DS3 System Services Temporal Scarcity Scalar (TSS)

Recommendations Paper

22nd September 2025

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2. Introduction and background

In its SEM-17-80[1] decision paper, the SEM Committee (SEMC) approved an expenditure cap for DS3 System Services of €235m/annum by 2020, to be achieved by following an annual "glide path". The decision noted that this represents an allowance and does not guarantee that these monies will be spent. In the same decision it was noted that the expenditure cap for DS3 System Services Expenditure will remain at €235m/annum post 2020 until decided otherwise by the SEMC following public consultation.

In May 2021 a Tariff consultation was led by EirGrid and SONI (the TSOs) at the request of the Commission for Regulation of Utility (CRU) and the Utility Regulator (UR), together the Regulatory Authorities (RAs). Following a recommendations paper submitted to the RAs in August 2021, the SEMC made the decision to reduce tariffs by 10% for FFR, POR, SOR, TOR1 and TOR2 from January 2022[2].

A further TSO led System Services Tariff review consultation was carried out in September 2022. As a result, the SEMC decided on 26th January 2023 to maintain the existing Tariffs[3].

The SEMC consulted on the Phased Implementation Roadmap (PIR) for System Services Future Arrangements during 2023 and on the 8th December 2023, published its decision[4]. As part of its decision the SEMC instructed the TSOs to initiate a System Services Tariff review and consultation in Q1 2024. In October 2024[5] the SEMC decided that:

- *The TSS scalars should be reduced from October 2024.*
    - *From October 2024, the TSS should be reduced to 4 (as opposed to 6.3), when SNSP 70% and to 2.25 (as opposed to 4.7), when SNSP > 60%.*
    - *From October 2025 further reductions in the TSS and tariff rates may occur, subject to a review of the impact from the first reduction, in relation to service availability relative to system needs.*
- *Tariff rates will remain at the current rates*

The current System Services procurement tariff mechanism is based on price regulation, whereby Service Providers are tested to prove their service provision capability and are subsequently paid based on their real time availability to provide a given service in each Trading Period. In that regard, there is currently no competition for individual services or TSO specified volumes required and the remuneration volumes per Trading Period are based on real time availability volumes. This tariff-based approach has been successful in providing a transparent and stable framework signalling future system requirements necessary for the renewable transition to 2020 and has successfully delivered SNSP operational levels of 75%.

On 23 June 2025[6], the SEMC announced that the current arrangements would be extended "*out to a long stop date of 30* September 2027".

1 SEM-17-080 DS3 SS SEMC Decision Paper Regulated Arrangements Tariffs and Scalars Final version.pdf (semcommittee.com)
2 SEM-21-089 Correspondence - SEMC to TSO - System Services Tariff Rate Review.pdf (semcommittee.com)
3 System Services Tariffs Rate Review Decision Letter | The Single Electricity Market Committee (semcommittee.com)
4 System Services Future Arrangements – Phase III: Detailed Design & Implementation – Phased Implementation Roadmap | The Single Electricity Market Committee
5 SEM-24-065 System Services Tariff Review Decision Paper | The Single Electricity Market Committee (semcommittee.com)
6 SEM-25-031 System Services Regulated Arrangements to FASS - The Gap - Decision Paper.pdf

Under the framework of decisions governing DS3 System Services the TSOs are required to *"… continue to monitor the effectiveness and costs of the tariff arrangements and report quarterly to the RAs, as per SEM-23-103 and, if appropriate, recommend revisions to current tariff rates and/or associated scalars".*[7]

In the context of these requirements the TSOs have undertaken a review of the current level of DS3 services and expenditure and have set out in this paper proposed revisions to the current arrangements for consideration by SEMC following a consultation period.

As part of the consultation process, an online workshop organised by the TSOs took place where the stakeholders had an opportunity to ask live questions and provide comment to the consultation document.

In this document, the TSOs summarise the responses received to the consultation, provide clarifications where necessary, and put forward our recommendations to the RAs for approval ahead of implementation.

3. Scope of Recommendations

These proposed recommendations apply to the DS3 System Services Regulated (Volume Uncapped) Arrangements. For the avoidance of doubt, the DS3 System Services Fixed Contracts (Volume Capped) Arrangements are not in scope.

[7] SEM-24-065 System Services Tariff Review Decision Paper | The Single Electricity Market Committee (semcommittee.com)

4. TSO’s Consultation Paper: Proposed Solutions

In the consultation paper the focus has been on the Temporal Scarcity Scalar (TSS). The TSOs presented a breakdown of the contracted volume growth in system services for each procured product. It was important to show this information as there is currently no competition for individual services and for certain services, there is no system requirement value available at a trading period level, rather there are a number of constraints that drive the need for these services. As shown in the consultation document in the volume analysis section, the TSOs have an excess of system services in some areas.

Moreover, the consultation document also provided evidence-based information regarding the changes in contracted volumes of system service providers for all the products that are procured, highlighting certain aspects regarding the data availability and consideration on specific technology types that have led to significant growth in the fast-acting reserve services. Since the Temporal Scarcity Scalers changes implemented in October 2024, the TSOs highlight no noticeable change in availability of services across any period.

Given the contractual arrangements for DS3, there are limited options available to reduce DS3 expenditure. As it is not possible to amend individual DS3 agreements[8], the only viable options are to adjust parameter values not defined within DS3 agreements. It is therefore only possible **to amend TSS values or tariff rates**.

It is also worth highlighting that adjusting tariff rates or TSS values for individual technologies was also not a feasible option, per the rules of a Qualification System (the system that is in place to enable interested parties to submit a Response and subsequently qualify for award of Contract for provision of DS3 System Services) which is in keeping with United Kingdom and wider European policies for meeting renewable energy targets, the TSOs adopt a technology neutral position.

In the consultation paper the TSOs propose the removal of the TSS (setting it to 1). This is based on our analysis that shows we are regularly operating at high SNSP level and the excess volume of fast reserve providers contracted on the all-island power system means we have no scarcity at any time of the year for these specific System Services. Hence there is no longer a requirement for the TSS in the view of the TSOs.

A DS3 Expenditure analysis was outlined with the TSS set to unity. It shows that revenue would fall from 9% to 31% dependent on the technology (average of 23%). This fall in revenue can be offset by increasing the underlying tariffs if so desired to the RAs. In the absence of any competitive framework, it is difficult for the TSOs to set tariff rates that would reflect a competitive level. The different technology classes and the combination of System Services that can be offered make this challenging. The view of the TSOs is that with the current excess volumes in System Services for the fast-acting products, in a competitive framework, the expenditure would drop significantly due to oversupply.

While each option was presented as a standalone option, the SEM Committee could consider a combination of the proposed options.

[8] The TSOs currently have over 250 individual DS3 agreements that would need mutual consent of contract holders for any individual changes.

5. Consultation Feedback

5.1 Respondents

The consultation ran from 11 July 2025 to 22 August 2025 with an online workshop held on 14 August. In total, 23 responses were received with three responses marked confidential. Non confidential responses were received from the following parties:

- Ørsted
- DRAI - Demand Response Association of Ireland
- Bord Na Mona
- EAI - Electricity Association of Ireland
- Energy Storage Ireland (ESI), RenewableNI , Wind Energy Ireland (WEI)
- Energy Storage Ireland (ESI)
- Bord Gáis Energy
- Energia
- EPUKI - EP UK Investments
- ESB Generation and Trading
- FERA - Federation of Energy Response Aggregators
- Fluence
- IESA - Irish Energy Storage Association
- iPower
- Lumcloon
- Moyle Interconnector
- Power-to-heat-technologies
- Gore Street Capital
- VPI
- Hanwha Energy

5.2 Respondents Responses – High Level Summary

The dominant theme from respondents is to not make any change in advance of the DASSA. The main reasons given are:

- Damaging to investments that are required for future decarbonisation targets and also to current investments,
- Impacts batteries disproportionately,
- Currently no route to other income streams in the day ahead and balancing market until SDP_02 is delivered,
- SDP_02 changes may change availability from providers accelerated by TSS reductions and in any case it is too early to assess the impact of the last changes in TSS in October 2024.

Many respondents indicate the size of the change in changing the TSS to 1 is significant from a revenue perspective and higher than the TSOs average analysis. A number of respondents indicate a revenue reduction of over 40% compared to the TSO average of 31% presented in the consultation.

Some respondents query the analysis from the TSO as it is backward looking and not forward looking. They argue that with the proposed level of TSS reductions, availability will decline significantly once participants look to recover revenue from other markets (especially once SDP_02 is implemented). They also state that it is too early to assess the impact of the previous reduction in TSS in October 2024 as projects have long lead in time of years rather than months. A respondent asks for a third party review of system services management with a focus on 2030 legally binding targets.

A number of market participants reference the €235 million cap as out of date and has not increased since inception and should be revisited and at least index linked to inflation.

A number of participants query why the TSO states it has an excess of volume and yet in the DASSA design, there are mechanisms being proposed that imply the TSOs have concerns around future volumes and liquidity. They see this as inconsistent.

A couple of respondents queried why the DS3 Procurement Gates were not closed to new providers.

One respondent indicated that the consultation overlooks technologies which operate primarily under high renewables and hence are impacted more by reductions in TSS scalars.

When asked to make a decision on the two options presented in the consultation, the choice was option 2 as the least impactful from a revenue perspective (although most respondents then reiterate, they wish for no change until DASSA).

5.3 TSOs Reply to responses – High Level Summary

The TSOs thank the market participants for their written responses and contributions at the online workshop.

We note the comments in relation to the magnitude of the proposed change in the absence of alternative routes to the energy markets for storage providers and look to reflect this in our recommendations. We recognise that the TSOs have used a historic dataset which presents average results. We thank those market participants who provided more detail via confidential responses.

The TSOs stand over the fundamental theme in the consultation in that we currently see an excess of volumes of fast-acting System Services and hence no scarcity at any period in the year. We also do not see this changing over the lifetime of DS3 System Services.

Comments in relation to DASSA have been shared with the relevant team and can be addressed via the consultations being held in that fora and hence it is outside the scope of this consultation.

6. TSO’s Recommendations and Next Steps

There are a number of considerations that guide the TSOs in our recommendations and next steps.

The first is that under the framework of decisions governing DS3 System Services the TSOs are required to *“… continue to monitor the effectiveness and costs of the tariff arrangements and report quarterly to the RAs, as per SEM-23-103 and, if appropriate, recommend revisions to current tariff rates and/or associated scalars”.* [8] This is the fourth tariff review and having a clear direction on tariffs up till go-live of new arrangements is needed.

The second consideration is that the analysis shows we have ample contractual volumes of system services in the fast-acting services across all time periods across the island. A signal needs to be sent to reflect this situation. The current tariffs and scalers are attractive to new providers who continue to plan building assets.

The third consideration is the feedback from the consultation document that highlights that the changes being proposed by the TSOs are significant and affect stakeholders of certain technologies (batteries) who do not have the ability to offset these reductions in revenue by trading energy as the TSOs system is, at the time of writing, not ready (and SDP_02 will not be deployed until Nov 2025).

The TSO recommendations are:

The TSS scalers should continue to be reduced as the TSOs’ analysis has shown that there is no scarcity and we continue to see higher SNSP levels driven by new interconnector capacity. However, we propose a gradual reduction over the next two years.

- We would propose reducing TSS:
    - For October 2025 (or 1 month after a SEMC decision) the TSS to 3.5 (as opposed to 4) *when SNSP 70%* and 1.75 (as opposed to 2.25) *when SNSP 60%* i.e. a reduction of 0.5 in each,
    - For October 2026 we would propose another 0.5 reduction in the TSS scalars i.e. 3.0 (as opposed to 3.5) *when SNSP 70%* and 1.25 (as opposed to 1.75) *when SNSP 60%.*

The TSOs propose no changes to the underlying tariff rates and no further tariff consultations in advance of DASSA go-live.

Appendix A highlights forecast expenditure change. As a rule of thumb, each reduction in the TSS scalar by 0.5, reducing overall expenditure by 6% across all technologies based on the historic data set.

7. Appendix A: Forecast Expenditure Impact of changes in TSS (by technology type)

This Appendix highlights the change in expenditure if TSS scalers are reduced based the following assumptions:

- Conventional includes Turlough Hill pumped storage and Synchronous Compensators,
- Actual data from October 2024 to June 2025 is used as the base of the analysis which captures actual SNSP levels experienced across this period,
- No forward forecast is made due to the inherent difficultly in forecasting future SNSP levels.

For a reduction in TSS scalers by 0.5 i.e. From 4 to 3.5 *when SNSP 70%* and from 2.25 to 1.75 *when SNSP 60%* there is a reduction in expenditure by 6%. This varies across technologies with batteries experiencing the highest average reduction of close to 10% and conventional around 3%.

October 2024 to June 2025			
	Current TSS	Reducing each TSS scalar by 0.5	% Change
Conventional	€77,543,245	€75,310,749	-3
DSU	€7,777,659	€7,145,892	-8
Interconnectors	€14,275,347	€13,093,955	-8
Batteries	€95,683,256	€87,527,514	-9
Wind	€16,357,868	€15,397,747	-6
Solar	€901,156	€869,060	-4
Total	€212,538,531.79	€199,344,917	-6

Table 1 Revenue effect of reducing TSS scalar by 0.5

For a reduction in TSS scalers by 1.0 i.e. From 4 to 3 *when SNSP 70%* and from 2.25 to 1.25 *when SNSP 70%* there is a reduction in expenditure by 12%. This varies across technologies with batteries experiencing the highest average reduction of around 17% and conventional around 6%.

October 2024 to June 2025			
	Current TSS	Reducing each TSS scalar by 1.0	% Change
Conventional	€77,543,245	€73,140,266	-6
DSU	€7,777,659	€6,531,675	-16
Interconnectors	€14,275,347	€11,945,379	-16
Batteries	€95,683,256	€79,598,321	-17
Wind	€16,357,868	€14,464,296	-12
Solar	€901,156	€837,855	-7
Total	€212,538,531.79	€186,517,791	-12

Table 2: 1 Revenue effect of reducing TSS scalar by 1.0