

# **EirGrid and SONI Consultation**

## **Mitigation of COVID-19 Impact in Procurement of DS3 System Services**

**31 August 2020**



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## 2 Purpose of Consultation Paper

The purpose of this consultation paper is to propose limited amendments to the procurement processes for DS3 System Services under the Volume Uncapped Arrangements in order to mitigate some of the financial risk that existing or prospective providers of System Services may have encountered arising from government measures introduced to prevent the spread of the COVID-19 virus. Such measures may relate to mandated workplace closures and requirements to maintain social distancing while in a workplace.

During the past five months, EirGrid and SONI have received representations from service providers and representative bodies stating the impact of COVID-19 on their, or their members', ability to tender for the provision of System Services within previously planned timelines. The views expressed note that there is a risk that challenges experienced by service providers in meeting established procurement timelines could have a potential negative impact on their income from System Services. Diverse proposals have been suggested as to how amendments to the Volume Uncapped procurement process might mitigate this risk.

EirGrid and SONI consider that it may be reasonable to introduce limited changes to the procurement process to assist existing and prospective service providers seeking to contract for the provision of System Services to alleviate some of the difficulties being encountered as a result of COVID-19. EirGrid and SONI are conducting a public consultation in order to understand the industry-wide impact of measures introduced to contain the virus and to propose a small number of mitigating solutions. We welcome responses to this consultation from interested parties.

Section 3 of this paper presents a background on the DS3 Programme, the procurement processes under the Volume Uncapped Arrangements, and the rationale and scope for this consultation.

Section 4 of this paper proposes three amendments to the DS3 Volume Uncapped procurement process.

Section 5 outlines the next steps in this consultation.

## 3 Background

EirGrid and SONI are the Transmission System Operators (TSOs) in Ireland and Northern Ireland. It is our job to manage the electricity supply and the flow of power from providers to consumers.

### DS3 Programme

The TSOs have a responsibility to enable increased levels of renewable electricity sources on the power system while continuing to ensure that the system operates securely and efficiently. Our Delivering a Secure Sustainable Electricity System (DS3) Programme seeks to address the challenges of increasing the allowable System Non-Synchronous Penetration (SNSP) up to 75% in 2021.

A key component of the DS3 programme is the System Services work stream. Its aim is to put in place the correct structure, level and type of services in order to ensure that the system can operate securely with these higher levels of non-synchronous generation.

### DS3 System Services Volume Uncapped Arrangements

Under the Volume Uncapped (Regulated Tariff) Arrangements, 14 System Services in total are being procured, which are set out in Table 1 below. 12 services have been procured to date. It is intended that two additional services – DRR and FPFAPR – will be procured at a future date.

Table 1: DS3 System Services

Service	Service Name	Procured to Date
<b>SIR</b>	Synchronous Inertial Response	Yes
<b>FFR</b>	Fast Frequency Response	Yes
<b>POR</b>	Primary Operating Reserve	Yes
<b>SOR</b>	Secondary Operating Reserve	Yes
<b>TOR1</b>	Tertiary 1 Operating Reserve	Yes
<b>TOR2</b>	Tertiary 2 Operating Reserve	Yes
<b>RRD</b>	Replacement Reserve (De-Synchronised)	Yes
<b>RRS</b>	Replacement Reserve (Synchronised)	Yes
<b>RM1</b>	Ramping Margin 1 Hour	Yes
<b>RM3</b>	Ramping Margin 3 Hour	Yes
<b>RM8</b>	Ramping Margin 8 Hour	Yes

<b>SSRP</b>	Steady State Reactive Power	Yes
<b>DRR</b>	Dynamic Reactive Response	No
<b>PPFAPR</b>	Fast Post Fault Active Power Recovery	No

Under the Volume Uncapped Arrangements, the means by which Providing Units may tender and contract for the provision of System Services is through a Qualification System.

The Qualification System refers to the system that is in place to enable interested parties to submit a tender and subsequently qualify for award of contract for the provision of services. The Qualification System will last until 30 April 2023. There is an option to extend the arrangements, at the TSOs' discretion and subject to the approval of the Regulatory Authorities (RAs), for two periods of up to 18 months apiece.

Under the Qualification System, interested parties must demonstrate the capability to provide a service, via an established testing process, in order to be eligible to be contracted for the provision of the service. It is not possible to be issued with a contract for the provision of services prior to having demonstrated the capability to do so.

The Qualification System was established in May 2018 when the TSOs contracted with service providers for the provision of 11 services, excluding FFR. The TSOs began contracting for FFR in September 2018.

A gate process allows for prospective service providers to tender and contract for the provision of System Services, or for existing providers to amend their contracted services or capabilities, at periodic intervals. The current indicative timetable for gates under the Qualification System is set out in Table 2. Whilst the TSOs will make every effort to maintain this timetable, we reserve the right at our full discretion to amend the timetable as is deemed appropriate.

**Table 2: Current Indicative Regulated Arrangements Procurement Gate Timetable**

Gate No	Indicative Contract Execution Date
<b>3</b>	October 2020 (in progress)
<b>4</b>	April 2021
<b>5</b>	October 2021
<b>6</b>	April 2022
<b>7</b>	October 2022

Gate 3 is currently in progress. The deadline for the submission of tenders was 20 July 2020; contracts are due to execute on 1 October 2020.

## Rationale for Consultation

Following receipt of representations from service providers and representative bodies, the TSOs acknowledge that government measures aimed at reducing the spread of COVID-19 may have impacted on the ability of service providers to tender for the provision of System Services at a rate for which they had been planning. Such measures may relate to mandated workplace closures and requirements to maintain social distancing while in a workplace. In practice, for new units these measures may have meant that some delays have been encountered in the connection or energisation processes; existing units may have experienced delays in testing for the capability to provide new / amended services. As such, we consider that it may be reasonable to introduce limited changes to the procurement process to assist existing and prospective service providers in alleviating some of those difficulties, specifically relating to potential loss of income from System Services.

Given that the representations received to date reflect the difficulties experienced by diverse service providers with different types of issues, together with distinct proposals to help address those issues, the TSOs consider that it is prudent and fair to seek to understand the impact of COVID-19 and the preferred solutions on an industry-wide basis before recommending the implementation of any limited change to the procurement process.

The TSOs do not intend to address every issue experienced by each service provider arising from COVID-19. However, in obtaining a broad industry view, we will be seeking to implement limited changes that may help to alleviate the prevalent financial risks being encountered by industry.

## Scope of Consultation

This consultation applies to the DS3 System Services Regulated (Volume Uncapped) Arrangements. For the avoidance of doubt, the DS3 System Services Fixed Contracts (Volume Capped) Arrangements are not in scope for this consultation.

The TSOs consider that it may be reasonable to propose a short extension of the Regulated Arrangements beyond 30 April 2023, e.g. for a period of three months, as a potential means to assist existing and prospective service providers in alleviating some of the financial risk associated with the COVID-19 related difficulties in tendering for System Services. However, from discussions with the RAs in relation to this consultation, it is our understanding that they are not minded to extend the Regulated Arrangements for a period beyond 30 April 2023 for reasons related to COVID-19. As a result, Section 4 of this consultation paper does

not propose any such extension. Service providers may wish to review the RAs' scoping paper on System Services future arrangements<sup>1</sup>.

## 4 Proposed Mitigation Measures

The TSOs propose three potential amendments to the DS3 Volume Uncapped procurement process to assist existing and prospective service providers in alleviating some of the financial risk associated with the COVID-19 related difficulties in tendering for System Services.

These amendments have been formulated following consideration of the feasibility of some of the suggestions received from industry to date. Subject to the response received to this consultation, at most one of these options may be implemented.

### A) Conduct an Additional Procurement Gate in 2021

As set out in Table 2 above, there is an indicative timetable in place for the completion of gates out to October 2022, taking us to the end of the Qualification System in April 2023. Gates are provisionally scheduled to complete every six months, in April and October of each year, with the October gate aligning with the beginning of the capacity year.

**The TSOs propose that an additional gate could be conducted in 2021.**

Under this proposal, three procurement gates, with contracts executing in February, June and October, would be conducted in 2021 (instead of the scheduled two – Gate 4 and Gate 5 in April and October 2021). The proposed timetable is set out in Table 3 below.

**Table 3: Proposed Procurement Gate Timetable with Additional Gate in 2021**

Gate No	Indicative Contract Execution Date
<b>3</b>	October 2020 (in progress)
<b>4A</b>	February 2021
<b>4B</b>	June 2021
<b>5</b>	October 2021

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<sup>1</sup> SEM Committee System Services Future Arrangements Scoping Paper SEM-20-044: <https://www.semcommittee.com/sites/semc/files/media-files/SEM-20-044%20System%20services%20future%20arrangements%20scoping%20paper.pdf>

6	April 2022
7	October 2022

Shorter gate durations will necessarily be required. And given that the launch of a gate process, i.e. its publication in the OJEU, is dependent on the publication of the procurement outcome of the previous gate (signifying the completion of that gate), each gate will have to be managed very tightly with no exceptions to any gate milestones permitted. It is proposed that all testing must be completed by the tender submission milestone applicable to each gate.

The benefit of this proposal is that it reduces the impact on those units who, as a result of COVID-19, are unable to meet the timelines applicable to the scheduled Gate 4. The units may then be in a position to meet the timelines for the proposed Gate 4B (instead of having to wait until the scheduled Gate 5).

## B) Allow Exceptional Testing at 2021 Procurement Gates

At each gate, a standard milestone applies by which all tenderers are required to have completed testing. This milestone is generally two months before the date of contract execution applicable to the gate and is required to ensure that activities relating to the approval of test reports, agreement of contractual technical parameters and execution of contracts are completed in a timely manner to ensure that the gate completes on schedule.

### **The TSOs propose that limited 'exceptional testing' could apply to Gates 4 and 5.**

Under this proposal, 'exceptional testing' means that we would allow tenderers to test to demonstrate capability to provide a service(s) beyond the standard testing completion milestone of a given gate. This would be subject to the following conditions:

- The indicative timetable for contract execution as set out in Table 2 will apply;
- The standard testing completion milestone will apply to the gate;
- Testing may be facilitated beyond the standard testing completion milestone where a unit has demonstrated to the TSOs in a written submission, validated by the TSOs, that its ability to test for the gate has been delayed due to the impact of COVID-19;
- A fixed 'exceptional testing' milestone will apply to the gate, irrespective of individual tenderer circumstances, which may be a maximum of two weeks after the standard testing completion milestone;
- Tighter deadlines for the submission and approval of test reports will apply to any testing beyond the standard testing completion milestone;
- The feasibility of this proposal will depend on the number of tenderers seeking to avail of 'exceptional testing' and be subject to the usual resource and scheduling constraints;

- Tenderers who are deemed by the TSOs not to have met the criteria for testing beyond the standard testing completion milestone must test on or before that deadline in order to be eligible to contract for services at that gate;
- Tenderers who are deemed by the TSOs to have met the criteria for testing beyond the standard testing completion milestone but do not meet the 'exceptional testing' deadline will not be eligible to contract for services at that gate.

The benefit of this proposal is that it reduces the impact on those units who, as a result of COVID-19, have experienced short delays in their advance preparation for gates, e.g. a period of two weeks, that pose challenges to the unit in meeting the testing milestones applicable to the gates.

### C) Delay Procurement Gates 4 and 5 in 2021

As set out in Table 2 above, there is an indicative timetable in place for the completion of gates out to October 2022, taking us to the end of the Qualification System in April 2023. Gates are provisionally scheduled to complete every six months, in April and October of each year, with the October gate aligning with the beginning of the capacity year.

**The TSOs propose that Gates 4 and 5 could be rescheduled to June and December 2021.**

See Table 4 below. Under this proposal, the contract execution of Gates 4 and 5, along with all preceding gate milestones, including testing, are pushed out by two months. The standard gate duration and testing milestones will apply to each gate.

**Table 4: Proposed Procurement Gate Timetable with Amended Gates 4 and 5**

Gate No	Indicative Contract Execution Date
3	October 2020 (in progress)
4	June 2021
5	December 2021
6	April 2022 (tbc)
7	October 2022

Note that under this proposal, Gate 5 no longer aligns with the beginning of the capacity year in 2021. There may also be an impact on the implementation of Gate 6 under this proposal, as a delayed Gate 5 may require the schedule for the subsequent gate to be amended.

## Question 1

Which of the 3 options proposed help to mitigate issues that you may have experienced in relation to the impact of COVID-19 on your ability to tender for DS3 System Services?  
Please provide as much detail as possible.

## 5 Next Steps

Responses to Question 1 are invited from all interested stakeholders. Responses should be submitted by email to **DS3Procurement@EirGrid.com** on or before **Friday 25 September 2020**.

We request that respondents use the following text in the subject of the email: **Response to DS3 Volume Uncapped Procurement Consultation – COVID-19**.

Please indicate clearly whether the response is to be considered confidential.

Responses will be collated and reviewed, before a final recommendation is made by the TSOs.