DS3: System Services Consultation –
Finance Arrangements

This questionnaire has been prepared to facilitate responses to the consultation. Respondents are not restricted to this template and can provide supplementary material if desired.

Please send responses in electronic format to DS3@eirgrid.com or DS3@soni.ltd.uk

Respondent Name	*Ed Sutton*
Contact telephone number	*087 255 6113*
Respondent Company	*PHES Ltd.*

Note: it is the TSOs' intention to publish all responses. If your response is confidential, please indicate this by marking the following box with an "x".

Response confidential ☐

The closing date for responses is Wednesday, 13th February 2013.

Question	*Response*
Value of System Services to the Electricity System	
Do you agree that the proposed value based approach to informing the amount of funding available for System Services is necessary and appropriate to deliver the required services to achieve the renewable targets?	No as the approach focuses on "new" technologies without reflecting on established technologies such as Pumped Hydro. i.e. the fact that the most recent consultation states that "From a funding perspective if the decision is taken by the SEM Committee to adopt the value-based approach to System Services payments then three relevant factors should be considered when assessing when payments are likely to be needed to pay service providers. • Given the performance scalar and the newness of the products it would seem sensible to assume that performance reliability would start at a lower level (resulting in lower performance scalar values) and rise to a higher level (greater than 90%) as service providers gain experience and tune their plant to the requirements. In essence performance reliability could be assumed to plateau by 2020," seems to discount all other potential technologies that are established, i.e. why should reliability be lower at the start for established technologies
Financial Modelling and Analysis Approach	
To what extent, if any, should the capital costs inform the decision regarding future system services?	They should inform them to a high degree where capital intensive projects are possible.
Do you agree with the proposed methodology for determining the aggregate available pot for System Services?	Generally. However, it is our view that pumped hydro is only large scale storage with perhaps CAES which can handle the increased renewable energy volume needed to meet the legal requirements of reduced carbon imprint. Please see report entitled "Pathways for energy storage in the UK" which is attached as a PDF. http://www.electricitystorage.co.uk/documents/LowcarbonfuturesPathways_for_energy_storage_lores.pdf
Allocation of System Services Revenue	
Which of the four methods outlined to allocate the funds between the System Services products would you prefer or is	Option 3 and 4 (Page 20 - DS3: System Services Consultation Finance Arrangements) would appear to be a preferable solution.

there another approach which should be considered?	
Remuneration Approach	
Is the rationale for proposing dispatch-dependent payments clear?	We submit that the value of system services needs to reflect both the; o Benefit to the system services. o Cost of Provision, and o A combination of dispatch-dependent payments and capability or availability type payments (primarily capability or availability type payments). We have advanced the view that a Pumped Hydro facility of the scale proposed can be of significant benefit to the island of Ireland, the stability of the grid and the promotion of a secure suite of energy resources from which we can draw on.
Is there further justification, not included in earlier consultation responses, for adopting a more capability-based approach?	See above
Proposed Contractual Arrangements and Payments	
Are the proposed general contractual and payment arrangements clear?	Yes.