

# **Single Electricity Market**

## **Other System Charges for 2016-17**

**Decision Paper**

**11 August 2016**

**SEM-16-047**

## BACKGROUND AND INTRODUCTION

All island arrangements for Harmonised Ancillary Services (HAS) and Other System Charges (OSC) commenced on 1 February 2010.

The SEM Committee decision paper on DS3 System Services published on 14 December 2014 stated that a regulated tariff will be set for Harmonised Ancillary Services as an interim measure on a one year basis from 1 October 2016 to 30 September 2017. The Harmonised Ancillary Services tariff for 2015-2016 was therefore the last tariff set for these services.

This paper sets out the Regulatory Authorities' (RAs) decision for OSC rates and services/charges for the tariff year 2016/2017. This follows a consultation process carried out by the Transmission System Operators (TSOs).

The annual review of OSC commenced on the 11th April 2016 when the TSOs published a consultation paper on proposed OSC rates and services/charges for the tariff year [2016/2017<sup>1</sup>](#).

Six responses to the OSC consultation paper were received. Following the consultation process, the TSOs submitted a recommendation paper to the RAs which is published along with this decision paper. These papers include both the TSOs' response to queries raised by the consultation respondents, and their recommendations for services and charges in the upcoming tariff year.

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<sup>1</sup> [http://www.allislandproject.org/en/transmission\\_current\\_consultations.aspx?article=d5ca3197-765b-4553-b33e-a381e1526600](http://www.allislandproject.org/en/transmission_current_consultations.aspx?article=d5ca3197-765b-4553-b33e-a381e1526600)

## OSC – TSO RECOMMENDATIONS AND RA DECISION

The recommendations made in the TSOs' OSC paper are summarised as follows:

1. Include the provision of all existing OSC charges and rates for the upcoming tariff year with an adjustment for inflation of 1.6% based on the most recent source figures.
2. The Operating Reserve GPI proposal to include the required decrement rate as part of the calculation is consulted on further in next year's consultation process.
3. The introduction of a GPI relating to fuel switching is deferred until after fuel switching arrangements are finalised in Northern Ireland.
4. A review of the Trip Charge methodology should be visited again once the DS3 Enhanced Performance Monitoring System is put in place as part of the DS3 project, and consulted on with industry prior to any methodology changes being introduced.
5. The introduction of new GPIs for wind farms to be consulted on in next year's OSC consultation

Furthermore, the TSO's OSC paper aims to provide a clarification on the application of SND charges to units under test, as follows:

6. The TSO's would like to state that all units Under Test in the SEM will be liable for SND charges if they Trip as if the unit was in normal operation, unless the trip was planned. The charge will remain in place for tariff year 2016-2017.

A Summary of the RAs' Decision is as follows:

1. A blended inflation rate of 1.6% for OSC is accepted by the RAs. The RAs agree that this rate represents a realistic estimation of expected inflation for the coming tariff year that is likely to be experienced across both jurisdictions.
2. The RAs agree that the Operating Reserve GPI proposal be consulted on further in next year's process.

3. The RAs require the TSOs to consult on and implement an approved GPI for secondary fuel switching in advance of the 2017 OSC consultation as the Fuel switching arrangement in Northern Ireland have now been approved as of 29 June 2016. Time lining and milestones for this process are to be developed by the TSOs and submitted to the RAs for approval by no later than 30 September 2016.
4. The RAs support the review of Trip Charge methodology once the DS3: Enhanced Performance Monitoring System is put in place and consulted on with industry prior to any methodology change.
5. The RAs agree with a consultation on wind farm GPI's as part of the next year's consultation.
6. The RAs require that the TSOs consult on the inclusion or exclusion of SNDs to units under test within the 2017 Testing tariffs process, having regard to the specific concerns raised by respondents to the OSC consultation paper.

The interpretation of the OSC Methodology Statement articulated by the TSOs in their recommendations Paper with regard to the application of SND to units under test is approved by the RAs for utilisation by the TSOs in the intervening period, until an enduring decision is made at the conclusion of the 2017 Testing Tariff process.

## CONCLUSION

The RAs approve the OSC rates and services as detailed in the TSOs' recommendation papers for the upcoming tariff year beginning 1<sup>st</sup> October 2016.