

Single Electricity Market

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| Final REcommendation Report  *Mod\_14\_11: Pumped Storage Under Test*  17 January 2012 |

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Document History

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| **Version** | **Date** | **Author** | **Comment** |
| 1.0 | 10 January 2012 | Modifications Committee Secretariat | Issued to Modifications Committee for review and approval |
| 2.0 | 17 January 2012 | Modifications Committee Secretariat | Issued to Regulatory Authorities for final decision |

Reference Documents

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| **Document Name** |
| [Trading and Settlement Code](http://semopub/MarketDevelopment/MarketRules/TSC.doc) |
| [Mod\_14\_11: Pumped Storage Under Test](http://semopub/MarketDevelopment/ModificationDocuments/Mod_14_11%20Pumped%20Storage%20Under%20Test.doc) |
| [TSO Slides: Meeting 35](http://semopub/MarketDevelopment/ModificationDocuments/TSO%20Slides_Meeting%2035.ppt) |

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# 1 MODIFICATIONS COMMITTEE RECOMMENDATION

## Recommended for rejection – majority Vote

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| **Recommended for Rejection** | | |
| Iain Wright | Supplier Member (Chair) | Reject |
| Ian Luney | Generator Member | Reject |
| Jill Murray | Supplier Member | Reject |
| Kevin Hannafin | Generator Member | Reject |
| Killian Morgan | Supplier Member | Reject |
| Mary Doorly | Generator Alternate | Reject |
| William Steele | Supplier Member | Reject |
| **Recommended for Approval** | | |
| Gill Bradley | Generator Alternate | Approve |

# 2 Background

This Modification Proposal was raised by the TSO and presented at Meeting 35 on 05 April 2011. It proposes changes to Section 5.169 of the Code; to remove the exclusion of Testing Charges for Pumped Storage Units. The proposal was deferred at the Meeting upon request for an Impact Assessment. Following Impact Assessment, the Committee requested further information at Meetings 37 on 09 August 2011 and 38 on 11 October 2011. A vote was taken at Meeting 39 on 06 December 2011.

# 3 PURPOSE OF PROPOSED MODIFICATION

## A.) Justification for Modification

Pumped Storage units should be liable to Testing Charges.

## B.) Impact of not Implementing a Solution

The Code Objectives of the TSC would not be realised key among them would be *to ensure no undue discrimination between persons who are parties to the Code* (Section 1.3.6).

## c.) Impact on Code Objectives

This Modification proposes to further the TSC objective, in particular *to ensure no undue discrimination between persons who are parties to the Code* (Section 1.3.6).

# 4 assessment of alternatives

N/A.

# 5 working group and/or consultation

N/A.

# 6 Impact on Other Codes/Documents

N/A.

# 7 impact on systems and resources

The proposal if implemented will incur a Market Systems cost of €113k excluding testing charges.

# 8 MODIFICATION COMMITTEE VIEWS

## Meeting 35 – 05 April 2011

TSO Member presented both Mod\_10\_11 and Mod\_14\_11 together as the changes proposed in both proposals affect Section 5.169 of the Code. The Modifications propose removal of the exclusion of both Pumped Storage Units and Interconnectors from an Under Test Status. Presenter affirmed that no credible reason behind why these Units are excluded from Testing Tariffs is apparent.

SEMO Member said that additional text changes may be required for Mod\_14\_10 Pumped Storage Under Test.

Proposer indicated that a Consultation Paper addressing Testing Charges will be published by the TSO in June 2011. TSO Member also noted that consideration of the exclusion for both DSUs and AGUs may be addressed at a later stage.

The proposals require an Impact Assessment prior to implementation, suggestion put forward by proposer that IAs are procured in advance of Meeting 36 to allow sufficient time for delivery of an FRR in advance of the August 5th cut-off-date.

Chair queried if a normal dispatchable plant is placed Under Test and subject to Testing Tariff, are the Data Feeds and functionality in place to support it. SEMO Member advised that an Under Test Flag is used, the Unit is then treated as a Price Taker in the Market and the Testing Charge is applied.

Generator Member questioned the grounds upon which the TSO can run the Testing Tariff Consultation given that the TSO is the Interconnector Owner. TSO Member advised that the IC Administrator is a separator TSO function which is ring fenced. Further added that implementation of the proposal will result in charges on the EirGrid as Interconnector Owner. Committee agreed to defer the proposal while they await the outcome of the IA.

## Meeting 36 – 09 June 2011

SEMO Alternate advised that results of the Impact Assessment are not yet available and confirmed that the results will be available for the next Meeting.

## Meeting 37 – 09 August 2011

SEMO Member provided results of the Impact Assessment as costing €113,000 excluding testing. SO Member advised that there are Pumped Storage Units in Gate 3 and that the proposal allows Pumped Storage Units to go under test. Generator Member queried as to what the material benefits of this proposal will be. SO Member advised that the proposal will eliminate undue discrimination in the market and that this should have been in place in November 2007 at the inception of the SEM. Generator Member commented that Pumped Storage Units are not built on a regular basis and sought clarification as to the effect of this discrimination. SO Member advised that constraint costs are not captured and that testing tariffs will apply to these units. Supplier Alternate queried as to whether any analysis of cost constraints that may arise has been done. SO Member advised that the testing tariff consultation paper explained the impact on the system. Generator Member questioned how the costs compare to the €113,000 that will be incurred by the systems change if the proposal is approved. Supplier Alternate stated that €113,000 is not a huge amount yet is still significant and queried as to whether a workaround is possible if this change becomes necessary. SEMO Member advised that the workaround that has been proposed for Mod\_10\_11 Interconnector Under Test is an exception. In general it is not possible or desirable to use workarounds. The under test change for the Interconnector applies to the Interconnector Error Unit and is quite different from Pumped Storage Under Test. SO Member reminded Participants that due to the release schedule it will take at least two years for a change to be implemented in the system and reiterated that although an abundance of Pumped Storage Units does not exist, a significant quantity are present in Gate 3. SO Member offered to provide an example for the next Modifications Committee Meeting. Generator Member stated that while it is important to eliminate all forms of discrimination in the market, it is not advisable to pay out €113,000 for something that may not get paid back. Observer advised that there is no guarantee that it won’t get paid back. Supplier Member sought clarification as to what the central aspects of the cost were? SEMO Member advised that within the full IA that was carried out, half the change is in the settlement calculation, with the other half being in the MA section which is the central engine.

## Meeting 38 – 11 October 2011

SEMO Member provided the results of the Impact Assessment as costing €113,220 plus testing. TSO Alternate presented an example outlining the frequency of occurrence and estimated costs incurred by Pumped storage Units Under Test. Generator Member expressed concern at the possibility that the Pumped Storage units may not get built, and that the Modifications Committee will effectively have paid €113,220 without it being justified. Generator Member queried as to whether Ancillary services can incentivise pumped storage?

Supplier Alternate put forth the suggestion of a manual workaround, querying as to whether it is possible to identify the cost in terms of additional constraints costs? TSO Alternate advised that it is difficult to isolate the direct cause of constraint costs as there may be multiple factors at play. SEMO Member advised that the IA was allowing for individual units to go under test and not just the entire station and that it would not be possible to implement a manual workaround for this modification.

TSO Alternate advised that to re-run RCUC every day would be a highly significant change and that if it is applied on a unit basis it wouldn’t apply to Turlough Hill. TSO Alternate further stated that it is dependant on whether the unit is in Phase 1, 2 or 3, explaining that for Phase 1 and 2 it would apply, and for Phase 3 it would be 0 for less than 100 mw.

The Chair queried as to the practicality of freezing a Modification Proposal for a period of time with the intention of reviving it at a later date. Secretariat advised that all proposals have a life expectancy of 8 months; following that an extension request must be issued to the RAs with ample justification provided as to why the extension is needed. Discussion ensued around the process for deferring the proposal.

Generator Member expressed concern that any decisions made by the Modification Committee to not progress Mod\_14\_11, should not influence the decision on Testing Tariffs. Supplier Alternate agreed with the principle of the proposal however was against currently progressing it further as the costs cannot be justified. Supplier Alternate advised that an extension should be sought from the RAs, while exploring whether the proposal could be progressed with the work on potential DSU testing arrangements in order to smear the costs as much as possible. TSO Alternate advised that the TSO would not be in favour of withdrawing the mod as it has been raised to address discrimination between Generator Unit types, further stating that there was support for the proposal in the consultation.

## Meeting 39 – 06 December 2011

TSO Member advised that the DSU readiness work is ongoing and a proposal related to the testing tariffs is not expected in the immediate future. TSO Member further added that that particular workstream has no interaction with this proposal. The Chair questioned if it is worth progressing this proposal, given the implementation cost of €113k and noted that Turlough Hill will be back before this Modification Proposal could be implemented. What is the likelihood of a Pumped Storage Unit being built in the next few years? TSO Member confirmed that there are units queued to be built in the gate process but could not confirm the earliest dates for the units. Discussion ensued around the testing costs of a unit. Proposer advised that the proposal was raised as a result of the responses from the SEM Testing Tariffs Consultation.

Concern was raised by a Generator Member with regard to the amount of money being spent something that he considered not urgent. Supplier Member asked if efficiencies could be gained by amalgamating the proposal with other Modifications. SEMO advised that Modification Proposals are assessed individually by the vendor but where possible, modifications that require changes to the same area of the CMS are implemented together to save on testing costs.

The option of removing the Modification Proposal from the agenda for a period of time and revisit it at a later date was discussed. A suggestion was also put forward to approve the proposal but not implement it until a more appropriate time. The MO Member stated that the impact assessment on necessary system changes was complete and could be revisited if there was a new pumped storage unit in the lifetime of this market. RA Member was not in favour of putting a time freeze on a proposal as costs could change. The Chair also noted the option for the proposer to withdraw the Modification; this was not supported by the proposer.

## TSO View

During 2011, the TSOs consulted on the policy of applying testing charges to pumped storage units and received a positive response from those generators who responded to the consultation. The TSOs believe that the Trading and Settlement Code should not discriminate between parties to the Code. This modification, it was envisaged, would have removed this discrimination.

# 9 proposed legal drafting

None proposed.

# 10 LEGAL REVIEW

Complete

# 11 IMPLEMENTATION TIMESCALE

It is proposed that this Modification Proposal is not implemented.

# Appendix 1: original proposal

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| --- | --- | --- | --- | --- | --- | --- |
| **MODIFICATION PROPOSAL FORM** | | | | | | |
| **Proposal Submitted by:** | **Date Proposal received by Secretariat:** | | **Type of Proposal** | | | **Number:** |
| EirGrid TSO  SONI TSO | 22 March 2011 | | **Standard** | | | Mod\_14\_11 |
| **Contact Details for Modification Proposal Originator** | | | | | | |
| **Name:**  Sonya Twohig | | **Telephone number:**  01-2370372 | | **e-mail address:**  sonya.twohig@eirgrid.com | | |
| **Modification Proposal Title: Pumped Storage Under Test** | | | | | | |
| **Trading and Settlement Code and/or Agreed Procedure change?** | | | | | Code | |
| **Section(s) affected by Modification Proposal:** | | | | | 5.169 | |
| **Version Number of the Code/Agreed Procedure used in Modification drafting:** | | | | | Version 8.0 | |
| **Modification Proposal Description**  *(Clearly show proposed code change using* ***tracked changes*** *& include any necessary explanatory information)* | | | | | | |
| 5.169 The Market Operator shall not grant the status of Under Test for the purposes of this Code to Autonomous Generator Units, Demand Side Units, Interconnector Units or Interconnector Residual Capacity Units. | | | | | | |
| **Modification Proposal Justification**  *(Clearly state the reason for the Modification & how it furthers the Code Objectives)* | | | | | | |
| Pumped Storage units should be liable to Testing Charges.  This modification proposes to further the TSC objective, in particular *to ensure no undue discrimination between persons who are parties to the Code* (Section 1.3.6). | | | | | | |
| **Implication of not implementing the Modification**  *(Clearly state the possible outcomes should the Modification not be made , or how the Code Objectives would not be met)* | | | | | | |
| The Code Objectives of the TSC would not be realised key among them would be *to ensure no undue discrimination between persons who are parties to the Code* (Section 1.3.6). | | | | | | |
| ***Please return this form to Secretariat by e-mail to*** [***modifications@sem-o.com***](mailto:modifications@sem-o.com) | | | | | | |