



SINGLE ELECTRICITY MARKET COMMITTEE

DS3 System Services Interim Arrangements System Service Contractual Arrangements Decision Paper

02 August 2016

SEM-16-042

1 INTRODUCTION

This Paper sets out the SEM Committee's¹ approval of the System Services contractual principles to apply from 1st October 2016. These contractual principles have been proposed by EirGrid and SONI (the "TSOs") following public consultation. The principles are incorporated within the TSO Paper which will be published separately by the TSOs. However for clarity we have set out below explicitly the principles which the SEM Committee has approved.

The TSOs' Paper, *DS3 System Services Contracts for Interim Arrangements Decision Paper*, incorporate these principles and set out their approach to the contractual arrangements. These arrangements include the Protocol Document which includes the TSOs' implementation of the performance scalars, performance monitoring methods, and compliance requirements.

2 INTERIM ARRANGEMENTS

As part of the High Level Design for System Services Procurement (SEM-14-108) the SEM Committee decided that Interim Arrangements would be introduced in October 2016 before the implementation of the Enduring Arrangements. The Interim Arrangements will facilitate the transition to the Enduring Arrangements and the competitive procurement of system services. The Interim Arrangements introduce tariffs for each of the new services and a performance scalar which will incentivise greater levels of performance from providers of system services. The Interim Arrangements require contractual changes to the existing arrangements that apply for the Harmonised Ancillary Arrangements process.

The TSOs have consulted with industry on the required contractual changes and, as part of this, have considered the principles on which the contracts are based.

¹ 'The SEM Committee is established in Ireland and Northern Ireland by virtue of section 8A of the Electricity Regulation Act 1999 and Article 6 (1) of the Electricity (Single Wholesale Market) (Northern Ireland) Order 2007 respectively. The SEM Committee is a Committee of both CER and NIAUR (together the Regulatory Authorities) that, on behalf of the Regulatory Authorities, takes any decision as to the exercise of a relevant function of CER or NIAUR in relation to an SEM matter.'

3 SEM COMMITTEE DECISION

The SEM Committee has decided to approve the principles of the System Services contractual arrangements proposed by the TSOs and set out below.

1. The Framework Agreements should apply on a Providing Unit basis rather than on a Service Provider basis.
2. The Framework Agreements should ensure payment to Service Providers for DS3 System Services is contingent on compliance requirements being met.
3. Performance monitoring should be detailed in the Protocol document rather than in the Framework Agreements.
4. The governance of the Protocol document shall be that the TSOs may propose changes on a quarterly basis and amend the Protocol document with the approval of the Regulatory Authorities. Any proposed change to the Protocol document that is considered by the Regulatory Authorities to be material will be subject to public consultation.
5. The notice period for the termination of one or more system services should be three months for the interim arrangements.
6. The Performance Scalar and Product Scalar should be applied as proposed in the TSO Paper.
7. The TSOs should implement performance monitoring as proposed in the TSO Paper and continue to keep the process under review. The TSOs should propose amendments to the Protocol document in this regard as they gain experience of the process during the Interim Arrangements.
8. The Technical Definitions of the Services should be defined by the TSOs and be consistent with the SEM Committee Decision on the System Services Technical Definitions (SEM-13-098).
9. The definition of availability in relation to the payment basis should be defined by the TSOs so as to be consistent with SEM-14-108, while recognising the context of the current SEM market arrangements. In this regard the SEM Committee accepts the TSOs proposed implementation in advance of I-SEM go-live.

4 NEXT STEPS

The TSOs will now conclude the ongoing System Services procurement process and the Interim Arrangements will go-live on 1st October 2016.