



**SEM GENERATOR TESTING TARIFFS 2024**

**SEM-23-076**

**26 SEPTEMBER 2023**

## EXECUTIVE SUMMARY

The TSOs are required to review the Testing Tariffs annually and submit recommendations to the SEM Committee no later than 31 August each year. 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.

The SEM Committee has decided that, as recommended by the TSOs, the SEM Testing Tariff rates for 2024 will not change from 2023, other than updating for inflation at a forecast rate of 3.46%.

The TSOs are currently undertaking a study of the testing tariffs. This may result in a consultation on changing the methodology for determining the testing tariffs set out in SEM-18-027, likely to become effective from 1 January 2025.

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## Glossary of Terms and Abbreviations

Abbreviation or Term	Definition or Meaning
GUUT	Generator Units Under Test
RA	Regulatory Authority (CRU and UR)
TSO	Transmission System Operator (EirGrid and SONI)

## 1. Introduction

### 1.1 Background

#### 1.1.1 Intro to relevant area

The TSOs are required to review the Testing Tariffs annually and submit recommendations to the SEM Committee no later than 31 August each year. 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 provided for by the Trading & Settlement Code Part B. Testing Tariffs recover expected increases in Imperfections Costs due to generators undertaking testing and are paid by the GUUT.

On 10 May 2018 the SEM Committee approved a new methodology ([SEM-18-027](#)) for the calculation of Testing Tariffs to account for changes resulting from the implementation of new market arrangements in October 2018.

On 12 December 2022, the RAs [rejected Mod 02 22](#) which sought to address a possible risk whereby GUUT, upon returning from outage, only recovers costs in the Balancing Market (BM) at the level of the BM price, and therefore will not recover its costs when 'Under Test' if the BM price is at a level where BM revenue is lower than the unit's costs. The RAs requested that the TSOs develop a proposed alternative approach in collaboration with industry participants.

There is currently a modification under consideration by the Balancing Modifications Committee (Mod\_01\_23 v2) which seeks to ensure that New Capacity units which are undergoing Commissioning or Grid Code testing can recover their costs. If this modification is approved, it may impact future testing tariff arrangements. The modification was approved by the Balancing Modifications Committee in April 2023 and is due for decision by the Oversight Committee in 2023.

The TSOs commenced the review of the Testing Tariffs methodology on 1 January 2022, which is still ongoing. Although it was initially the intention of the TSOs to finalise the review and incorporate changes to methodology in time to set 2024 tariffs (as stated in [SEM-22-084](#) – SEM Generator Testing Tariffs 2023 Decision Paper), this did not occur due to the complexity of testing. The TSOs will continue to assess high impact testing, the suitability of low impact testing and explore options of changes to Testing Tariff methodology. The TSOs will consult on the changes to the testing tariff methodology upon completion of their ongoing study. Changes to the testing tariff methodology will come into effect from 1 January 2025, subject to SEM Committee

approval of the methodology.

The TSOs will meet with the RAs once a month and will report on the progress of their review.

### 1.1.2 Related Documents

- [SEM-18-027](#) – I-SEM Generator Testing Tariffs 2018 – SEM Committee Decision
- [SEM-22-084](#) – SEM Generator Testing Tariffs 2023 Decision Paper
- [Mod 02 22](#) – SEM Committee Modification Rejection Letter
- [Mod 01 23 v2](#) – Remuneration of Commissioning Unit Final Recommendation Report
- [Testing Tariff Recommendation Paper – Calendar Year 01st January to 31st December 2024](#)

### 1.1.3 Structure of Paper

- Section 2 of this Paper sets out the TSOs' recommended testing tariffs for 2024.
- Section 3 of this Paper sets out the SEM Committee's decision on testing tariffs for 2024.
- Section 4 of this Paper discusses next steps following on from this Decision.

## 2. SEM Testing Tariffs 2024: TSO Recommendation

The TSOs consulted on their proposed testing tariffs for 2024 for a three-week period<sup>1</sup> from 21 July – 11 August 2023. The consultation proposed to make no changes to the approved 2023 testing tariffs in setting the 2024 testing tariffs, other than updating for inflation at a forecast rate of 3.46%.

Two responses were received from Bord Gáis Energy and ESB Generation and Trading, who both approved of the TSOs' approach on testing tariffs, while making suggestions on potential changes to the testing tariff methodology (See the Appendix of the TSOs' Testing Tariff Recommendation Paper to see the responses in full).

The TSOs are currently undertaking a study of testing tariffs which may result in changes to the testing tariff methodology taking effect from 1 January 2025.

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<sup>1</sup> SEM Generator Testing Tariffs 2023 Decision Paper (SEM-22-084) required that the TSOs run this consultation for a four-week period.

### 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 2024.

#### Tariff A

Table 1: Recommended Testing Tariffs for Calendar Year 2024

<b>Generator Capacity</b>	<b>MW</b>	<b>SEM 2023 €/MWh</b>	<b>SEM 2024 €/MWh</b>	<b>% Variance</b>
		<b>(From 1 Jan 2023)</b>	<b>(From 1 Jan 2024)</b>	
<b>GEN &lt; 50</b>	50	€0.76	€0.79	3.46%
<b>50 &lt; GEN ≤ 100</b>	100	€2.94	€3.04	3.46%
<b>100 &lt; GEN ≤ 150</b>	150	€3.82	€3.96	3.46%
<b>150 &lt; GEN ≤ 200</b>	200	€4.28	€4.43	3.46%
<b>200 &lt; GEN ≤ 250</b>	250	€4.38	€4.53	3.46%
<b>250 &lt; GEN ≤ 300</b>	300	€4.46	€4.61	3.46%
<b>300 &lt; GEN ≤ 350</b>	350	€4.58	€4.73	3.46%
<b>350 &lt; GEN ≤ 400</b>	400	€4.20	€4.35	3.46%
<b>400 &lt; GEN ≤ 450</b>	450	€3.63	€3.75	3.46%
<b>450 &lt; GEN</b>	500	€4.12	€4.26	3.46%

#### Tariff B

Tariff B is set to zero for all units.



#### **4. Next Steps**

The testing tariff rates set out above will apply from 1 January 2024.

The TSOs will consult upon the testing tariff methodology upon completion of their ongoing study. Any changes from this workstream are likely to take effect from 1 January 2025, subject to SEM Committee approval. The TSOs should take the feedback received on their 2024 testing tariff consultation into account when developing the revised testing tariff methodology.