

**22<sup>nd</sup> September, 2010**

*Mr. Simon Tweed  
EirGrid  
The Oval  
Block 2  
160 Shelbourne Road  
Ballsbridge  
Dublin 4*

*Our Ref: SEM-10-064*

*Mr. Michael Preston  
SONI Limited  
Castlereagh House  
12 Manse Road  
Castlereagh  
Belfast BT6 9RT*

**Re: AS Rates and OSC for 2010-11 tariff year beginning 1 October 2010**

Dear Simon & Michael,

In relation to *Harmonised Ancillary Services* (HAS) and *Other System Charges* (OSC) the SEM Committee has set out the policy for the services, the arrangements and the calculation of the rates which now apply across the island of Ireland. The decisions include:

- [[SEM-08-013](#)] Policy for harmonised ancillary services and other related system charges (February 2008).
- [[SEM-09-003](#)] Implementation arrangements (January 2009).
- [[SEM-10-001](#)] Rates for the period from 1 February to 30 September 2010 for the regulated all-island procurement and payment/charging arrangements (January 2010).

In accordance with the aforementioned SEM Committee's decision papers on *Harmonised Ancillary Services* and *Other System Charges* the Transmission System Operators have proposed rates for the forthcoming 2010-11 tariff period<sup>1</sup>.

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<sup>1</sup> The 2010-11 tariff period is from 1 October 2010 to 30 September 2011 inclusive.

These have been published for consultation<sup>2</sup> on the respective websites of the Transmission System Operators; EirGrid and SONI. The Transmission System Operators have reviewed responses to the consultations and have made recommendations to the Regulatory Authorities.

Following a review by the Regulatory Authorities of the Transmission System Operators' recommendations and the responses to their consultation the SEM Committee has approved the rates for HAS and OSC for the tariff year 2010-11 as set out below.

### **Approval of Transmission System Operators' Recommendations**

The SEM Committee approves the recommendations of the Transmission System Operators as summarised below:

- Exchange rate of €1/£0.82 approved for 2010/11 tariff year
- AS rates - in Euro - for reserve, reactive power and black start unchanged for the 2010/11 tariff period;
- Refinement of HAS reserve charge to facilitate generators in contracting for their full reserve capabilities;
- The rates - in Euro – for Other System Charges remain unchanged except for the SND, *Min on Time* and *Max Starts* which are to increase in phases as previously decided by the SEM Committee in January 2010;
- The refinements in the design of *Min on Time* and *Max Starts*

The HAS and OSC consultations have identified a number of additional topics which need further investigation and consideration. The Transmission System Operators should consider these topics when consulting in 2011 for the services and rates for the 2011-12 tariff period.

### **Approval of Transmission System Operators' Recommendations – subject to amendments**

The recommendations from the Transmission System Operators are approved subject to the amendments set out as follows.

The SOs have recommended that the planned increase in the rates for Short Notice Declarations (SNDs) and certain Generator Performance Incentives (GPIs) (i.e. "Min on Time" and "Max Starts") be delayed by 12 months.

For these 3 charges, the SEM Committee decided in January 2010 ([SEM-10-001](#)) that the rates would increase in 3 stages (over 3 tariff periods):

- Short Notice Declarations (SNDs);
- "*Min on Time*" Generator Performance Incentive; and,
- "*Max Starts*" Generator Performance Incentive.

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<sup>2</sup> The rates for the forthcoming tariff year starting 1 October 2010 have been consulted on. Please check either of the following links for the SOs' joint consultation papers:  
<http://www.eirgrid.com/operations/ancillaryservices/consultationsworkshops>  
<http://www.soni.ltd.uk/chargingstatements.asp>

The SEM Committee's January 2010 decision, as relates to the incremental phasing-in of these particular rates, is summarised as follows:

| Item  | Tariff Period Feb-Oct 2010 | Tariff Period 2010-11 | Tariff Period 2011-12 |
|---|----------------------------|-----------------------|-----------------------|
| <b>SNDs</b>                                       | €20/MW                     | €40/MW                | €70/MW                |
| <b>GPI: Min_on_Time</b><br><b>GPI: Max Starts</b> | €0.29/MWh                  | €0.60/MWh             | €1.00/MWh             |

*Table 1: Rates as decided by SEM Committee*

The final rates in table 1 above are in-line with the rates which were previously in place in Northern Ireland prior to the introduction of the all-island harmonised arrangements for Ancillary Services. These rates successfully procured improvements in performance in Northern Ireland and it was decided during the review of harmonised ancillary services that they were appropriate for application on an all-island basis.

The SEM Committee decided on 31 August that there are not sufficient grounds for any change to the SEM Committee's decision of January 2010, as reflected in table 1 above.

Accordingly, these rates will apply for 2010-11.

### **Exchange Rate**

The EURO/GBP exchange rate of €1 / £0.86 as consulted-on by the TSOs was based on the forward exchange rate for the 2010/2011 tariff year and this was calculated in May 2009. The 12 month forward rate was re-calculated on 31 August 2010 and this was €1 / £0.82.

The SEM Committee has approved the Euro/GBP exchange rate of €1 / £0.82, as calculated and submitted by the Transmission System Operators on 31 August, on the basis of the 12 months of the tariff year October 2010 to September 2011 inclusive.

The methodology for the calculation of this EURO/GBP exchange rate which is to be used for AS and OSC is consistent with<sup>3</sup> that used for the Capacity Payments Mechanism.

All of the sterling denominated rates for AS and OSC, as apply in Northern Ireland, have been recalculated on the basis of this exchange rate.

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<sup>3</sup> Note that the exchange rate for Capacity Payments Mechanism may be different to that which applies to Ancillary Services as the former applies for a term of a calendar year whereas the latter applied for the term of a tariff year.

## Conclusion

The approved rates to be applied for new harmonised all-island arrangements for *Ancillary Services* and *Other System Charges* for the forthcoming 12-month tariff period commencing 1 February 2010 should be published separately by the Transmission System Operators in conjunction with this letter.

The following are the links to the approved rates, which are to be published on the Transmission System Operators' websites. The approved rates are included in the explanatory papers from the System Operators.

<http://www.eirgrid.com/operations/ancillaryservices/consultationsworkshops/>

<http://www.soni.ltd.uk/chargingstatements.asp>

Yours sincerely,



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Cathy Mannion, Director, Electricity Networks and Retail, CER.



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Shane Lynch, Director, Electricity, Utility Regulator, Northern Ireland

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