



SINGLE ELECTRICITY MARKET COMMITTEE

System Services Fixed Contracts

Procurement Outcomes

Information Paper

SEM-19-062

13 November 2019

1 INTRODUCTION

The purpose of this information paper is to provide an update to the System Services Fixed Contracts Procurement following the conclusion of the procurement process and a background to what has been done to date in this area. Overall the procurement process was successful, attracting significant interest from new technology types and securing the provision of a set of System Services contracts at a price which is both beneficial to consumers and provides successful applicants with revenue certainty over a six-year period. These services will contribute to the secure operation of the all-island power system by reducing curtailment, facilitating lower energy prices for consumers.

The outcomes from the process represent significant value to consumers. This is both in terms of value relative to contracting the same services under the regulated arrangements, and in terms of learnings from running a competitive procurement for system services while introducing new technology types onto the system.

2 BACKGROUND

The SEM Committee Decision on Tariffs & Scalars ([SEM-17-080](#)) outlined that a competitive procurement process was to be undertaken for a sub-set of services with specific availability requirements on fixed six-year term contracts. The volumes procured under this fixed contract procurement process were capped while the intention of the arrangements was to incentivise entry of new technologies by providing a fixed contract term, and a degree of revenue certainty, while enabling provision of services from the most cost effective technologies able to meet the availability requirements.

Following publication of SEM-17-080 the TSOs held a public consultation and submitted a recommendations paper to the RAs setting out their proposed approach to the Fixed Contracts Procurement. The SEM Committee then published its decision on the DS3 System Services Fixed Contract Procurement ([SEM-18-049](#)).

The SEM-18-049 decision paper provided that units would be required to provide five System Services (FFR, POR, SOR, TOR1 and TOR2) all at the same contracted volume level while meeting the technical requirements as specified in the TSO's Recommendations Paper. The service availability obligation was set at 97%, excluding planned periods of maintenance, over a 12 month period, with performance scalars applied for availability below this level.

It was decided to set the maximum contracted volume per separate grid connection under the Fixed Contracts at 50MW and to procure an overall minimum of 91MW up to a maximum of 140MW, with the last successful whole bid being the one which takes the total procured volume above 90MW. Applicants were also required to submit a percentage discount factor against the tariffs, with this factor being the same for all five services. Bids were to be assessed for the bundled service and ranked on price, with no bid permitted to exceed the tariff rates outlined in SEM-17-080.

After the SEM Committee's publication of SEM-18-049, the TSOs carried out a further public consultation on the Contractual Arrangements for the Fixed Contracts and subsequently submitted a Recommendations Paper to the RAs. Following receipt of the TSOs' consultation paper, the responses received to this consultation and the TSOs' Recommendations Paper, the SEM Committee published a decision paper which set out its Decision on the contractual principles to be reflected in the TSOs' System Services Fixed Contracts ([SEM-19-005](#)). This should be read in conjunction with the TSOs' Paper, Recommendation on DS3 System Services Volume Capped Fixed Contracts.

3 OUTCOME

Following publication of SEM-19-005, the TSOs proceeded with issuing an all-island competitive tender framed by reference to the decisions set out in SEM-18-049 and SEM-19-005. The tendering process was competitive, attracting bids for 18 service providers. Of these, three were successful, providing 110 MW of Volume Capped services in total. The successful projects were all battery storage units located in Ireland and received their connection offer from EirGrid through ECP-1.

The successful tenders are summarised below:

Providing Unit	Service Provider	Contract Size
Gorman Energy Storage Station	ScottishPower Renewables (UK) Limited	50 MW
Porterstown Battery Storage Facility	Porterstown Battery Storage Limited	30 MW
Kilmannock Battery Storage Facility	Kilmannock Battery Storage Limited	30 MW

Overall the procurement outcomes represent significant value for consumers when compared to the regulated tariff arrangements which are currently in place until 2023. The TSOs published¹ an update which states the value of the contracts as totalling approximately €6 million annually or €38 million over the life of the contracts. The TSOs calculated a value of contracting the same volume of services under the regulated arrangements and estimated that it would be c. €175 million more than the value seen through the competitive process.

Looking ahead, the SEM Committee will consider the learnings from this process with a view towards realising further benefits for consumers.

¹ EirGrid publication: <http://www.eirgridgroup.com/how-the-grid-works/ds3-programme/ds3-consultations-and-pub/index.xml>; SONI publication: <http://www.soni.ltd.uk/how-the-grid-works/ds3-programme/ds3-consultations-and-pub/index.xml>