

DS3 System Services: Expenditure Note

16/09/2020

The DS3 System Services arrangements have been designed to facilitate new and existing technologies and participants to provide services required to facilitate the maintenance of a resilient power system when up to 75% of demand is met by non-synchronous technologies. As forecast, since its implementation in 2016 (interim arrangements), there has been a steady rise in expenditure with regard to the previous harmonised ancillary services (HAS) arrangements. In the financial year 2019 (October 2018 - September 2019), spend across the DS3 Qualification Trial Process and DS3 Volume Uncapped Arrangements (including market to physical) was €125 million. This is below the allowed regulatory guideline of €155 million for that period.

In the Financial Year 2020, expenditure to date is currently projected to be below the regulatory guideline of €195 million. However, it is anticipated that costs may potentially increase from the figures originally forecasted, although we currently expect the figures to fall within the regulatory guideline. The developments that have impacted this potential increase in cost include high wind outputs in winter, potential new participants (with fast acting services capability) connecting and the impacts of lower demand resulting from the COVID-19 outbreak.

With the upcoming DS3 System Service Gates 4 and 5¹ there appears to be significant interest in the connection of technologies which provide high value services, especially storage. In the original design of DS3 System Services there was an explicit estimate of between 0 and 400 MW of high value services needed to be on the system by 2020 to meet 40% renewables targets in an efficient and effective manner. The current level of fast acting services providers including demand side and existing storage (but excluding the 110 MW storage from the volume capped competition) is in the order of 300 MW. Any significant addition of more than 100 MW of storage would likely lead to spend in excess of the current regulatory design of €235m. At present there are additionally over 500 MW of projects considering connection by Gate 5. Therefore, in line with the DS3 System Services arrangements framework, were this to materialise the TSOs would need to recommend actions to the SEMC to address the spend to keep it within the design amount.

The TSOs are aware of the challenges that many of the current Gate 4 and Gate 5 projects face, including project issues associated with COVID and the uncertainty post April 2023 (when the current arrangements are scheduled to end). However, at this point in time, the TSOs are not recommending any immediate actions to be taken with respect to the SEMC €235 million design guideline. In the coming months, the TSOs will keep a close monitor of the emerging situation. We will publish another information note following the Gate 4 outcomes (currently scheduled to be in April 2021) and will engage with the industry on the shape of any measures to be taken should they become necessary. In parallel, we will continue to work with the Regulatory Authorities, DSOs and industry members to provide the necessary clarity on the System Services Future Arrangements post April 2023 as soon as possible.

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¹ The exact timings are currently subject to consultation available at the following [link](#).