

**TYNAGH ENERGY**  
**L I M I T E D**

Conor Kavanagh  
Eirgrid  
The Oval  
160 Shelbourne Road  
Ballsbridge  
Dublin 4

Leslie Burns  
SONI  
12 Manse Road  
Belfast

Ref: TEL/EOD/09/111

6<sup>th</sup> July 2009

**RE: Harmonised Ancillary Services & Other System Charges – Rates Consultation**

Dear Conor & Leslie,

The views of Tynagh Energy Limited (TEL) in relation to the Harmonised Ancillary Services Rates Consultation are outlined below. Comments have been aligned with the appropriate sections of the consultation paper.

**4.2 – Proposed Harmonised AS Rates**

The proposed rates outlined within this consultation indicate an intention to significantly reduce the revenue that generators will receive in return for provision of these vital services. This is unacceptable and does not meet the design guideline that rates should remain broadly unchanged as a consequence of the harmonisation process.

The suggested split between POR, SOR, TOR and RR of 20/25/25/15/15 demonstrate that a higher importance is being placed on the “fast” reserve categories. This approach results in large reductions in the rates for “slow” reserve categories such as Tertiary 2 and Replacement Reserve.

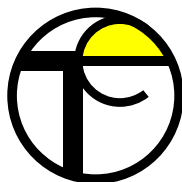
Studies have shown that in systems with high wind penetration there is a much greater requirement for “slow” reserve, or reserve that is provided over longer time horizons, to help offset variations introduced through wind forecast error. One such study by Sustainable Energy Ireland states

*“Wind generation does not significantly increase the need for fast acting reserve (1.25 minutes) and only really starts to have an impact at the 30 minute horizon and beyond. For*

---

**The Crescent Building, Northwood Park, Santry  
Dublin 9  
IRELAND**  
**TEL:** +353 (0) 1 857 8700  
**FAX:** +353 (0) 1 857 8701

**DIRECTORS**  
Mr Bran Keogh (IRE),  
Mr Robert Hadden (USA), Mr Ramzi Nassar (USA)  
Mr Arif Ozozan (BE), Mr Martin Parkes (UK)  
**REGISTERED NUMBER:** 378735



*the high wind scenario, there is a substantial increase in the need for operating reserve over longer horizons”<sup>1</sup>*

Given the rapid growth in wind generation expected on an all island basis over the coming years, any signal that serves to lessen the importance of slow reserve provision is not appropriate. TEL request that the split between operating reserve categories be revisited and suggest that an equal weighting whereby each category receives 20% of the allowance be introduced.

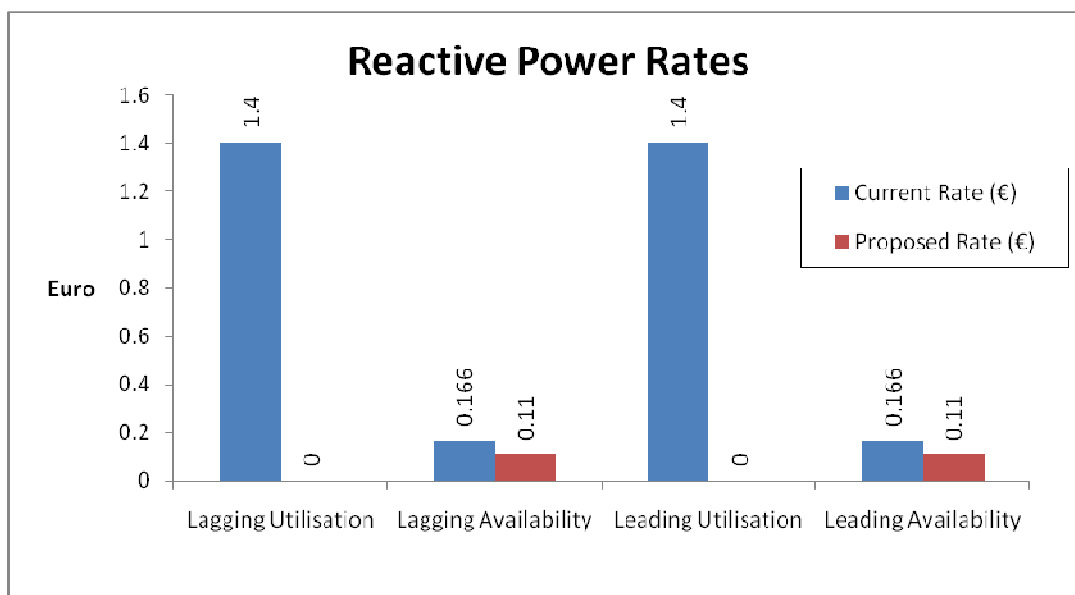
#### 4.2.1– Proposed AS Rates

A graphical comparison of the proposed Reactive Power rates against those rates that are currently in place can be seen in Graph 1 below.

It can be seen that payments for utilisation of Reactive Power have been discarded and that Reactive power availability payments have been reduced by 34%.

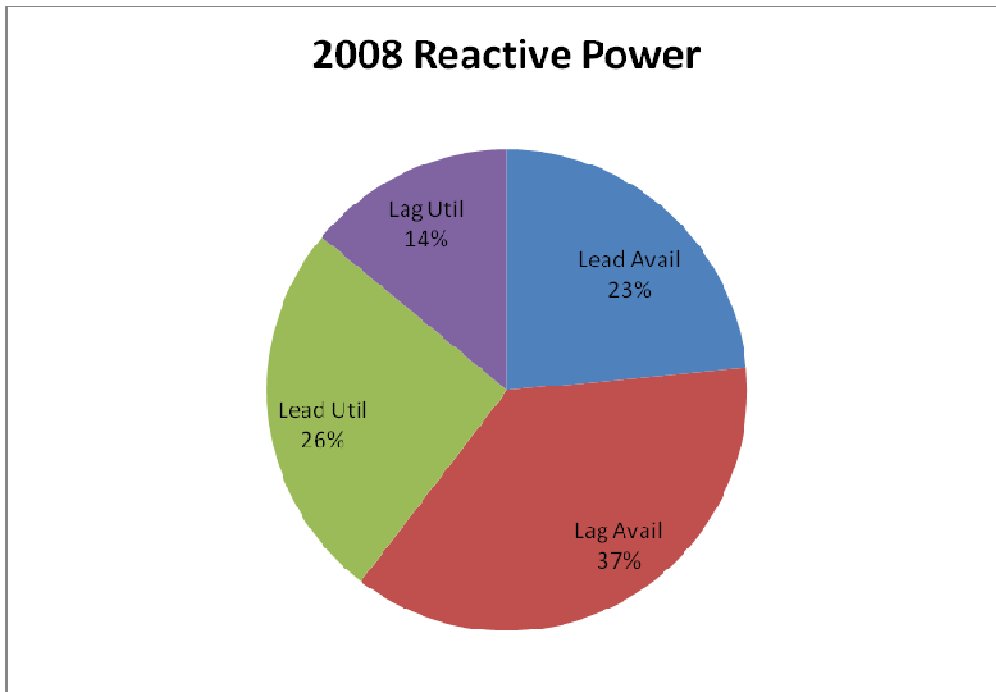
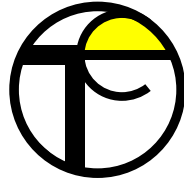
TEL cannot find any explanation put forward within this consultation to warrant this reduction. Graph 2 below indicates the percentage split, by category, of payments received by TEL for providing Reactive Power in 2008. Utilisation payments accounted for 40% of revenue received in 2008 and a similar trend has been seen so far in 2009.

Introduction of these proposed rates would result in payments to generators being reduced by close to 50% even though the level of service being provided by generators remains unchanged. This is not acceptable and these proposed rates must be revised.



Graph 1: Reactive Power Rates – Proposed vs. Current

<sup>1</sup> Sustainable Energy Ireland – Operating Reserve Requirements as Wind Power Penetration Increases in the Irish Electricity Sector



Graph 2: Reactive Power –2008 TEL split

#### 5.2.1– Short Notice Declarations

The application of a 12 hour time horizon to short notice declaration charges is excessive and will result in generators, in particular CCGT's, that declare plant availability in line with prevailing ambient conditions being unfairly punished.

In particular the impact of a gas turbine anti icing system, which can result in a sudden loss of over 10MW in low temperature conditions, has not been taken into account.

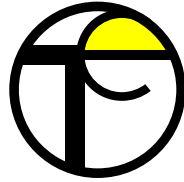
Generators should not be punished for occurrences that they have no control over.

#### 6– Generator Performance Incentive Charges

Focusing solely on punishing underperformance will result in a culture that does not leave room for technological or commercial innovation and as a result more efficient ways of providing a service are unlikely to be developed.

TEL maintains its view that the best incentive for generators to provide over and above the minimum levels expected is to redistribute penalty payments amongst those that consistently provide a reliable service.

The suggestion that generator performance incentive charges be used to offset Dispatch Balancing Costs cannot be allowed to proceed. Dispatch Balancing Costs are used as a metric to gauge System Operator performance and to reduce them in such a manner would create a spurious impression of improved system efficiency.



Yours sincerely

---

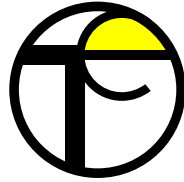
**Eamonn O'Donoghue**  
**Risk & Regulatory Manager**

---

**TYNAGH ENERGY LIMITED**

**The Crescent Building, Northwood Park, Santry, Dublin 9, IRELAND**

**TEL: +353 (0) 1 8578700 • FAX: +353 (0) 1 8578701**



---

**TYNAGH ENERGY LIMITED**

**The Crescent Building, Northwood Park, Santry, Dublin 9, IRELAND**

**TEL: +353 (0) 1 8578700 • FAX: +353 (0) 1 8578701**