |
| 350 < GEN ≤ 400 | 400 | €8.10 | €8.26 | -2% |
| 400 < GEN ≤ 450 | 450 | €9.41 | €8.79 | 7% |
| 450 < GEN | 500 | €12.06 | €11.02 | 9% |

Tariff B:

| Generator Capacity | MW | 2016 €/MWh | 2015 €/MWh | % Variance |
|--------------------|-----|------------|------------|------------|
| GEN <50 | 50 | - | - | - |
| 50 < GEN ≤100 | 100 | - | - | - |
| 100 < GEN ≤ 150 | 150 | - | - | - |
| 150 < GEN ≤ 200 | 200 | €0.22 | €0.27 | -19% |
| 200 < GEN ≤ 250 | 250 | €0.35 | €0.43 | -18% |
| 250 < GEN ≤ 300 | 300 | €0.57 | €0.68 | -16% |
| 300 < GEN ≤ 350 | 350 | €0.93 | €1.09 | -15% |
| 350 < GEN ≤ 400 | 400 | €1.51 | €1.74 | -13% |
| 400 < GEN ≤ 450 | 450 | €2.46 | €2.79 | -12% |
| 450 < GEN | 500 | €4.01 | €4.46 | -10% |