



**SINGLE ELECTRICITY MARKET COMMITTEE**

**I-SEM Generator Testing Tariffs 2018**

**SEM Committee Decision**

**SEM-18-027**

**08 May 2018**

## 1 Introduction

This paper replaces the SEM-18-023 decision due to an amendment of the wording utilised in that paper to account for the revised date of I-SEM Go-Live.

In March 2012 the SEM Committee published SEM-12-014, which approved a revised methodology for the calculation of SEM generator testing tariffs. It was also stated that *“the TSOs shall review these tariffs annually and submit their recommendations to the SEM Committee not later than 31<sup>st</sup> August each year. The SEM Committee may revise the tariffs taking these recommendations into consideration”*.

In light of the new Integrated Single Electricity Market (I-SEM), the TSOs reviewed the SEM Testing Tariff methodology in addition to the annual review of the rates. Following public consultation the TSOs have recommended a slightly revised methodology to account for the new market arrangements. The proposed revised methodology is set out in the TSOs Recommendation Paper, published alongside this Decision. The TSOs consider this methodology will appropriately recover costs associated with units under test in I-SEM, however as the SEM Committee considers it would be appropriate for the TSOs to conduct a review of the methodology once there is sufficient data of the actual operation of the market in I-SEM.

The TSOs submitted their Recommendation Paper to the SEM Committee on 2<sup>nd</sup> February 2018. The recommendation followed a Consultation Paper<sup>1</sup>, published on 2<sup>nd</sup> June 2017, on a range of options. The SEM Committee has considered the TSOs recommendations and respondents’ comments to the consultation and sets out its decision in this paper for the testing tariffs to apply from I-SEM go-live until 31<sup>st</sup> December 2018.

## 2 I-SEM Testing Tarrifs: TSO Recommendation

In the current all island electricity market, there are two SEM generator testing tariffs - tariff A and tariff B, associated with commissioning units and units in the latter stages of commissioning or where existing units are conducting general testing activities respectively.

There are four cost components that pertain to SEM generator testing tariffs: reserve imperfection cost, system services reserve cost, unit commitment imperfection cost and cost of output drops/tripping. All four components feed into the calculation of tariff A. Only one of these components feeds into the calculation of tariff B, cost of output drops/tripping.

Given that the new all island Integrated Single Electricity Market (I-SEM) will be implemented in 2018, the TSOs published a consultation paper proposing different options for the calculation of Testing Tariffs from I-SEM go-live to 31<sup>st</sup> December 2018. Responses from 6 parties were received.

Having taken the comments received under consideration, the TSOs recommended that for low impact testing (tariff B) no tariff should be applied. The rationale for this proposal is that with the

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<sup>1</sup> <http://www.eirgridgroup.com/site-files/library/EirGrid/ISEM-Testing-Tariffs-Consultation-Paper.pdf>

introduction of I-SEM, UUT will be balance responsible and therefore there is no need of a trip charge. For high impact testing (Tariff A) the TSOs propose option 1, as set out in the consultation paper, should be applied. Option 1 for Tariff A consists of retaining all cost elements except for the cost of output drops/tripping. The rationale for this proposal is that there may still be associated costs such as unit commitment and reserve costs, which will not be paid for by the GUUT being balance responsible in the new market.

Notwithstanding the removal of the trip element from Tariff A and the removal of Tariff B, the TSOs have indicated that they may recommend re-introduction of this element in future years.

### 3 SEM Committee Decision

The SEM Committee has decided that, as recommended by the TSOs, the I-SEM Testing Tariff rates as set out in the table below will apply from I-SEM go-live until 31<sup>st</sup> December 2018. Furthermore, the SEM Committee directs the TSOs to conduct a review of the Testing Tariff methodology and report on the outcome when submitting its proposed Testing Tariff rates to apply in 2020.

#### Tariff A:

Generator Capacity	MW	SEM portion of 2018 €/MWh (from 1 <sup>st</sup> Jan to I-SEM go-live)	I-SEM portion of 2018 €/MWh (from I-SEM go-live to 31 <sup>st</sup> Dec)	% Variance
GEN <50	50	€6.09	€2.24	-63.22%
50 < GEN ≤100	100	€4.74	€4.02	-15.19%
100 < GEN ≤ 150	150	€5.17	€3.20	-38.10%
150 < GEN ≤ 200	200	€5.58	€3.28	-41.22%
200 < GEN ≤ 250	250	€5.99	€3.02	-49.58%
250 < GEN ≤ 300	300	€6.33	€3.73	-41.07%
300 < GEN ≤ 350	350	€6.24	€3.75	-39.90%
350 < GEN ≤ 400	400	€5.99	€3.98	-33.56%
400 < GEN ≤ 450	450	€6.92	€3.83	-44.65%
450 < GEN	500	€9.34	€3.83	-58.99%

## 4 Next Steps

The SEM Committee has also decided that the Testing Tariff rates to apply for the I-SEM portion of 2018 will be reviewed and monitored by the TSOs in the new market (I-SEM) to ensure that they fit into the new market arrangement and the system costs are recovered in a fair and reasonable manner. It has been decided that the first testing tariffs appropriateness review carried out by the TSOs will be carried out in advance of the tariff year 2020.

The Testing Tariff rates set out above will apply from I-SEM go-live until the 31<sup>st</sup> December 2018.