



**Endesa Ireland response to SEM/09/062
Harmonised Ancillary Services and Other System Charges
Rates Consultation**

Endesa Ireland welcomes the consultation on Harmonised Rates for Ancillary Services and other system charges. Endesa Ireland encourages the move toward an all-island ancillary service market. As a first stage, harmonised rates are appropriate. In the medium-term, Endesa Ireland considers that a more competitive market for ancillary services should be introduced, whereby annual ancillary service contracts are auctioned to the lowest bidders.

The Regulatory Authorities have indicated that have not progressed this option because there were concerns that the outcome of the auction may result in excessive rates paid to generators. This is an unlikely outcome, as auctions have been shown to result in economic prices, reflective of the cost of providing the service. The RAs also reported concern that there may be a potential lack of provision. Again, this is unlikely as the provision of ancillary services is a Grid Code requirement.

Endesa Ireland considers that the current payments for ancillary services do not reflect the actual cost of providing these services. At the Ancillary Services Workshop held on 24 June, the System Operators explained their derivation of payments for Ancillary Services was not based on the cost to generators in providing these services, rather they were calculated based on the cap the regulatory Authorities had placed on Ancillary Service Payments. This is not an appropriate means of procuring services in a competitive market. Endesa Ireland suggests that payments should be based on the cost to provide these services.

The Regulatory Authorities advised that there will be separate pots for payment of Ancillary Services in Ireland and Northern Ireland. Endesa Ireland has concerns that over- or under-recovery in one jurisdiction could result in distortions to the market in future years, as the RAs have not set out how such a situation will be addressed. Prior to harmonising the ancillary service rates, the RAs should communicate how these discrepancies will be addressed.

In addition, there is a question as to whether a single all-island pot is possible under the current legislation / licensing, as the obligations placed on TSOs in respect of ancillary services may be restricted to a single jurisdiction.

Until the second north-south tie line is completed, it is unlikely that ancillary services can be provided on a cross-jurisdictional basis. Endesa Ireland supports the efforts to harmonise payments and charges for these services, but considers that the RAs should undertake a legal review to ensure that an all-island ancillary service is possible without changes to existing licenses / legislation.



Following are Endesa Ireland's comments on the specific proposals set out in the document:

1. **Proposed Exchange Rate**
Endesa Ireland agrees with the proposal to fix the exchange rate for the tariff year and the proposal to utilise the forward FX rate.
2. **Proposed Harmonised AS Rates**
Endesa Ireland considers that payments for ancillary services to be too low, as they are not reflective of the actual cost of providing these services.
3. **Proposed Alternative Replacement Reserve Option**
Endesa Ireland support the proposed alternative replacement reserve option, whereby de-synchronised units are paid a higher rate than synchronised units, reflecting the additional cost to these units to provide the reserve.
4. **Proposed Empirical Trip Charge Rates**
Endesa Ireland considers that the trip charge, even though reduced from the current rate, results in double charges for trips, as these are also be subject to the SND charge. This seems an over-penalisation of a trip. A single charge is more appropriate. Two separate charges add unnecessary complexity and do not provide enhanced incentives.
5. **Proposed Notice-time Weight**
Similar to the above, Endesa Ireland considers it appropriate for the SOs to include different weightings for different notice periods. The higher weightings for short-notice seem appropriate as they will recover sufficient monies to pay for the start up costs of the replacement generation. For longer-notice, the system operators have more time to manage the units and derive a lower-cost solution.
6. **Proposed Empirical Short-notice Declaration Rate**
The short-notice declaration rate seems to be appropriate.
7. **Proposed GPI Charge Rates**
Endesa Ireland considers that the GPI Charges are too complex. At the end of the day, the generator performance they are trying to incentivise is already incentivised by Imbalance Charges. The System Operators should not be concerned with the reason for generators not meeting their dispatch instruction. It should be sufficient to know that they have not and to issue a single penalty for being out of balance. The additional complexity and costs the implementation of these charges would add to both the System Operators and the generators seems unwarranted.