



SINGLE ELECTRICITY MARKET COMMITTEE

DS3 System Services Fixed Contracts

Contractual Arrangements

Decision Paper

SEM-19-005

08 February 2019

1 INTRODUCTION

This Paper sets out the SEM Committee's Decision on the contractual principles to be reflected in the TSOs' System Services Fixed Contracts, to procure between 91MW and 140MW of service, in accordance with the SEM Committee's Decision on DS3 System Services Fixed Contracts Procurement Arrangements (SEM-18-049)¹.

The SEM Committee's Decision on DS3 System Services Tariffs and Scalars (SEM-17-080)² decided that, as proposed by the TSOs, a competitive procurement process is to be undertaken for a sub-set of services with specific availability requirements on fixed term and fixed tariff contracts. The volumes procured under this procurement process are to be capped while the intention of the arrangements is to incentivise entry of new technologies by providing a fixed contract term, and a degree of revenue certainty, while enabling provision of services from the most cost-effective technologies able to meet the availability requirements.

Following the publication of the TSOs' consultation paper and, subsequently, the recommendations paper on their proposed approach to the Fixed Contracts (Volume Capped) process, the SEM Committee published its decision on the Fixed Contracts Procurement Arrangements on the 7th September 2018.

The TSOs then consulted on the Contractual Arrangements for the Fixed Contracts and have submitted their recommendations paper to the Regulatory Authorities. The Regulatory Authorities have reviewed the TSOs' consultation paper, the responses received to this consultation and the TSOs' Recommendations Paper in the development of this Decision.

This Decision Paper sets out the SEM Committee's Decision on the contractual principles to be reflected in the TSOs' System Services Fixed Contracts and should be read in conjunction with the TSOs' Paper, Recommendation on DS3 System Services Volume Capped Fixed Contracts.

¹ SEMC Decision on DS3 System Services Fixed Contracts Procurement Arrangements (SEM-18-049)

<https://www.semcommittee.com/news-centre/ds3-system-services-fixed-contracts-procurement-arrangements>

² SEMC Decision on DS3 System Services Tariffs and Scalars (SEM-17-080) <https://www.semcommittee.com/news-centre/ds3-system-services-tariffs-and-scalars-sem-committee-decision>

2 PROCUREMENT OUTLINE

The TSOs are planning on publishing the OJEU notice for the Fixed Contracts in February 2019. There will be a two-stage selection process whereby applicants must meet the appropriate contractual and technical pre-requisites in order to enter the competition and then winning bids will be ranked based on price. Technical pre-qualification is scheduled to begin in March 2019 with the bidding process scheduled for May/June 2019. The TSOs have included their planned timelines for the procurement process in their recommendations paper.

Contract execution is due on the 1st September 2019 and successful providers will be given a flexible two-year build phase in which to ensure service delivery. The contract duration will be for six years; the SEM Committee considers that the two-year build phase allows the possibility for providers to start providing services and receive revenue earlier than 1st September 2021.

In the event that the go-live date is achieved after the 1st September 2021, contracts will run until 31st August 2027 in line with the TSOs' contractual arrangements.

3 SEM COMMITTEE DECISION

The SEM Committee has decided that the principles set out below will apply to the System Services contractual arrangements for the Fixed Contracts with a total volume of between 91MW and 140MW to be awarded.

1. The Contractual Arrangements shall apply on a Providing Unit basis rather than on a Service Provider basis.
2. The Technical Definitions of the Services shall be defined by the TSOs and be consistent with the SEM Committee Decision on the System Services Technical Definitions (SEM-13-098).
3. The TSOs shall carry out performance monitoring of providers and continue to keep the process under review.
4. The Contractual Arrangements shall ensure payment to Service Providers for DS3 System Services is contingent on compliance requirements being met.
5. Contracted providing units shall have a contractual responsibility to accurately declare their actual availability at all times through the relevant TSO systems (e.g. EDIL).
6. The definition of availability in relation to the basis of payment for system services shall be defined by the TSOs so as to be consistent with SEM-14-108, with the detailed definition and settlement rules contained in the Market Position Ruleset for System Services.
7. The Contractual Arrangements shall be consistent with the SEM Committee Decision on the Fixed Contracts Procurement Arrangements (SEM-18-049).
8. Performance monitoring details and Performance Scalars shall be detailed in the Protocol Document rather than in the Contractual Arrangements.
9. The governance of the Protocol Document shall be such that the TSOs may propose changes, to the protocol document once in any three-month period. All proposed changes to the Protocol Document will be subject to SEM Committee approval.
10. Service Providers shall have up to five days per year during which they may carry out scheduled maintenance. These days will not affect the performance availability scalar of the Service Providers.
11. The Contractual Arrangements shall allow for the implementation of performance scalars suitable to incentivise Service Providers to meet their availability obligations and shall have regard to factors outside the control of the Service Provider.

12. Service Providers who are fully or partially unavailable for service provision due to network limitations will be deemed available for service up to the higher of their firm access quantity or the level of provision allowed by the network.
13. Performance Scalars, Scarcity Scalars and Product Scalars shall be applied as approved in the SEM Committee Decision Paper SEM-18-049, or subsequent decision papers as appropriate.
14. The Contractual Arrangements for the Fixed Contracts will be set at a maximum of six years from the date of service delivery. To provide for unforeseen circumstances, an extension to the contract term may be permissible subject to SEM Committee approval, but it is not envisaged that this provision will be activated.
15. The Contractual Arrangements shall allow for the inclusion of performance bonding and performance bond milestones appropriate for incentivising service delivery by 1st September 2021 and shall have regard to factors outside the control of the Service Provider. Bid bonds will not be applied to the Fixed Contract bidding process.
16. Providing Units who hold a Standard Contract for the provision of this sub-set of DS3 System Services may not hold a Fixed Contract for the provision of these services at the same time.
17. The contracts should reflect an expectation that TOR1 and TOR2 may be dispatched for non-frequency events up to ten times per year unless otherwise agreed by both parties. The impact on a provider's availability obligations will be treated the same as a frequency event. There will be no limitations on service usage in relation to frequency events.
18. No tie-break determination based on technical criteria will apply to equivalent price bids. Such bids should instead follow the tie-break process outlined in the TSOs' Recommendations Paper.
19. The Contractual Arrangements shall allow for an appropriate and reasonable recovery period to be available for Service Providers immediately following activation during which the availability performance scalar will not be impacted. This recovery period should be defined in the Protocol Document.
20. With the exception of DSUs and AGUs, the Service Provider must be a party to the associated Connection Offer and/or Agreement with the relevant system operator.
21. The Contractual Arrangements should allow for the inclusion of over-frequency response in the calculation of a provider's performance scalars, in line with the over-frequency response requirements as set out in SEM-18-049.

4 NEXT STEPS

The TSOs are planning on publishing the Fixed Contracts OJEU notice in February 2019. As noted, there will be a two-stage selection process whereby applicants must meet the appropriate contractual and technical pre-requisites in order to enter the competition and then winning bids will be ranked based on price. Technical pre-qualification is scheduled to begin in March 2019 with the bidding process scheduled for May/June 2019 and contract execution on 1st September 2019. The TSOs have included their planned timelines for the procurement process in their recommendations paper