

IWEA Response to Harmonised Ancillary Services & Other System Charges

Rates Consultation

Date: 06/07/09

Introduction: While further steps towards increased market harmonisation are to be welcomed. The IWEA feel that the current proposals do not send the desired signals to the market place and in fact are counter-productive in terms of achieving broader aims. Flexible conventional generation will play a key role in enabling Ireland to maximise its renewable generation potential by providing an essential component of a diverse and robust generation portfolio. IWEA believes that the proposed measures do not incentivise more flexible conventional plant and in fact has the opposite effect in encouraging inflexibility; with conventional generators looking to avoid increased cycling rates and reduce their exposure to generator performance charges. Flexibility must be recognised and effectively incentivised.

There are a number of areas in the paper where the proposed new AS rates do not, in IWEA's view, support higher levels of windfarm operation on the system:

1. The shift in emphasis in the AS rates towards Primary Operating Reserve away from Tertiary reserve appears incompatible with the widely held perception that increased levels of tertiary reserve are necessary in a system with increasing levels of wind penetration.
2. The revenue to generators for providing VARs is significantly reduced, notwithstanding the widely expected increase in the variance of VARs given the less predictable load flows in a power system with high levels of wind penetration. The document also does not discuss the payment of VARS to windfarms if they are able to provide this service.

3. The Generator Performance Indices (GPI) are all penal, and are likely to incentivise generators to find ways to bid inflexibly in the market. We are particularly concerned that the revenue derived by the TSOs from GPIs are being used to subsidise “imperfection charges” to customers. This subsidy is in our view inefficient at best, and could be viewed as masking the true cost of TSO inefficiencies as seen by customers.
4. Reactive power payments accrue to transmission connected wind farms, but not to distribution. In the interests of fairness, this discrepancy should be removed.

In conclusion IWEA had expected that ancillary services revenue was to increase for generators, particularly those providing flexibility to the market. IWEA is surprised that this consultation proposes a significant reduction in the value of flexibility in the market. IWEA calls on Eirgrid/SONI to fundamentally review the philosophy underpinning the consultation and to reconsider the reduction in ancillary service revenue to generators.