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

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Respondent Company	*Wind Prospect*

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?	Yes, I believe the system services pot should reflect the value that the services provide to the TSO while also being cognicent of protecting the customer. At the same time the proposed value of €355m needs to provide an insenitve for investment in services. If it transpires that even with this pot IPP are not insentivised then the value of the pot will need to be re-evaluated. Likewise if the pot is too luctractive it should also be re-evaluated. At present the "best new entrant"pot is a good example of an inefficient system as a number of IPP's have indicated that the capacity payment alone will not support investment in a peaking plant.
Financial Modelling and Analysis Approach	
To what extent, if any, should the capital costs inform the decision regarding future system services?	Accurate capital costs (incl cost of capital etc) should inform the value of services. If an efficient market is created to provide these services, there will be investment. Once investment has taken place it will be easier to inform the market of the price that system services should be set at.
Do you agree with the proposed methodology for determining the aggregate available pot for System Services?	Yes, initially this is the best method of establishing a "pot" that provides value to the customer. But again if there is no investment then the pot will need to be increased, even at additional cost to the customer. Ultimately the customer will pay more if 2020 targets are not reached.
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 there another approach which should be considered?	Option 3 seems suitable for initial market establishment. This can be re-visited once a market place exists.
Remuneration Approach	
Is the rationale for proposing dispatch-dependent payments clear?	The rationale is clear, but whether this provides the certainty required for investment is a different question. Banks are exteremely risk adverse at present to the extent that finance is not being provided based on potential constraint/curtailment analysis. It is Wind Prospects opinion that it will be very challenging to obtain finance for an additional service if the bilateral contract in place (whatever the payment mechanism may be) does not provide

	payback in the contracted period.
Is there further justification, not included in earlier consultation responses, for adopting a more capability-based approach?	In order to protect the customer it may be argued that part fixed payment, part dispatch payment or indeed a capability payment could work. As above, the ultimate certainty for a financial instituation would be a capability based payment. This would be a straight forward calculation as to whether finance will be provided or not. In an instance where dispatch dependent payments are chosen then the bank will certainly impose a “discount factor” on the projected level of utilisation leading to a more challenging banking model.
Proposed Contractual Arrangements and Payments	
Are the proposed general contractual and payment arrangements clear?	At a high level the intention of the TSO is clear.