



**Single Electricity Market
(SEM)**

SEM Generator Testing Tariffs 2021

**Decision Paper
SEM-20-070**

15 October 2020

1 INTRODUCTION & BACKGROUND

Testing tariffs are charges levied by the TSOs on Generator Units Under Test (GUUT) in the all island electricity market on the basis of their registered capacity. These are covered by the Trading & Settlement Code (T&S C) Part B.

There is no provision in the approved Imperfections¹ revenue requirement for generator testing, as it is not feasible to predict generator testing when the Imperfections forecast is developed. As a result, the testing tariff charges are to recover expected increases in Imperfections Costs that may arise during testing exercises.

There are a number of costs that the Transmission System Operators (TSOs) consider are appropriate for inclusion in the testing tariffs. These costs relate to the effect that a UUT has on unit commitment decisions, the additional operational reserve carried to maintain system security when a unit is testing, and the costs incurred when a GUUT output drops very quickly.

With the implementation of the new SEM arrangements on 1 October 2018, the testing tariffs methodology was revised, consulted upon and slightly amended by the TSOs to account for the new market arrangements. This new SEM methodology was proposed by the TSOs in their Recommendation paper to the RAs on 13 March 2018 and approved by the SEM Committee on 10 May 2018 [SEM-18-027](#).

High impact testing or Tariff A, is associated with commissioning units or testing of existing units, where there is a high risk of the unit tripping; whereas low impact testing or Tariff B, is associated with units in the latter stage of commissioning or testing of existing units, where there is low risk of the unit tripping. Tariff B was removed following the introduction of the revised SEM arrangements as it was considered no longer relevant. However, the TSOs continue to review the costs associated with units under test and may propose reintroducing tariff B at a later time.

This Decision paper sets out the testing tariffs that will apply to GUUT in the SEM from 1 January 2021. It follows the Recommendation paper submitted by the TSOs on 30 September 2020, which is published along with this Decision. Prior to submission of the Recommendation paper, the TSOs carried out a public consultation² on 1 September 2020 that lasted for two weeks. While this was a relatively short period of consultation, it is considered appropriate given the nature of the proposals (the 2020 rates will be carried over 2021) and to ensure the timely publication of testing tariffs for 2021.

However, the SEM Committee requests that the TSOs ensure preparation of proposed testing tariff rates for future years in sufficient time to allow for a longer consultation period; particularly in the event of major changes to the testing tariffs being proposed by the TSOs.

¹ Details on the Imperfections Charge can be found [here](#).

² The public consultation can be found on [EirGrid's website](#) and on [SONI's website](#).

2 SEM TESTING TARIFFS 2021: TSO RECOMMENDATION

The TSOs' Recommendation paper was submitted to the RAs on 30 September 2020 regarding the SEM Testing Tariffs 2021. Prior to submission of their recommendations, the TSOs held a short public consultation³. Two responses were received, which have been addressed by the TSOs.

In short, the TSOs propose no changes to the "2021 SEM Testing Tariff rates" from the already approved "2020 SEM Testing Tariff rates" other than to update the 2020 values for inflation at a forecast rate of 0.55%⁴.

The methodology for the calculation of the rates remains the same than what was approved by the SEM Committee on 10 May 2018 **SEM-18-027**. Tariff A, the only testing tariff, includes the following cost elements:

1. High impact testing or Tariff A⁵:

- 1.1. Unit commitment imperfection cost
- 1.2. Reserve imperfection cost
- 1.3. System service reserve cost

Last year, the TSOs looked at a limited number of large units testing examples and found that the actual cost of testing these large units was greater than the testing tariffs resultant from applying the approved methodology. In response to this, the TSOs planned to carry out a review of the testing tariffs methodology ahead of the 2021 rates calculation. However, there has been a lack of testing of large units on the system due to covid19-related cancellation of generator maintenance during the current outage season. The TSOs therefore do not have a complete dataset of generator testing that would suffice for a thorough review of the Tariff A elements and the testing tariffs methodology itself.

Therefore, the TSOs have proposed to maintain the 2020 testing tariff rates for 2021 (updating the values for inflation) and to carry out a full review of the testing tariffs methodology once a complete dataset is available.

³ The public consultation can be found on [EirGrid's website](#) and on [SONI's website](#).

⁴ This is a blended inflation rate calculated based on the latest forecasts taken from the Central Bank of Ireland and the Office for Budgetary Responsibility of UK.

⁵ More details regarding the cost components of Tariff A are included in the TSOs' Recommendation paper, published alongside this Decision.

3 SEM COMMITTEE DECISION

The SEM Committee has decided that, as recommended by the TSOs, the SEM Testing Tariff rates as set out in the table below will apply from 1 January 2021.

Tariff A:

Generator Capacity	MW	SEM 2020 €/MWh (from 1 Jan 2020)	SEM 2021 €/MWh (from 1 Jan 2021)	% Variance
GEN <50	50	€0.70	€0.70	0.55
50 < GEN ≤100	100	€2.70	€2.71	0.55
100 < GEN ≤ 150	150	€3.51	€3.53	0.55
150 < GEN ≤ 200	200	€3.93	€3.95	0.55
200 < GEN ≤ 250	250	€4.02	€4.04	0.55
250 < GEN ≤ 300	300	€4.09	€4.11	0.55
300 < GEN ≤ 350	350	€4.20	€4.22	0.55
350 < GEN ≤ 400	400	€3.86	€3.88	0.55
400 < GEN ≤ 450	450	€3.33	€3.35	0.55
450 < GEN	500	€3.78	€3.80	0.55

Also, The SEM Committee requires that the TSOs carry out a full review of the testing tariffs methodology in advance of the 2022 rates submission, if a complete dataset is available.

This review should include a robust analysis and evidence justifying any changes, as well as allow for a sufficiently long consultation period.

4 NEXT STEPS

The testing tariff rates set out above will apply from 1 January 2021.

The TSOs will conduct a full review of the testing tariffs methodology next year, if a complete dataset is available, and report on the outcome before submitting its proposed 2022 Testing Tariff rates.