



SINGLE ELECTRICITY MARKET COMMITTEE

SEM Generator Testing Tariffs 2020

SEM Committee Decision

SEM-19-066

12 November 2019

1 Introduction & Background

Testing tariffs are charges levied by the TSOs on Generator Units Under Test (GUUT) in the all island electricity market on the basis of their registered capacity. These are covered by the Trading & Settlement Code (T&S C) Part B.

There is no provision in the approved Imperfections¹ revenue requirement for generator testing, as it is not feasible to predict generator testing when the Imperfections forecast is developed. As a result, the testing tariff charges are to recover expected increases in Imperfections Costs that may arise during testing exercises.

There are a number of costs that the Transmission System Operators (TSOs) consider are appropriate for inclusion in the testing tariffs. These costs relate to the effect that a UUT has on unit commitment decisions, the additional operational reserve carried to maintain system security when a unit is testing, and the costs incurred when a GUUT output drops very quickly.

With the implementation of the new SEM arrangements on 1 October 2018, the testing tariffs methodology was revised, consulted upon and slightly amended by the TSOs to account for the new market arrangements. This new SEM methodology was proposed by the TSOs in their Recommendation paper to the RAs on 13 March 2018 and approved by the SEM Committee on 10 May 2018 [SEM-18-027](#).

High impact testing or Tariff A, is associated with commissioning units or testing of existing units, where there is a high risk of the unit tripping; whereas low impact testing or Tariff B, is associated with units in the latter stage of commissioning or testing of existing units, where there is low risk of the unit tripping. Tariff B was removed following the introduction of the revised SEM arrangements as it was considered no longer relevant. However, the TSOs continue to review the costs associated with units under test and may propose reintroducing tariff B at a later time.

This Decision paper sets out the testing tariffs that will apply to GUUT in the SEM from 1 January 2020. It follows the Recommendation paper submitted by the TSOs on 23 October 2019, which is published along with this Decision. Prior to submission of the Recommendation paper, the TSOs carried out a public consultation² on 26 September 2019 that lasted for two weeks. While this was a relatively short period of consultation, it is considered appropriate given the nature of the proposals (the 2019 rates will be carried over 2020) and to ensure the timely publication of testing tariffs for 2020.

However, the SEM Committee requests that the TSOs ensure preparation of proposed testing tariff rates for future years in sufficient time to allow for a longer consultation period; particularly for next year, as the TSOs propose to carry out a full review of the testing tariffs methodology in advance of the 2021 Testing Tariff rates submission.

¹ Details on the Imperfections Charge can be found [here](#).

² The public consultation can be found on [EirGrid's website](#) and on [SONI's website](#).

2 SEM Testing Tariffs 2020: TSOs Recommendation

The TSOs' Recommendation paper was submitted to the RAs on 23 October 2019 regarding the SEM Testing Tariffs 2020. Prior to submission of their recommendations, the TSOs held a short public consultation³. One response was received, which has been addressed by the TSOs.

In short, the TSOs propose no changes to the "2020 SEM Testing Tariff rates" from the already approved "2019 SEM Testing Tariff rates" other than to update the values for inflation at a forecast rate of 1.2%⁴.

The methodology for the calculation of the rates remains the same than what was approved by the SEM Committee on 10 May 2018 **SEM-18-027**. Tariff A, the only testing tariff, includes the following cost elements:

- **High impact testing or Tariff A⁵:**
 1. Unit commitment imperfection cost
 2. Reserve imperfection cost
 3. System service reserve cost

The 2020 testing tariff rates, calculated using the 2019/20 Plexos model, appear to be very similar to the 2019 rates. However, the TSOs have reviewed a limited number of examples that they have from the new market arrangements, and they have observed that the current testing tariffs do not seem to cover all the costs associated with generation units being tested, in particular for larger generation units.

As there is limited data available since the revised SEM arrangements, the TSOs have proposed to maintain the 2019 testing tariff rates for 2020 (updating the values for inflation) and to carry out a full review of the testing tariffs methodology next year, in advance of the 2021 Testing Tariff rates submission.

³ The public consultation can be found on [EirGrid's website](#) and on [SONI's website](#).

⁴ The inflation rate has been taken from the Q3 report of the Central Bank of Ireland.

⁵ More details regarding the cost components of Tariff A are included in the TSOs Recommendation paper, published alongside this Decision.

3 SEM Committee Decision

The SEM Committee has decided that, as recommended by the TSOs, the SEM Testing Tariff rates as set out in the table below will apply from 1 January 2020.

Tariff A:

Generator Capacity	MW	SEM 2019 €/MWh (from 1 Jan 2019)	SEM 2020 €/MWh (from 1 Jan 2020)	% Variance
GEN <50	50	€0.69	€0.70	1.2
50 < GEN ≤100	100	€2.67	€2.70	1.2
100 < GEN ≤ 150	150	€3.47	€3.51	1.2
150 < GEN ≤ 200	200	€3.88	€3.93	1.2
200 < GEN ≤ 250	250	€3.97	€4.02	1.2
250 < GEN ≤ 300	300	€4.04	€4.09	1.2
300 < GEN ≤ 350	350	€4.15	€4.20	1.2
350 < GEN ≤ 400	400	€3.81	€3.86	1.2
400 < GEN ≤ 450	450	€3.29	€3.33	1.2
450 < GEN	500	€3.74	€3.78	1.2

Regarding the inflation rate applied, the SEM Committee has decided that the TSOs must apply a blended GB/Ireland inflation rate for future years, should testing tariff rates be adjusted just by applying inflation.

4 Next Steps

The testing tariff rates set out above will apply from 1 January 2020.

The TSOs will conduct a full review of the testing tariffs methodology and report on the outcome before submitting its proposed 2021 Testing Tariff rates.