

DS3 System Services Consultation – Volume Capped Procurement

This questionnaire has been prepared to facilitate responses to the consultation. Respondents are not restricted to this template and can provide supplementary material if desired.

Please send responses in electronic format to DS3@eirgrid.com or DS3@soni.ltd.uk

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Note: It is the TSOs' intention to publish all responses. If your response is confidential, please indicate this by marking the following box with an "x". Please note that, in any event, all responses will be shared with the Regulatory Authorities.

Response confidential

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High Level Introduction to Response

Notwithstanding our detailed responses to the specific Consultation Questions below, Bord Gáis Energy (BGE) would firstly like to highlight an over-arching concern, which we think has the potential to undermine the detailed design and implementation of the DS3 system service market.

Noting that in their Decision on the high level design of the DS3 procurement process, the Regulatory Authorities outlined a number of objectives (outlined in Section 1.3 of the Consultation Paper). Amongst them are the objectives of; competitive procurement; assurances to customers that they can harness the cost benefits of increased renewables, and assurances to customers that they will not pay more for system services than the SMP savings achieved from higher levels of renewables. In BGE's view, these objectives may be undermined by the interaction between the Connection Policy Decision that was published by the Commission for Regulation of Utilities on the 27th March 2018 (CRU/18/058)¹ and the procurement proposals outlined in this Consultation Paper. In short, BGE is concerned that the Connection Policy Decision will allocate capacity to only 2/3 parties ahead of the DS3 procurement process without sight of when another 'batch' of capacity may be available to others. Given the proposed obligation that parties entering the DS3 tender must hold a connection offer, the Connection Policy Decision will limit competition from participants in the Republic of Ireland to just these 2/3 parties.

Recognising that the DS3 market is an all-island market and that there is a different connection process in Northern Ireland, we note that Northern Ireland is reviewing its connection process to manage connections given similar restrictions on available firm capacity in the short term². In short, grid capacity is limited in both jurisdictions and to maximise competition in the DS3 tender process we must consider ways of 'freeing up' capacity to investors that will help achieve the objectives of the DS3 market high level design and prevent parties from hoarding capacity to the detriment of competition.

Although it is arguable that customers will be protected by the revenue caps and the related scalars implicit in the remuneration mechanism, BGE argues that the best value for the customer³ will not be achieved if competition is not maximised in the tender process. All interested parties have spent many years developing the appropriate arrangements to ensure that the DS3 market achieves a balance between incentivising investment and delivering value to the customer. We would therefore encourage the System Operators to work

¹ https://www.cru.ie/document_group/electricity-connection-policy/

² <http://www.nienetworks.co.uk/documents/generation/ni-gen-connections-consultation.aspx> : Link to SONI and NIE Networks' 'Consultation on Connection Further Generation in Northern Ireland'

³ "best value for the customer" refers to the outturn prices but also the other objectives, noted by the TSO in the Consultation Paper, of resilience to delivery risks and of learnings in the processes and systems for future tender processes.

with the Regulatory Authorities to ensure that capacity allocation does not become a barrier to this and future tenders for DS3 system services.

Question	Response
Proposed Market Ruleset	
<p><u>Question 1:</u> Do you have any comments on the two options for service bundling proposed and the TSO's preferred option?</p>	<p>BGE has no issue with the proposal to bundle all products from FFR to TOR2 at equal volumes in this procurement process. As a starting point, if a <u>competitive</u> tender can deliver all of these products from single service providers to ensure that Ireland can meet its renewable aspirations, we believe it is the most efficient approach.</p> <p>In BGE's view this makes sense primarily from an auction assessment point of view. Referring back to the combinatorial auctions that were previously mooted as part of the DS3 market design in 2015, it would be too complex and opaque to determine tender winners where parties are providing different bundles of different system services at different volumes. On that basis, provided that there is sufficient competition in the process, BGE believes that the most transparent and efficient approach is to apply a bundled approach across all 5 system services to the tender process.</p> <p>However, if a competitive tender cannot deliver all of these services from single service providers, then it would be important to open the competition to other asset types who can deliver collectively the volumes required across the range of system services.</p>
<p><u>Question 2:</u> Do you have any view on the technical requirements proposed, including the requirement for over-frequency response?</p>	<p>-----</p> <p>Trickle Charge</p> <p>Firstly, BGE would like a clear definition of what the 'trickle charge' proposal is. For instance, is it a % of the units MIC/MEC? The Consultation Paper only refers to the system criteria to facilitate a trickle charge but there is no clarity on what the technical parameters of the trickle charge itself may be for the unit?</p> <p>Related to the questions regarding availability above, it is unclear whether the trickle charge provisions outlined in the Consultation Paper are 'obligations' to maximise a units' availability during system events or whether they are simply an option for parties to use. We believe this issue, amongst others, must be discussed in more detail at the upcoming Storage Technology</p>

	<p>Workshop. Arrangements facilitating recharging and rules on availability during recharges relating to system service responses can significantly impact the business case of a battery project.</p> <p>From an investors point of view, BGE is concerned that a battery units' Availability will be declared down considerably after it responds to an event. We are also concerned that a battery unit will be limited physically from recharging through a potentially reduced MIC and that it will be practically incentivised to reduce its economic attractiveness to be dispatched to provide services.⁴ In BGE's view, there is an inconsistency in the requirement to have units provide an availability of 97% on the one hand while on the other hand prevent units from actually recharging effectively to meet this requirement.⁵</p> <p>Over Frequency Response</p> <p>Whereby BGE can understand the TSO's rationale for seeking provisions of both over and under Frequency services, the Consultation Paper does not seem to recognise the implications this obligation may have on the provision of the stated system services. From the perspective of a Battery Unit operator, a battery can provide one, either or both of under and over Frequency. However, providing one limits how much of the other a unit can provide. That is, if the requirement is symmetrical, a unit will look to position itself at a 50% charge state so that it can respond equally in either direction. This obviously limits it's availability to provide under frequency by half, which we understand is the primary requirement of the system at this time.</p> <p>Alternatively if the unit was to provide the same level of over and under frequency response the unit could look to double its size. This would obviously have knock on effects on the CapEx costs of the project, potentially increasing it by multiples of the original expected cost.</p>
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⁴ Given the dynamic nature of the response required for most of the system services, it is probably unlikely that a service provider will be in a position to economically disincentivise its' Availability, however, it will potentially look to reflect the costs of the foregone revenues related to recharging obligations and its impact on its Availability in its complex bid offering to the Balancing Market.

⁵ BGE understands that some of the concerns on recharging relate to units exacerbating system issues by recharging straight away during/after an event. Principles or rules can be agreed to minimize this risk – similar to that of requiring the system to have returned to stability for a set period of time before a recharge can commence.

	<p>It also has implications on the response time provided by a unit (i.e. if moving between a cross-over point a unit could, depending on state of charge need 150-300ms to hit the cross-over point and then another 150-300ms to reach the dispatch point..</p> <p>In BGE's view, without a clear view as to the over-frequency requirements in future years, it is premature and a misallocation of scarce resources to place an obligation on parties to provide the service at this time.</p> <p>The assessment above is based on BGE's interpretation of of the arrangements described at a high level in the Consultation Paper. What is not clear from the Consultation Paper is whether the TSO's proposal is for a unit to provide equal volumes of both over and under Frequency. Is the response fully symmetrical or for instance is the over frequency response only required out to 5 minutes as opposed to the full 20 minutes for under frequency response? What does the droop curve look like? Will the deadband change in the case of symmetrical from 49.8 to 50.2? It is also unclear as to how a unit positioning itself to provide both services would have its Availability declared and measured. Is the proposal that the Availability to provide each would be rewarded equally in terms of the Scalars applied and the Volumes declared?</p> <p>BGE has technically no issue with the proposals that a unit must provide both over and under Frequency, but in practice there is not enough detail within the Consultation Paper to comment extensively on the proposal and how it may impact on the efficient procurement of the wider suite of requirement system services. However, in principle BGE does not believe that the customer should incur increased costs or reduced services by placing an obligation on parties to provide a system service which we are unsure will be needed and/or what volume of that service will be required. For now, BGE would suggest that the Phase 1 procurement process focus simply on the provision of under frequency services with a commitment to examine the need for over-frequency services and an intention to procure the necessary volumes through subsequent Phases.</p> <p>Minimum Speed of Response</p> <p>The Consultation Paper suggests that the minimum speed of response is between 150 – 300 milliseconds. Firstly, we would like clarity on what point the speed of response is measure. Will</p>
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	<p>it be measured at the point when the response is noted at the unit level i.e. at the meter or is it at the point that the response reaches the system i.e. the point of common coupling.</p> <p>It is unclear from the Consultation Paper whether the parameters stated are a requirement for participating units. BGE's understanding is that to provide the suite of products from FFR through to TOR2 that a unit must be able to react dynamically as quickly as 300ms. A product scalar could then be applied to incentivise parties who can provide a response quicker than 300ms. However, the suggestion that the range is a minimum requirement makes it unclear. BGE would welcome clarity on this issue and suggesting that the wording be clarified whereby the 'Required minimum speed of response' is stated at '300ms' and the Product Scalar for FFR is used to flag and account for the value of a faster response where possible by Providing Units.</p> <p>Related to our response to Question 9 below, the value of this product scalar will then be applied by participants bidding into the auction and reflected in the overall price paid by customers for the suite of system services procured.</p> <p><i>Dynamic Nature of Response</i></p> <p>Given the speed at which certain of the services must be provided, BGE understands that the TSOs will require responses to be dynamic in response to system triggers. It is not clear however what the process relating to the measurement of this response will be. That is, how it will be measured, what communication systems and messages will underpin the arrangements and how communications may be augmented as we move out in time beyond the timescales for FFR and POR service provision.</p> <p>.....</p>
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<p><u>Question 3:</u> Do you have any comments on the availability obligation proposed?</p>	<p>At a high level, BGE can understand the requirements for a level of availability at 97%. It essentially precludes parties from participating in the energy and capacity markets and ensures that they make themselves available constantly and consistently for DS3 system service provision only.</p> <p>At an operational level however, BGE has a number of questions. It is unclear from the proposals outlined in the Consultation Paper how a units' availability will be determined and measured. Although we understand the TSOs ambition for units' to be available 97% of the time, it is unclear if availability will be measured by reference to market Physical Notifications (PNs), EDIL availability and how it will be retrospectively adjusted to account for dynamic responses and TSO dispatch instructions. It is also unclear as to how availability will be measured after a unit has responded to an event i.e. will its availability be declared down in the trading period after it has offered a response to the system? We would welcome a detailed ruleset outlining how availability will be communicated and determined through the various systems and processes (including settlement).</p> <p>As outlined in response to Question 2 above already, BGE is also concerned that an obligation to trickle charge and/or a limitation on a battery units' Minimum Import Capacity (MIC) will significantly impair its Availability despite the best endeavors of the system service provider.</p> <p>.....</p>
<p><u>Question 4:</u> Do you have any comments on pre-requisites with respect to Connection Offers?</p>	<p>Given the timelines for the delivery of the assets and services in question, BGE understands the proposal to link participation in the tender process to a pathway to grid capacity. However, as outlined in our introductory text, BGE is concerned that in light of the ECP-1 Decision and the related timelines, the requirement to hold a connection offer to enter into this auction will limit the level of competition in the auction and dilute the price pressure on participating units.</p> <p>The ECP-1 process, which is scheduled to close the application window for capacity at the end of May, will likely allocate all 400MW of the DS3 reserved grid capacity to 2/3 project owners.</p>

	<p>Another application window is not expected until the earliest of 2020 but with the stipulation that the next window will not open until all applications under ECP-1 are finalised, this will likely be later. Ultimately, it is uncertain when another opportunity to acquire grid capacity will open.</p> <p>The suggestion in the Consultation Paper is that the total 300MW of volume capped contracts will be allocated on a phased basis over the coming few years, starting with 100MW in 2018/19.</p> <p>Given that there is no timeline as to when capacity may be released again and that the full 400MW of capacity may be allocated in the coming months to 2/3 project owners, BGE is concerned that competition in the upcoming 2018/19 DS3 volume capped tender and the subsequent phases of the tender process will be limited. Specifically, as the ECP-1 Decision is currently drafted, parties will be encouraged to hoard the DS3 reserved capacity, restricting competition in any subsequent tenders until such time as capacity is released again. It is not clear what the pathway to capacity in Northern Ireland will be at this time. A Consultation by SONI and NIE Networks in January 2018 did question whether capacity should be set aside and prioritised for DS3 providing projects, but no Decision has been issued on this to-date.</p> <p>BGE would prefer that a bundled process be applied to DS3 and Capacity in both Northern Ireland and the Republic of Ireland. That is, a party applying to compete in the DS3 tender could be deemed to also de facto apply for a connection to the grid and if awarded a DS3 contract in a competitive process, it would subsequently be offered a connection agreement for the related MEC. In BGE's view this will maximise competition in the DS3 tender process, ensuring an efficient allocation of the scarce budget for DS3 system services and and efficient allocation of scarce grid capacity. We outline this alternative process at a high level in our response to Question 11 below.</p> <p>Recognising that the ECP-1 Decision has been made and that the application window is currently open, and that the TSOs are eager to proceed with its first Volume Capped Tender later this year, BGE suggests that the best course of action at this point is either:</p> <ul style="list-style-type: none"> • to use the provisions within ECP-1 to either increase the size of the 2018 batch, or • to make provisions to free up capacity allocated under ECP-1 to DS3 service providers, which is not contracted within the first phase of the tender i.e. if a party
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<p><u>Question 5:</u> Do you have a view on the two options provided with respect to managing network limitations?</p>	<p>gets a 100MW connection offer at a connection point and is awarded a 30MW DS3 contract for Volume Capped services at that connection point, the remaining 70MW should be released back to be allocated to successful parties in the next phase of the Volume Capped tender process.</p> <p>BGE understands that this is outside of the control of the TSOs, but we urge the TSOs to work with industry and the Regulatory Authorities to ensure the best overall outcome between the two policy initiatives to deliver the best investments is achieved.</p> <p>.....</p> <p>BGE understands that it is not efficient to award contracts to parties who because of network constraints, cannot fully contribute towards system flexibility. However, without information as to how and when these network constraints are going to be fixed, it is not in BGE's view fair or reasonable to place the burden of network constraints on participants.</p> <p>This question also relates to the question on locational signals and how we may best signal where certain services/investments are best located. At this stage, we do not believe there is sufficient information about the grid to enable participants/new investors to take on constraint risk or to respond to locational signals. If signals relating to location and constraints were to be introduced, they would need to be long-term in focus and at least remain in place for the duration of the contract.</p> <p>BGE has through various Consultation Papers, such as the Ten Year Development Plan, the Generation Adequacy Statement and the Transmission Forecast Statement sought greater depth of information about grid strength on the network and expected works to improve grid resilience in different areas. Until there is much greater level of information about what reinforcements are needed, what are planned and how planned network projects are progressing, it is not reasonable to ask developers to take on network constraint risk.</p> <p>BGE does understand the logic of accounting for network constraints in the bid assessment process and we believe that through its Operational, Development and DS3 Teams. EirGrid should work to provide a robust framework to inform network users of constraints and how</p>
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<p><u>Question 6</u>: Do you have a view on the staged approach proposed under the volume capped arrangements?</p>	<p>they are expected to change in the coming years. Notwithstanding that, we do not see how constraints can be objectively applied in the bid assessment process such that it is fair and transparent with both long and short term signals correctly accounted for.</p> <p>-----</p> <p>Given our concerns relating to ECP-1 and how it will allocate capacity to a very small number of projects, we believe it is prudent at this time to apply a phased approach to the procurement of system services from the volume capped providers. This will enable stakeholders to work with the Regulatory Authorities to maximise the availability of capacity on the grid in the interest of maximising competition in subsequent phases of the DS3 process. We understand that EirGrid does not want to further delay the procurement of the fast response services being procured as part of this process and to that end it seems sensible to apply a phased approach at this stage.</p> <p>As outlined in response to Question 4 above, in BGE's view there is scope within ECP-1 to either expand the 2018 Batch to tie in with the DS3 process or to free up capacity reserved for DS3 providers that is not allocated in this Phase of the project. Either option will enhance competition within the Volume Capped procurement process and put downward pressure on prices, thereby maximising the DS3 budget for all. Without competition there is a significant and real risk that parties will be in a position to hoard capacity and to price up in this and future phases of procurement.</p> <p>BGE therefore urges EirGrid to support and work with stakeholders in identifying and progressing means of preventing capacity hoarding through ECP-1 and the allocation of grid capacity in the 2018 batch. As outlined in our introductory paragraph, BGE believes that where it is needed, grid export capacity should be allocated simultaneously with market signals (such as a DS3 competitive tender or a T-4 Capacity Auction) to ensure the most efficient use of all scarce resources, to prevent hoarding and to maximise competition. Without clarity on</p> <p>-----</p>
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<p><u>Question 7:</u> Do you have a view on the proposed bid pricing requirements and the mechanism for assessing bids and determining price?</p>	<p><i>Contract Timelines</i></p> <p>With respect to the contract timelines, from a project developer point of view the start date seems achievable, providing the network relating to new investments is provided on time. A “no later than” end date seems like an appropriate incentive to ensure parties meeting the contract start date if they are to maximise the value of the long-term contract being procured. Not related to this procurement phase specifically but perhaps to its terms and conditions, BGE would welcome clarity as to how this defined contract term would sit alongside another contract at the same connection point awarded at a subsequent phase. Like the terms and conditions of REFIT, it seems that we would need separate meters and separate systems to distinguish between the different contracts related to the different Phases. BGE would welcome EirGrid’s views on how this may be provided for either as part of the Decision relating to this Consultation or as part of the expected Consultation on the Tender terms and conditions later this summer.</p> <p><i>Performance Bonds</i></p> <p>BGE believes that performance bonds relating to the delivery of the project being contracted are an essential part of the tender process to ensure that all participants are accountable for the bids they submit to the process and therefore the market outcome that they contribute to. Experience from the GB Capacity Market has shown that speculative bids have thwarted market outcomes where the performance bonds have been minimal. To that end, BGE suggests that €12,000/MW should be at the minimum end of the requirement and as provided for in the all-island capacity market, the level of performance bond should perhaps increase closer to the delivery time where the cost and therefore risk of non-delivery increases substantially. The capacity market rules apply a €40,000/MW termination fee and related performance bond in the year of expected delivery.</p> <p><i>Bid Submission</i></p> <p>As participants in the Phase 1 tender will be mandated to provide the same volume across all of the relevant system services with an availability of 97% and on the basis of our understanding that scalars will not be applied in the assessment process, BGE believes that the simplest approach to the tender process is for participants to submit a single bundled bid for the</p>
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	<p>provision of all services – the TSOs could set a bundled bid cap with reference to the Regulated Tariff Caps if it was deemed necessary.</p> <p>As settlement for system services will likely be on a per service and per trading period basis (as per the Ruleset Consultation published on the 15th March last), the single bundled bid could be simply broken down into an average price per service across all of the services offered (alternatively, parties could be asked to submit this as part of their bid submission for ease of governance and administration). In our view, the single bundled price would make the assessment process much simpler and transparent. Given that participants must be capable of providing all of the services at equal volumes at an availability of 97% as a minimum criteria to qualify to compete in the tender, a single price per trading period is essentially set in practice. BGE does not think there is any merit in complicating the bidding process and the assessment process by asking parties to submit separate prices for each system service.</p> <p>We understand that regulated tariff caps are to apply, and if the Regulators are concerned that parties may use a bundled price to circumvent these caps, BGE could support the suggested proposal of submitting % discounts against the regulated tariff cap as another means of trying to simplify both the bidding and the assessment process.</p> <p><i>Average Wind Year v's Real System Conditions</i></p> <p>Given the requirement for all participants to provide equal volume of all of the services across an availability profile of 97% and a desire to fix the SNSP and wind capacity factor levels in the interest of budget certainty for all, BGE believes that the simplest approach to assessing bids entering the tender is through a bundled price submission. Irrespective as to whether parties are remunerated against real or average SNSP levels (i.e. as to whether the scarcity scalar will apply or not), BGE believes that bids can only be assessed against an average wind year – to the extent parties believe that the real system conditions are greater or less than that, they are free to reflect that in their bid price, if the remuneration arrangements provide that flexibility through a cap and collar mechanism</p> <p><i>Pay as Bid v's Pay as Clear</i></p> <p>BGE can understand the logic in proposing to award contracts on a 'pay as bid' basis in that it will hopefully put downward pressure on the total DS3 budget where parties are willing to</p>
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<p><u>Question 8:</u> Do you agree with the proposed maximum volume proposed per separate grid connection?</p>	<p>accept lower prices than others for the provision of the same services. However, economic theory would suggest that a ‘pay as clear’ tender process provides greater incentives on parties to minimise the price of their bid submission in the knowledge that they will get the clearing price of the highest cleared bidder. The assertion is that in a ‘pay as bid’ auction parties will submit the highest bid they think they can get away with whereas in a ‘pay as clear’ auction parties will submit the lowest bid they can reasonably accept for the services they are providing. If there is sufficient competition in the tender process, logically you would expect the outcome under either approach to be the same, however, if there is not sufficient competition in the process, a ‘pay as clear’ approach may give a more efficient outcome.</p> <p><i>Acceptance of Last Tenderer</i></p> <p>BGE has no issue with this proposal and in light of our concerns regarding the level of competition in this process we believe it is appropriate in this phase to limit market manipulation.</p> <p>.....</p> <p>At the outset, BGE was planning for the development of 100MW battery projects at a number of sites on the system. We choose 100MW projects on the basis that our modelling indicated that they were the most cost effective size from a development point of view. However, in light of the ECP-1 restrictions which we believe and agree should drive a phased approach to the procurement of the full 300MW of DS3 Volume Capped System Services, a cap of 30MW per contract would seem appropriate at this stage. This will maximise competition in the initial 100MW Phase 1 of the procurement process and ensure that no one party can hold the market to ransom. If the rules relating to grid capacity allocation were more liberal, BGE would have less concerns about the project size limiting competition.</p> <p>BGE does not believe that a 10MW project size would be an efficient limitation as based on our project analysis the marginal cost per MW is at its maximum between 1MW-10MW and then starts to reduce as the cost of connection is smeared over a larger project size.</p> <p>Although BGE agrees with the limit applying on a per contract basis for this Phase of the procurement process, BGE does not necessarily believe it should apply on a connection point</p>
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<p><u>Question 9</u>: Do you have a view on the proposed application of performance, scarcity, product and locational scalars?</p>	<p>basis. This view is based on our understanding that a party cannot simultaneously hold a Volume Capped and Volume Uncapped contract for the same services. If in the interest of maximising use of existing grid capacity, a party was to place a storage facility behind an existing generation connection point, this provision will, given our interpretation, likely preclude them from participating in the Volume Capped procurement process through that connection point. This would not be an efficient use of the grid and would be an unintended consequence of the terms of the procurement process.</p> <p>-----</p> <p>Scarcity Scalar</p> <p>BGE understands that the intention is to remove the application of the scarcity scalar at both the assessment and remuneration stages. To create a level playing field at the bid assessment stage, it makes sense for the TSO to assume an average wind year and to provide a best forecast of expected SNSP and therefore frequency of use of the services. This allows for ease of assessment of the various offers.</p> <p>BGE can understand the suggestion to remove the scarcity scalar from the remuneration process on the basis that parties are required to have an availability of 97% and by corollary will always be available during periods of high SNSP levels. The only rationale for keeping it as part of the remuneration process is to provide another differentiating factor for parties to compete on and account for in their bid submissions – i.e. to the extent that parties thought SNSP levels would be higher or lower than the TSOs forecast and were willing to compete on the basis of their system analysis, they could reflect this competency in their bids. However, this will likely add more complexity and uncertainty to the settlement and remuneration process with minimal upside on the competitive environment (on the basis that we would doubt many parties would have better capability than the TSOs to understand the operational status of the grid).</p> <p>In short, BGE supports the proposal to remove the application of the scarcity scalar and to instead fix it for all Volume Capped contracted parties with reference to the expected SNSP levels during an expected average wind yield year. Of course, this detail and the TSOs</p>
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	<p>assumptions would need to be shared with parties preparing bids into Phase 1. It would be useful if the TSOs analysis regarding SNSP levels and expected frequency of use of the relevant system services was published alongside the Tender Conditions Consultation expected later this summer to enable some modelling analysis as an input into our response.</p> <p><i>Performance Scalar</i></p> <p>BGE fully understands and agrees with the TSOs objective to maximise the availability of the service providers that it is contracting with and therefore we have no issue with an Availability factor or 97%. We also have no objection in principle to a performance scalar being applied to ensure parties are appropriately incentivised to meet this standard.</p> <p>BGE's only concerns relating to the performance scalar is how performance will be measured and the ability of contracted parties to meet its contracted performance if limitations are placed on its import capacity. In preliminary discussions with a separate team in EirGrid it has been suggested that a battery unit will have its MIC limited to minimise demand volatility on an already relatively constrained grid. Whereby we appreciate the concern and as a prudent battery operator we would not seek to escalate any system event, we do not believe that it is fair or appropriate to place such a stringent performance scalar on parties if their ability to meet it is curtailed by rules dictated by the System Operators themselves. On that basis, and depending on the outcome of discussions with the other teams within EirGrid over the coming months (starting at the workshop scheduled for the 15th May in Dublin), we do not believe that the performance scalar should be applied to batteries when recharging either following a system event or a dispatch instruction from the TSO. It should only apply when parties are recharging based on their own market trading actions.</p> <p>This we understand may be difficult to implement within the settlement systems but could be practically implemented by an obligation on parties to declare down their system services availability on EDIL where they have a market trade accepted and for parties to be settled against that availability accordingly (BGE's understanding is that this should be the case anyway). Given that these contracts will not go live until the earliest of May 2021, we believe any necessary changes can be accommodated and tested.</p>
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	<p><i>Product Scalar</i></p> <p>BGE is of the view that a product scalar is the best and really only appropriate mechanism to signal, incentivise and reward the provision of FFR at a rate faster than 300 milliseconds. Any other approach would be akin to creating a new and separate product. BGE has no issue with the suggested product scalar being applied at the remuneration stage for the service. Participants with an asset with the capability of providing this faster response will factor this into their bid submissions, which will in turn feed into the competitive process. We therefore do not believe that the product scalar should be explicitly accounted for by the TSO when assessing bid submissions – it will be implicitly included in the bid provided that the procurement rules are clear on what the scalar is in real terms and how it will be applied.</p> <p><i>Locational Scalar</i></p> <p>BGE understands that the provision of a locational scalar within the contract framework for DS3 is to future proof the terms in the event that specific locational signals for investment are required. In the interests of efficiency, both in terms of grid and generation/storage/demand investments, we would be in favor of such signals being provided to the market. However, as outlined in our response to Question 5 above, we do not believe that there is sufficient information about network constraints, what works are being done to alleviate them and what future constraints may look like to enable a stable investment signal to be provided.</p> <p>If a locational investment signal is to be provided, it must be long-term both in its outlook and application. BGE is not adverse to working with the TSOs and Regulatory Authorities to examine and develop ways as to how this may be created. For the purposes of this Phase of procurement and for the 6 year duration of the contracts that will be awarded, we believe that the locational scalar should be fixed at 1. Parties contracting during this Phase must be given certainty that the locational scalar will not change for the duration of the contract. Any retrospective changes would undermine the certainty implied in providing a long-term contract and would be counter-intuitive to the whole process being developed.</p> <p>.....</p>
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Question 10: Do you have a view on the market interactions outlined here and the proposed mechanism for mitigating?

BGE accepts that if it was to be awarded a contract in Phase 1 for a battery project that it would have responsibility to ensure it bids appropriately into the relevant energy and capacity markets to ensure it maximises its availability to provide the contracted services. As outlined above, BGE is only concerned that limitations on its MIC may limit its ability to recharge quickly by trading effectively in either the ex-ante or balancing markets. This in our view needs to be reviewed across EirGrid so that a balance of reason can be achieved across the competing objectives.

It is also unclear, perhaps in the absence of a Decision on the Settlement Ruleset, as to how availability will be measured and rewarded between a participant's market positions and EDIL declarations. Some balances and checks may be required between these systems to ensure consistency of declarations once clarity is provided on how availability will be practically assessed on a trading period basis.

Question 11: Do you agree with the proposed mechanism for assessing applications?

On the basis of the current ECP-1 Decision, BGE would only suggest that step 4 of the process outlined in section 6 be amended to reflect our proposals to either ask parties to submit a bundled bid price or a % discount against the regulated tariff caps. This more simple approach would essentially negate step 4, moving straight from step 3 to step 5.

However, if there was flexibility to change the process by which capacity was allocated in response to DS3 and capacity market signals, BGE would suggest the following procedure:

Step 1: Application deadline – parties submit to qualify to participate in the tender. This is seen as a de facto grid connection application for parties who do not hold MEC (and who require it).

Step 2: Feasibility Requirements & Preliminary Grid Connection – the System Operators review the applications; assess for feasibility in line with tender conditions and assess grid options and

	<p>MIC/MEC location availability for those that require grid. Preliminary grid connection option and costing issued to relevant applicants.</p> <p>Step 3: Tender Deadline – a set time after preliminary grid connections are received and confirmation of feasible applicants, parties submit final bids for assessment.</p> <p>Step 4: Application Assessment – applications sorted on a price per MW basis and contracts awarded (on either a pay-as-bid or pay-as-clear basis).</p> <p>Step 5: Contracts awarded and for those needing grid capacity, a connection offer is made up to maximum DS3 bid level .</p> <p>Step 6: Bonds – Participants awarded contracts sign necessary contracts and connection agreements and put necessary bonds in place to secure delivery. Where parties refuse contracts, the next applicant in the queue may be awarded a subsequent contract.</p>
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Other Comments on the Consultation Proposals

It is suggested in the Consultation Paper that a consultation on the Terms and Conditions of the Volume Capped System Services contracts will be consulted on separately in July 2018. There is also a workshop relating to storage technology scheduled for the 15th May. BGE hopes that these two consultation processes (albeit the latter being a more informal discussion process) come together to ensure that the arrangements relating to network charging, import and export capacity levels; over and under frequency, PSO levy charges, testing and charges amongst others are clarified ahead of the Tender process expected to open in Q3 of this year. Certainty on these issues will be an important factor for parties seeking to submit bids.