

Testing Tariff Recommendation Paper

Calendar Year

01st January to 31st December 2024

24th August 2023



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

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ABBREVIATIONS

CPI	Consumer Price Index
HICP	Harmonised Index of Consumer Price
OSC	Other System Charges
RA	Regulatory Authority
SEM	Single Electricity Market
TSO	Transmission System Operator
UUT	Unit Under Test

1. Executive Summary

EirGrid and SONI (the TSOs) published a consultation paper on 21st July 2023 concerning the Testing Tariff for the upcoming calendar year, 1st January 2024 to 31st December 2024. The consultation period closed on 11th August 2023 with comments on the consultation paper received from two (2) respondents. Having reviewed the responses, in this paper the TSOs propose a number of recommendations to the Regulatory Authorities (the RAs) for their consideration and approval.

Proposed arrangements for tariff year 2023/2024:

- 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.

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 Unit under Test (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.

2. Introduction

In accordance with section F.13 of the Trading and Settlement Code¹, the TSOs reported on Testing Tariff to the Regulatory Authorities (RAs) and proceeded with the consultation process. There has been ongoing engagement between TSOs and the RAs.

The TSOs will publish a revised Testing Tariff for Calendar Year 2024 reflecting the approved rates and arrangements once received from the RAs. Charges are specified in the methodology used for calculating the Testing Tariffs per the I-SEM Testing Tariffs Decision Paper published on 10 May 2018².

Responses were received from the following parties:

Party	Abbreviation
Bord Gáis Energy	BGE
ESB Generation and Trading	ESB GT

No confidential responses were received.

Copies of the responses received have been appended to this recommendations paper.

Please refer to Appendix A for the responses in their entirety.

¹ <https://www.sem-o.com/rules-and-modifications/balancing-market-modifications/market-rules/>

² <https://www.semcommittee.com/news-centre/i-sem-portion-2018-testing-tariffs-decision-paper>

3. Responses

This section summarises comments received from Participants in relation to proposed Testing Tariff rates for 2024. This section also contains the TSOs' response to the comments received.

3.1. Testing Tariff Rate and Methodology

The TSOs proposed to retain the Testing Tariff rate approved for Calendar year 2023, apart from adjusting for inflation. The Methodology will go under review, and engagement/consultation will follow.

3.1.1 Respondents Comments

BGE is supportive of the proposed Testing Tariff Rate and welcomed review of Testing Tariff methodology and planned to engage during process.

ESB GT noted previous proposed paper stating a methodology review was to occur and seek additional information of when review is expected to be completed.

ESB GT seeks clarification if methodology review will include outcome of RAs decision for Mod_02_22 Cost Recovery of Unit Under Test (UUT) and whether the ongoing Mod_01_23 Remuneration of the Commissioning Unit will be considered in the review.

3.1.2 TSOs' Response

The review of the Testing Tariff methodology will occur in conjunction with regular engagement with the RAs. Following this, industry engagement and consultation will follow early next year. We will be considering all modifications during the review.

3.2. Inflation Rate

The TSOs proposed to retain the method used to calculate the Inflation Rate used in previous years.

3.2.1 Respondents Comments

ESB GT noted other TSOs contracts such as Black Start payments are not subjected to blended forecast rates increases, for several years and believe it creates an asymmetric approach.

3.2.2 TSOs' Response

Black Start payments are outside the scope of this consultation.

4. Recommended Rates

4.1. Inflation Rates

In determining the blended forecast rate of 3.46%³, the TSOs' used:

- 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. Low Impact Testing Rates

Keep at zero for Low Impact Testing.

4.3. High Impact Testing Rates

For high impact 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.

As outlined in Table 1 below, for 2024 the TSOs recommend using the High Impact Testing rates from 2023 adjusted for inflation.

	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 1: Recommended Testing Tariff Cost Components for Calendar Year 2024

³ 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. Appendix

5.1. Bord Gáis Energy Response:

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RE: Proposed Testing Tariff Rates Paper Calendar Year 01st January to 31st December 2024

9th August 2023

Dear Tariffs Team,

Bord Gáis Energy (**BGE**) welcomes the opportunity to respond to the TSOs' consultation on the proposed testing tariff rates for 2024.

BGE is supportive of the TSOs' proposal that the testing tariff rates for 2024 should be the 2023 approved rates adjusted for inflation at a blended forecast rate of 3.46%.

We also support the ongoing review of the testing tariff methodology, and we look forward to engaging during the consultation stage once the review has been complete.

Yours sincerely,

Niamh Trant
Regulatory Affairs – Commercial
Bord Gáis Energy

{By email}

5.2. ESB Generation and Trading's Response:



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11 August 2023

Dear Sir/ Madam

ESB Generation and Trading (ESB GT) welcomes the opportunity to respond to the EirGrid and SONI Proposed Testing Tariff Rates Paper. We do not have any specific objections regarding the proposed Tariff Rates however we wish to highlight the below issues relating to the development of testing tariff methodology and the application of the resulting charges.

Review of Testing Tariffs

In Section 3. Review of the published paper there is a reference to an ongoing review of testing tariffs that will likely result in changes in the current methodology. ESB GT notes that in the 2021 Proposed Testing Tariff Rates paper the TSOs stated they would "continue to review the data available with a view to consulting on recommendations for 2022". ESB GT welcomes the TSOs ongoing work to review the testing tariff methodology but would welcome additional information on when this review is expected to be completed.

From the paper it's not clear if this review will encompass the RAs request to the TSOs to develop and propose alternative approach to cost recovery for Units Under Test (UUTs) as directed in the SEM Committee Decision in relation to Mod_02_22¹ from 12th December 2022. Consequently, in Section 6. Summary, Mod_01_23 Remuneration of the Commissioning unit is mentioned and the paper states that in case of modification being approved it may have an impact on 2024 testing tariffs.

ESB GT believes both above mentioned issues should be considered in conjunction and feed into the overall review of the testing methodology. Potential adoption of provisions for units undergoing commissioning without finalising the same for UUTs would lead to an asymmetric treatment of the same behaviour. This could disincentivise units able to come back from the outage early.

Indexation of Testing Tariffs

Testing Tariffs are indexed via blended forecast rate² to ensure the imperfections and System Services costs related to testing are recovered. ESB GT would like to point out the same process does not apply to other contracts TSOs may have with

¹ [DecisionLetteronMod_02_22.pdf\(sem-o.com\)](#)

² 25% NI CPI and 75% IE HICP

market participants. In particular to the Black start service where the payments for these services have not been subject to yearly inflation adjustment for a number of years. This creates another asymmetric approach where TSOs do not consider costs increase incurred by participants providing this vital restoration services.