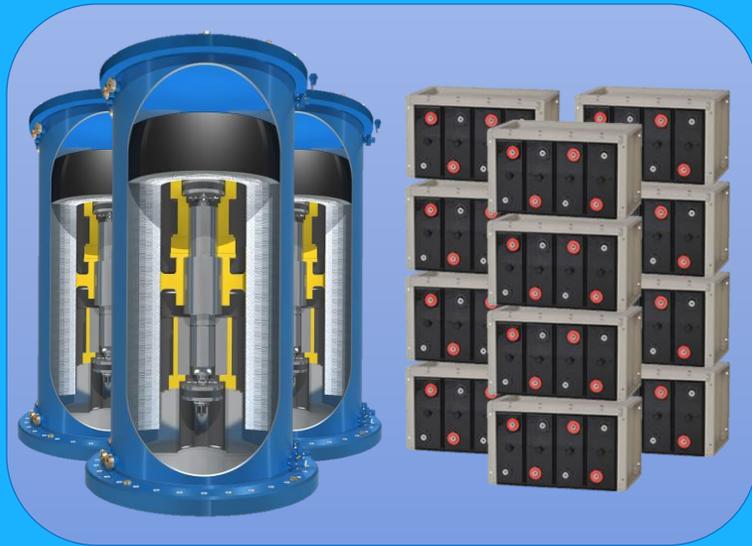




DS₃ Auction Design (New Technologies)



25th April 2016



Overview

- Introduction to Schwungrad Energie Technology
- High Level Issues for New Technologies
- Auction Design issues
- Suggestions



Demo Project to Commercial Plant

- Demo project in conjunction with EirGrid
- Rhode site has full planning permission for 20MW
- Adjacent to Derryiron 110kV station
- Shovel ready project in context of requirement for additional system services by 2018 to accommodate wind



High Level Issues for New Technologies

- System Services may be single revenue stream => must get it right
- May also be new entrant
- Long term contracts (15yrs)
- Price certainty for new technology projects
 - Required to attract new technologies
 - Small percentage of total costs of system services => small risk of overpayment by TSO – preferable to not having sufficient system services



High Level Issues for New Technologies

- Clarity on which products will be tariff based and which will be through an auction
- Regulatory certainty
 - Change to scalars
 - Tariff prices and overall “pot” (€80m for interim tariffs Vs €235m by 2020?)



Auction Design Issues

- We support defined volume of system services allocated to new technology plant under long term contracts (15years).
 - Volume to cover all products, otherwise the contracts would not be financially viable.
- Fixed price for duration with indexation including a component linked to an electricity price index
- We support proposed “package system” but
 - Need clarity on how bids will be evaluated
 - Need clarity on back-engineering price for individual products



Auction Design Issues

- We favour the Full Commitment option
 - simple and avoids the complexity of the Contingent Commitment model
 - defining what DECs and INCs should be used
 - additional costs associated with the INCs and DECs would have to be estimated in advance at the time of the DS3 auction and added to the bid prices
- If some products are paid on a tariff basis, a player bidding into an auction for other products needs to know whether they have a contract for the tariff products and at what price.



Suggestions

- Split “package” (according to timescale)
 - SIR, FFR, POR, SOR, TOR₁, TOR₂ + SSRP, DRR, FPFAPR,
 - RM₁, RM₃, RM₈, RRS, RRD
- Workshop for market participants with detailed worked examples to show how bids will be evaluated and how product prices will back-calculated
- Early decision on which products will be through auction





Thank You

