

# DS3 System Services Auction Design workshop

Crowne Plaza, Dundalk

25<sup>th</sup> April 2016

# Agenda for today

- RA role
- Industry role
- Focused discussion

# Purpose of the Workshop

- RAs will listen to views from various industry perspectives
  - Further engagement requested by Industry
  - Open discussion on solutions & proposals to the key issues
  - Discussion will focus on key issues of auction design
- Discussion will inform SEMC consideration of next steps

# Areas of Focus

- Commitment Model
  - Full/No/Contingent
  - Regulated INC/DEC
  - Availability Commitment
  - Other
- Interactions with BM
- Separate Auctions: Short/Long-term
- Frequency of the auctions
- Role of the MARR

# DS3 Update

# DS3 Overview

- DSM
- Performance Monitoring
- ROCOF
- System Services
- Grid Code

- Frequency
- Voltage
- Renewable Data



- WSAT
- Control Centre Tools
- Model Dev. & Studies

# System Services

New System Services		Existing System Services	
<b>SIR</b>	Synchronous Inertial Response	<b>SRP</b>	Steady-State Reactive Power
<b>FFR</b>	Fast Frequency Response	<b>POR</b>	Primary Operating Reserve
<b>DRR</b>	Dynamic Reactive Response	<b>SOR</b>	Secondary Operating Reserve
<b>RM1</b>	Ramping Margin 1 Hour	<b>TOR1</b>	Tertiary Operating Reserve 1
<b>RM3</b>	Ramping Margin 3 Hour	<b>TOR2</b>	Tertiary Operating Reserve 2
<b>RM8</b>	Ramping Margin 8 Hour	<b>RRD</b>	Replacement Reserve (De-Synchronised)
<b>FPFAPR</b>	Fast Post-Fault Active Power Recovery	<b>RRS</b>	Replacement Reserve (Synchronised)

# SEMC Approach to System Services

## Interim Arrangements

- Q4 2016

## Enduring Arrangements

## Competitive Process

- Transitioning from regulation to competition where possible

## Fully Integrated Market

- Optimisation of energy, system services and capacity prices through competitive forces



# Interim Arrangements

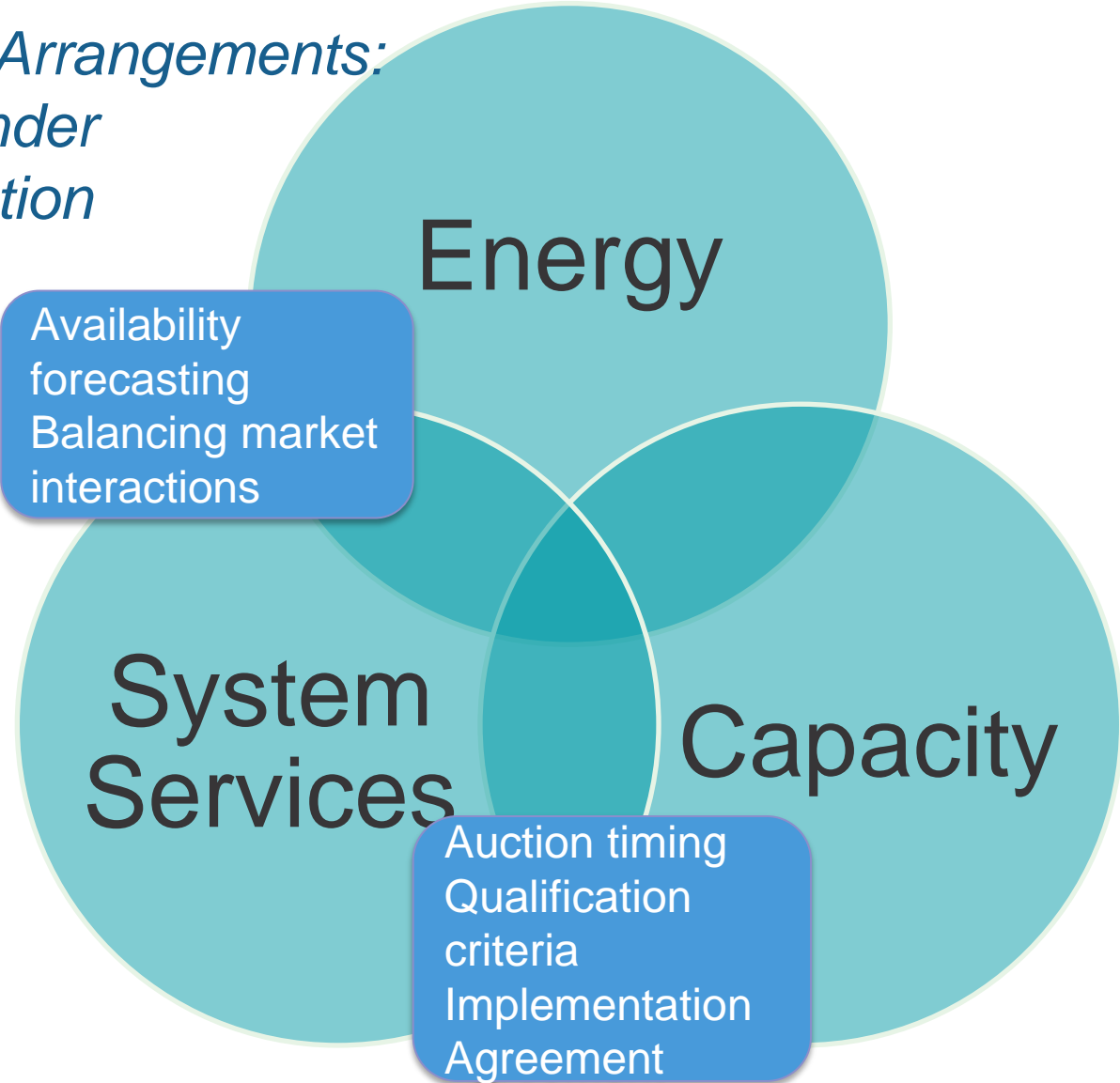
- Interim Tariffs open for consultation (20<sup>th</sup> May closing date)
- Interim Contract documents – Framework Agreement, Protocol Document and Consultation paper (3<sup>rd</sup> June closing date)
- OJEU notice and procurement process started (25<sup>th</sup> May tender submission)
- Technology Trials – new providing technologies and fast services (Q4 2016)

# SEMC Objectives for System Services

- Delivering Consumer Value
- Facilitating the increase in the SNSP to 75%.
- Facilitating new investment where required
- Providing aligned competitive markets in energy, system services and capacity

# Efficient Interaction of Market Revenues

*Enduring Arrangements:  
Issues under  
consideration*



# Enduring Procurement Arrangements

SEMC direction to deliver Auction Design that facilitates;

- Mandatory, sealed-bid, pay-as-cleared, instantaneous auction
- Package bidding: multiple, mutually exclusive bids permitted
- Least-cost outcome is selected, results in individual clearing prices for each service
- Existing units can only bid for 1 year contract, new and investment plant – longer term contracts

# Consultation Responses

# Keys Issues

- CRM
- Long/short term auctions
- Granularity, flexibility, package bidding
- Forecasting
- Winners/Losers
- Commitment Model

# Auction Design- Key issues

Alignment with CRM - generally welcome..

Majority support for:

- Alignment on
  - Lead times,
  - Qualification processes,
  - bonding arrangements
- Linkages between successful outcomes in CRM and DS3 for those participants that require income from both revenue streams to proceed

However, concurrent, complex and detailed development of both I-SEM and DS3 places an unreasonable burden on stakeholders and does not facilitate full engagement on DS3 Auction design

# Auction Design- Key issues

Separation of Long term and short term contracts – i.e. running two Auctions

Mixed response

- No clear consensus – complexity regarding upgraded plant, volume requirements , will there be competition available with segregated auctions



# Auction Design- Key issues

## Introducing granularity

- Some agreement but general consensus that the increased complexity would need further detailed consideration and should not be implemented immediately

## Introducing Volume flexibility

- general agreement for requirement but no clear consensus on how to implement

## Package based bidding

- Generally supportive responses but highlight complexity of process and that significant industry engagement and training would be required to implement

# Auction Design- Key issues

## Predicting Availability

Majority state it will be extremely difficult to accurately predict and formulate bids

## Cap/Clawback on availability

No clear agreement – increased risk for bidders with clawback

# Auction Design- Key issues

## Differences between winners and losers

- Mixed response – no significant support for losers receiving less in a centrally dispatched market.

# Auction Design- Key issues

## Commitment Model

- Dot Econ Model- no support for DEC and INC requirements
- Alternative commitment model- some support but further detail required
- No clear consensus on Full Commitment Model or No Commitment model either

# Today's Discussion on Auction Design

# Areas of Focus for Today

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# Next Steps: Auction Design

- SEMC to consider Industry input on 28<sup>th</sup> April
- RAs to issue information note once timelines are developed

# Next Steps: System Services

- Step-wise approach to transition from HAS to competitive arrangements
- Interim Arrangements for Q4 2016
- Development of enduring arrangements to continue
- Progressing towards SEMC Decisions on the following:
  - Volume Methodology/Scenarios
  - Tariff Methodology
  - Contract Design & Qualification Process
  - Competition Metrics
  - Scalars
- I-SEM/DS3 co-ordination on market design



# Thank you

DS3 System Services Industry workshop- Auction Design

25<sup>th</sup> April 2016