

Proposed Testing Tariff Rates Paper

Calendar Year

01st January to 31st December 2024

21st July 2023



Contents

ABBREVIATIONS	4
1. Executive Summary	5
2. Introduction	6
3. Review	6
4. Proposed Testing Tariff Rates for 2024	7
4.1. Inflation Rate.....	7
4.2. TSOs' Proposed Option for High Impact Testing.....	7
5. TSOs Recommendation	8
5.1. Low Impact Testing.....	8
5.2. High Impact Testing.....	8
6. Summary	9
7. Next Steps	9

Revision History						
Revision	Date	Description	Originator	Reviewer	Checker	Approver
R0						
R1						
R2						

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ABBREVIATIONS

CPI	Consumer Price Index
FPN	Final Physical Notification
HICP	Harmonised Index of Consumer Price
OSC	Other System Charges
RA	Regulatory Authority
SEM	Single Electricity Market
SND	Short Notice Declaration
TSO	Transmission System Operator
UUT	Unit Under Test

1. Executive Summary

Testing tariffs are applied to Units Under Test (UUT) in the Single Electricity Market (SEM) based on the MW capacity of the generator unit. The tariffs are dependent upon the type of test being carried out and the impact on system security. There are several costs that the Transmission System Operators (TSOs) consider are appropriate for inclusion in the testing tariffs. These costs relate to the additional Operational Reserve carried to maintain system security when a unit is testing, the effect a UUT has on unit commitment decisions and the costs incurred when a UUT output drops very quickly or trip. These charges are specified in the methodology used for calculating the testing tariffs as per the I-SEM Testing Tariffs Decision Paper published on 10 May 2018¹ and complies with section F.13 of the Trading and Settlement Code (Part B²).

In this year's annual tariff consultation for calendar year 2024 the TSOs are proposing to:

- Retain the rates for High Impact Testing from 2023, adjusted for Inflation.
- Keep at zero for Low Impact Testing, which was introduced as part of the revised SEM arrangements in 2018.

The TSOs welcome comments from industry on these proposals.

¹ <https://www.semcommittee.com/news-centre/i-sem-portion-2018-testing-tariffs-decision-paper>

² <https://www.sem-o.com/rules-and-modifications/balancing-market-modifications/market-rules/>

2. Introduction

The testing tariff is levied on the generator unit that are under test and are considered an Imperfection Charge component. If these imperfections costs are not paid for by the UUT, then they would be passed on to suppliers and the end consumer, which the TSOs believe is an undesirable outcome. The Trading and Settlement Code (Part B³) section F.13 requires the System Operators, if requested by the Regulatory Authorities (RAs), to make a report to the RAs at least four (4) months before the start of the year proposing values for the testing tariffs for the upcoming year. There has been ongoing engagement between TSOs and the RAs.

High Impact testing (Significant Test, previously referred to as Tariff A) Operational Test with a total duration equal to or greater than 6 hours, or where the Active Energy produced during the total duration of the test is equal to or greater than:

- (i) 3 times the Active Energy which would be produced by the Test Proposer's Plant during 1 hour of operation at the Plant's Registered Capacity; or
- (ii) 500 MWh. The impact of the UUT is an increase in the costs associated with maintaining system security.

Low impact testing (Minor Test, previously referred to as Tariff B) Operational Test with a total duration of less than:

- (i) 3 times the Active Energy which would be produced by the Test Proposer's Plant during 1 hour of operation at the Plant's Registered Capacity; or
- (ii) 500 MWh. The impact of the UUT is an increase in the costs associated with maintaining system security.

3. Review

As noted above, there is a review of the testing tariff ongoing, regarding which there has been significant engagement between the TSOs and the RAs. For 2024 it is proposed to make no change to the testing tariffs apart from adjusting the 2023 approved rates for inflation. While we are performing an ongoing review of testing tariff methodology, this review will not affect the proposed 2024 rates. Once this testing tariff methodology review is complete, engagement and consultation will follow.

³ <https://www.sem-o.com/rules-and-modifications/balancing-market-modifications/market-rules/>

4. Proposed Testing Tariff Rates for 2024

4.1. Inflation Rate

With respect to producing a blended forecast rate of 3.46%⁴, the TSOs applied:

- 75% from Central Bank HICP forecast using the latest available quarterly report adjusted for the relevant tariff timeframe; plus,
- 25% from Office of Budgetary Responsibility CPI forecast using the latest available quarterly report adjusted for the relevant tariff timeframe.

4.2. TSOs' Proposed Option for High Impact Testing

High Impact Testing Rates (Tariff A) applicable in 2024, the TSOs propose to use the approved, High Impact Testing rates from 2023, adjusted for Inflation.

NOTE: the TSOs have not included any probability of a trip in the Testing Tariff and assume that any trips are levied automatically through the settlement system. This ensures that UUT which do not trip are not unduly charged through the tariff, i.e., *the trip element of the testing tariff is removed.*

Unit Commitment Imperfection Costs	<p>This is the same as the existing High Impact Testing Tariff i.e. the UUT pays for the additional Imperfection cost of unit commitment as it is determined to be unreliable and may not meet its load profile.</p> <p>The UUT will be dispatched so that no Uninstructed Imbalances should apply since the UUT is paying for additional unit commitment.</p> <p>No SNDs will be levied, except if the unit trips unexpectedly.</p>
Reserve Imperfection Costs	<p>This is the same as the existing High Impact Testing Tariff i.e., the UUT pays for the additional Imperfection cost of providing reserve if it drives the system reserve requirement as the Largest Single Infeed.</p>
System Services Reserve Costs	<p>This is the same as the existing High Impact Testing Tariff i.e., the UUT pays for the additional System Services cost for the reserve paid to units which are providing the additional requirement. This is on the basis that the UUT drives the system reserve requirement as the Largest Single Infeed.</p>
Trip Charge Costs	<p>This proposes no provision for a probability of a trip in the Testing Tariff and assumes that any trips are levied automatically through the settlement system. This ensures that UUT which do not trip are not unduly charged through the tariff.</p>

Table 1: Summary of Cost Recovery Proposal for High Impact Testing

⁴ Inflation is calculated as a blended NI (25%) CPI and IE (75%) HICP rate from the following sources:
[NI - Economic and fiscal outlook - March 2023 \(obr.uk\)](#)
[IE - Quarterly Bulletin Q2 2023 \(centralbank.ie\)](#)

5. TSOs Recommendation

The TSOs continue to recommend that for low impact (Tariff B) testing no tariff should be applied, and for high impact (Tariff A) testing the arrangements outlined in Table 2 should be applied. The rationale for these recommendations is outlined below.

5.1. Low Impact Testing

For low impact testing (Tariff B) the TSOs will assume that the unit is reliable, will meet the Final Physical Notification (FPNs) which it submitted and is not at increased risk of tripping. The TSOs propose that any UUT which trips should be automatically levied a trip charge through the automated Other System Charges (OSC) settlement system. This ensures that UUT, which do not trip are not unduly charged. Short Notice Declaration (SNDs) will be applied as if the unit was in normal operation.

5.2. High Impact Testing

For high impact (Tariff A) testing there are costs, such as unit commitment and reserve costs, which are not paid for by the UUT being balance responsible in the market. SEM arrangements and OSC will recover any unreliability of the UUT, as well as any imperfections costs being passed through to suppliers, arising from a consequence of UUT behaving unreliably.

The TSOs propose the rates for high impact testing outlined in Table 2 below, are applicable in 2024. The methodology used for calculating the testing tariffs is as per the I-SEM Testing Tariffs Decision Paper published on 10 May 2018⁵.

	MW	High Impact Testing			
		Reserve System Services Cost €/MWh	Reserve Imperfection Cost €/MWh	Unit Commitment €/MWh	Total Charge €/MWh
GEN <50	50	€ -	€ -	€0.79	€0.79
50 < GEN ≤100	100	€ -	€ -	€3.04	€3.04
100 < GEN ≤ 150	150	€ -	€ -	€3.96	€3.96
150 < GEN ≤ 200	200	€ -	€ -	€4.43	€4.43
200 < GEN ≤ 250	250	€ -	€ -	€4.53	€4.53
250 < GEN ≤ 300	300	€ -	€ -	€4.61	€4.61
300 < GEN ≤ 350	350	€ -	€ -	€4.73	€4.73
350 < GEN ≤ 400	400	€0.06	€0.05	€4.24	€4.35
400 < GEN ≤ 450	450	€0.27	€0.42	€3.05	€3.75
450 < GEN	500	€0.53	€1.22	€2.52	€4.26

Table 2: 2024 Proposed Testing Tariff Cost Components

⁵ <https://www.semcommittee.com/news-centre/i-sem-portion-2018-testing-tariffs-decision-paper>

6. Summary

In summary, the TSOs propose the following:

1. The TSOs recommend Testing Tariffs for low impact testing (Tariff B) continue to be set to zero, effective from 1 January 2024 to 31 December 2024,
2. The TSOs recommend Testing Tariffs for high impact testing (Tariff A), as captured in Table 2 above, effective from 1 January 2024 to 31 December 2024,
3. Retain TSOs proposal that:
 - a. Any UUT which trips, should be automatically levied a trip charge, through the automated OSC settlement system,
 - b. For low impact testing: SNDs should be applied as if the unit was in normal operation,
 - c. For high impact testing: SNDs will continue to apply if a unit trip unexpectedly.

The TSOs will continue to engage with the RAs throughout its comprehensive review of Testing Tariff methodology, ultimately consulting on the outcome of this review.

4. The TSOs will continue to monitor the outcome of Modification Proposal 01_23, in relation to Remuneration of Commissioning Unit as its outcome may interlink with 2024 testing tariffs.

7. Next Steps

Comments on this consultation paper are invited from interested parties. Preferably these should be aligned and referenced with the relevant sections and sub-sections of this document. If confidentiality is required, this should be made explicit in the response, otherwise the submissions will be published on the TSOs' websites⁶. Please note that, in any event, all responses will be provided to the RAs.

- The TSOs will consider all comments received on the consultation paper and make recommendations to the RAs based on these,
- The RAs may approve/reject the recommendations proposed by the TSOs considering the responses received, and
- The TSOs will implement in accordance with the regulatory decision.

The closing date for responses is 5pm on 11th August 2023.

If you have any comments or queries on these proposed Testing Tariffs for 2024, please E-mail:

Tariffs@EirGrid.com or Tariffs@soni.ltd.uk

⁶ www.eirgrid.com and www.soni.ltd.uk