

**Mod_13_19 Payment for Energy Consumption in SEM for non-energy Services Dispatch -
Conference Call – 21 July 2020 @ 10:30am –Summary Minutes**

Attendees: Adam Fitzpatrick, Aidan Power, Andrew Burke, Rachel Berney, Marie-Therese Campbell, William Carr, Ricardo Da Silva, David McMullin, Joe Deegan, Gina Reilly, Ian Mullins, Jamie Corcoran, Karen Shiels, Katia Compagnoni, Brian Malone, Mark Alexander, Niamh Delaney, Vivienne Price, Robert McCarthy, Sinead O’Hare, Thomas O’Sullivan, Tom Birney, Bobby Smith, Edwin Foden, Marc Senouci; Vivienne Price;

- Niamh Delaney (ND) gave a summary of the mod background and the options discussed to date.
- Mark Alexander (MA) – Questioned whether this mod related to SSRP only or whether there was an impact on the settlement of reserve services in the balancing arrangements. There was a brief discussion of how reserve is settled by DS3 System Services and agreement that further questions should be addressed offline (by sending an email to the DS3 inbox).
- Andrew Burke (AB): Asked whether the intention of the mod was that thermal units are not dispatched on just for voltage support, increasing imperfections. ND confirmed that yes, if units, such as windfarms, can provide reactive power at 0MW and this removes the need for the TSOs to dispatch more expensive units for voltage support, it reduces dispatch balancing costs. AB noted his support for the intent of the proposal and that it will become increasingly important as a means to reduce Imperfections.
- William Carr (WC): Gave more details on Option 4, explaining that it draws on the experience of other units that are set up in the market like this. Highlighted that anything we do now is a partial solution and further discussions on future arrangements and future market design should take a longer term solution for this into account. Rates in DS3 contracts do not cover the operating cost of a unit to provide the service.
- MA: A unit providing reactive power should not be hit with the energy cost associated with providing it and there is the potential to be exposed to volatile Imbalance prices for this energy consumption. Although Balancing Market prices are volatile and could be unfair for plants, it would probably still be better than the retail price.
- AB: asked whether the market charges CIMB could be set to zero during trading periods when a unit was instructed to operate in this way. Others agreed this option would need to be investigated and assessed further.
Action: Assessment needed of exactly what parameters/charges should be set to zero.
- MA: Noted that a solution must suit all technologies including storage. Paper published by CRU on network charges for storage should be considered as part of this discussion. The paper incentivises low MIC, so any increase in value will be detrimental to storage.
- Sinead O’Hare (SO’H): questioned why energy costs should not be handled through DS3 System Services contracts.
- ND: Clarified that DS3 pays for the service not the energy.
- Marc Senouci (MS): The provision of reactive power by a given unit could cause an energy imbalance and as such settlement of the energy needs to be addressed in the balancing arrangements also.
- Discussion of issues that need to be solved with Option 4: The MIC would be exceeded leading to overrun charges and would need to be renegotiated.

Would need a means to distinguish on-site load being serviced. It is not clear at the moment how this will be done.

- WC: With regard to the recent RA decision on PSO levy – baseload : final user, there needs to be a consistent view of the application of energy wholesale to non-final user.
- WC: asked whether the scalar for Wattless Vars in the DS3 System Services arrangements should be made more attractive and whether the tolerance on getting the scalar should be adjusted.
- ND: Noted that the tolerance was an area that was being looked at, although not currently the scalar value.
- ND: Regarding exceeding MIC, asked if anyone had a view regarding by how much MIC would be exceeded to provide required import energy?
- WC: Would need to check % increase in import energy when providing reactive power. Need to check what the actual operating/overrun costs are to ensure any charges on the service providing unit are not overly penal.
- **Action:** Participants to check this.
- Bobby Smith (BS): Does this only apply for reactive power or also inertia, for example synch condensers providing inertia which have an associated cost.
- ND: Under current arrangements such a unit would most likely also be providing reactive power at the same time and have a single energy consumption cost for both, although depending on the future arrangements, this may be designed differently.
- MA: Any solution agreed now must also consider a longer term view with proper remuneration of services.
- Discussion in relation to Option 1.
- Katia Compagnoni (KC): Option 1 would be very difficult to implement or even assess due to the number of systems impacted and the complexity of the changes required.
- WC: Noted that significant changes to the market design and balancing arrangements are currently being discussed as part of the implementation of articles 12 and 13 under the EU regulation on priority dispatch. Changes for this issue could be included in those discussions.
- ND: Option 4 could be pursued as an interim solution and a longer term solution could be pursued in parallel which could include an impact assessment of instruction profiler changes. While the issue being discussed now is reactive power, it could be a basis for other products dispatched for non-energy reasons.
- WC: impact assessment should be started as soon as possible hence there should be a push to get the drafting done.
- ND: Can agree to progress option 4 and gather material for an impact assessment of option 1.
- Ian Mullins (IM): Asked whether a Working Group would still be formed. ND confirmed that that was the intention, but would not be until September due to Modifications secretariat commitments.
- **Action:** Circulate minutes from today.