

# Future Arrangements for System Services (FASS)

DotEcon/ Afry proposal for  
enduring arrangements and  
transition

Questions captured in the 20<sup>th</sup>  
September Industry Workshop and  
TSOs' responses

September 2023



# Context

On the 20<sup>th</sup> September 2023, SONI and EirGrid (together the TSOs) hosted a workshop where our partners DotEcon and Afry presented their proposals for daily auction arrangements for system services, as set out in their [recommendations paper](#) (which should be read in conjunction with the accompanying [supporting note](#)).

During this workshop, industry members were requested to post their questions into the MS Teams chat window. Each question has been copied directly as written below and a TSO response has been provided. Please note that some questions have been grouped by topic for clarity. The responses set out below take precedence over any responses provided by the TSOs or DotEcon and Afry during the workshop, either verbally or in the chat window.

# Question 1

## Industry Question

Is this paper the basis of the consultation in October?

## TSOs' Response

DotEcon/Afry developed their recommendations paper, which is an independent view of a proposed design for daily auctions of system services and associated commercial arrangements, with support from the TSOs. It is not a final design proposal. The TSOs' consultation on the DASSA design will build on the paper's proposals, informed by industry feedback in the forthcoming bilateral meetings and by the forthcoming SEMC decision.

# Question 2

## Industry Question

Why is the underlying assumption that there will be the same volume requirements? Is this new market not intended to provide system services in line with higher wind penetration, 3GW and 2GW of flexible generation? This is a fundamental point that has been unclear and as industry we would think it cannot be on the basis of comparable volume requirements to now - since that will easily lead to an assumption that the system services will also be the same, since the volume is the same.

## TSOs' Response

The TSOs consider that the auction design proposed by DotEcon and AFRY is compatible with varying volumes of system services, as required.

As part of the plan to implement future arrangements for system services, the TSOs will be developing a volume forecasting methodology to apply to the daily auctions, with service requirements being calculated close to real time. This methodology will also include medium- and long-term volume requirements and will be consulted upon, together with any associated product review.

## Industry Question

Has it been sense checked that a single daily auction is sufficient? A unit bid back from dispatch may have missed the window for a daily auction how will they be able to offer their gen for reserve if they were not taken for energy?

But the DAM is where a generator will be motivated to offer all its motivation and not hold back some for reserves after the fact. So is there a chance later for a second round, so if there is residual this can be offered?

## TSOs' Response

The proposal set out in the DotEcon/AFRY recommendations paper is for the daily auction of system services to take place after the energy Day-Ahead Market (DAM) and before the Long-Term Scheduler (LTS), per SEM-22-012. Additionally, there are proposals for secondary trading and a Final Assignment Mechanism (FAM) to pay certain in merit units - who did not hold a Confirmed DASSA Order - for making themselves available to provide services.

## Industry Question

Useful to hear that TSO dispatch instructions that prevent us from providing reserves- will not result in a penalty. But this interaction with energy offering needs to be considered to make sure there is a dovetail of actions for energy and system services.

## TSOs' Response

The TSOs agree that the interaction between the energy and system services markets requires careful consideration. This issue has been and will be noted in the design process.

We are interested to hear stakeholders' views on this matter, which will be facilitated through upcoming bilateral engagement and feedback to our future consultation on daily auctions.

# Question 3

## Industry Question

If an FPN is required, does that exclude Priority Dispatch Renewables?

At the moment Priority Dispatch renewables do not submit FPNS at all, so the requirement to submit in regard to DASSA volumes would exclude them from the DASSA. Secondary trading does not come into this.

## TSOs' Response

Provision has been made in the proposed design for those units, such as those with priority dispatch, that do not submit FPNs as a matter of course: please refer to section 7.1 of the recommendations paper. The TSOs acknowledge that all qualified technologies must be enabled to participate in daily auctions for system services. It is intended that our future consultation proposals will facilitate this capability. We welcome further exploration of this matter with industry through bilateral engagement.

# Question 4

## Industry Question

If batteries are not able to submit a negative PN due to delays in the SDP, will they be excluded from the DASSA?



Unfortunately this doesn't solve the issue. If a battery cannot submit a PN it is not clear how secondary trading solves the issue

## TSOs' Response

The Scheduling and Dispatch Programme initiative for Energy Storage Power Stations (ESPS) is scheduled to go live in advance of the planned implementation of the daily auctions for system services. The ESPS initiative includes facilitating the capability to submit negative PNs.

# Question 5

## Industry Question

That seems like a fundamental flaw in design there. If the TSO are ultimately going to have control over everything then why do we have this additional complexity?

## TSOs' Response

Competitive arrangements for system services are needed to comply with the EBGL, SEMC HLD, and to ensure value for the consumer. The intention is for the TSOs to develop a volume forecasting methodology to apply to the daily auctions, with service requirements being calculated close to real-time i.e., day ahead. This will ensure that the outcome of the auctions will closely align with system requirements and operational constraints.

# Question 6

## Industry Question

How will 'useful services' not cleared in the auction be determined?

Is it based on availability or utilisation?

## TSOs' Response

Please note that the Final Allocation Mechanism (FAM) is a reconciliation mechanism that will take place ex-post (to real time) and determines payments to in merit potential System Service providers, above what is paid out through Confirmed DASSA Orders. Please see Section 4 of the DotEcon/ Afry proposal paper for full details.

# Question 7

## Industry Question

The BM, secondary trading markets sound great in principle but require liquidity in the market in order to be able to have this function correctly. It almost feels like removing the BM and introducing penalties for not being balanced (like in Germany) would be more appropriate and establishes a deep wholesale market which ultimately encourages more Day-ahead and intra-day optimisation.

## TSOs' Response

Based on the EBGL, TSOs must propose balancing capacity markets. TSOs using a central dispatch model are also required to propose an integrated scheduling process for managing the procurement process for balancing energy. The proposed design is considered to be compatible with these requirements.

# Question 8

## Industry Question

Can you offer more than one product a day, so multiple bids? Is this the most efficient?

## TSOs' Response

The proposals allow for participants in the daily auctions to bid for each service for each trading period, subject to the approved technical capability of the unit as determined in a pre-qualification process. The proposed mechanism requires one offer curve per product.

# Question 9

## Industry Question

What is the difference between the continuous provision and combinatorial auctions?

## TSOs' Response

The proposed continuous provision extension, as described in section 6.2 of the recommendations paper, refers to the optimisation mechanism whereby the TSOs can procure a bundle of services from a unit to meet operational requirements. In this case, one offer curve per product would be submitted.

Combinatorial bidding would require that a service provider submit a single offer curve for a bundle of services, (please reference p78-79 for comment on combinatorial bidding).

# Question 10

## Industry Question

Can you remove orders from the DASSA after it's closed? If I've got something sitting there that "might" be cleared after the auction closes that doesn't work for me in terms of optimising

## TSOs' Response

In the proposed design, an auction participant may update its offer before the DASSA gate closure, but not after it. If a unit's bid has cleared in the DASSA, then the unit holds a commitment obligation to submit a compatible FPN.

This proposal aligns with EBGL Article 16.3, which states: "Each balancing service provider participating in the procurement process for balancing capacity shall submit and have the right to update its balancing capacity bids before the gate closure time of the procurement process."

## Industry Question

If I don't win can I adjust my position prior to FAM assignment?

## TSOs' Response

If a unit's bid did not clear in the daily auction, it may still have the opportunity to participate in secondary trading prior to the gate closure. The FAM is an ex-post reconciliation mechanism to pay certain units who did not hold a Confirmed DASSA Order for making themselves available to provide services.

## Industry Question

So can you confirm that as soon as auctions are settled then nothing is left in the market and could clear later as Dan eluded to earlier.

## TSOs' Response

Actions taken by the TSOs to address operational issues, which may include dispatching Confirmed DASSA Order holders away from their position, can result in a requirement for additional service volumes to be made available. The FAM is an ex-post reconciliation mechanism to pay certain units in merit - who did not hold a Confirmed DASSA Order - for making themselves available to provide services.

# Question 11

## Industry Question

Why can't a participant update their DASSA prices? this is a step back to the old SEM functionality?

## TSOs' Response

DASSA participants cannot update their DASSA bids after gate closure. It is an EBGL requirement. Please see Article 16.3, "Each balancing service provider participating in the procurement process for balancing capacity shall submit and have the right to update its balancing capacity bids before the gate closure time of the procurement process."

# Question 12

## Industry Question

Similar to above questions, It would be better for participants to indicate revised offers for the FAM intraday (for e.g. similar to COD); rather than going back to the DASSA bids - for energy limited units, bids will be based on a DA expectation of operation that may no longer be valid in the intraday timescale

## TSOs' Response

Please note that the FAM is not a market. It is a reconciliation mechanism that will happen ex-post (to real time) and would determine additional required payments. Not allowing bid revisions is an EBGL requirement. Please see Article 16.3, "Each balancing service provider participating in the procurement process for balancing capacity shall submit and have the right to update its balancing capacity bids before the gate closure time of the procurement process."

# Question 13

## Industry Question

This seems like the buyers will be exposed to crazy prices in the event of scarcity. I would certain be bidding in half MW normally and the other side at EUR 10k

## TSOs' Response

Please note that the FAM would be competitive and is a mechanism to reconcile additional requirement/mismatches. The FAM Assignments would be allocated based on merit, which provides an incentive to be competitive.

Mitigation measures will be considered in the design to address potential issues with market abuse.

# Question 14

## Industry Question

If I have a DASSA order "in market" and then secondary trade a DASSA order as I didn't win one - what happens to the "in market" order - can I be exposed to doubling up?



## **TSOs' Response**

We assume that this query relates to a scenario where a participant had submitted a bid that did not clear in the daily auction and then subsequently bought an order through secondary trading. Per the proposals, there would be no commitment obligation associated with the initial bid as it was not a confirmed DASSA order. If the unit made itself available for a service volume above that obtained in secondary trading, then it is possible that the unit would be assigned additional volume in the FAM if the original bid was in merit.

# **Question 15**

## **Industry Question**

Agree with comments above--leaving DASSA prices stagnant to come back to, undervalues the dynamics of the market by locking in early stage prices which would reasonably change over time based on how the day outturns. Exposure to prices could be significant

## **TSOs' Response**

Please note that the Final Allocation Mechanism (FAM) is not a market. It is a reconciliation mechanism that will take place ex-post (to real time) and determines payments to in merit potential System Service providers, above what is paid out through Confirmed DASSA Orders. Please see Section 4 of the DotEcon/Afry proposal paper for full details.

# **Question 16**

## **Industry Question**

It is unclear why a unit with an incompatible FPN is paying at the DASSA price rather than the extra cost due to the TSO from procuring replacement services? Given that this is the additional cost to the TSO.

## **TSOs' Response**

While the recommendations paper proposes that compensation payments are defined in relation to the DASSA clearing price, the TSOs acknowledge that a best estimate of the actual cost to the TSOs of arranging for a replacement provider to provide system services ideally needs to be quantified; this requires further analysis. The compensation payment mechanism will be subject to industry consultation.

# **Question 17**

## **Industry Question**

Are unsuccessful secondary trades on the platform also considered for FAM supply?



## **TSOs' Response**

As noted in the meeting if a more formal secondary trading market existed, in principle providers could sell offers for DASSA orders. TSOs could in theory put 'buy orders' out to the secondary market if additional volume was needed. However, it was noted that this warrants further exploration.

It is to be noted that a secondary trading mechanism is an extension of scope to the HLD published in April 2022.

# **Question 18**

## **Industry Question**

How will secondary trading in CRM and DASSA interact? A capacity contracted unit that is secondary traded out due to an outage--how is this covered in the DASSA?

## **TSOs' Response**

The TSOs are of the view that the interaction between the energy, capacity and system services markets requires further detailed analysis. The TSOs are interested to hear stakeholders' views on this matter, which will be facilitated through upcoming bilateral engagement and feedback to our consultation on daily auctions.

# **Question 19**

## **Industry Question**

Is it proposed to schedule and dispatch assets for system services based on BM complex and simple offers but compensate on a merit order based on DASSA offers?

## **TSOs' Response**

The integrated scheduling and dispatch process will continue to be based on the existing commercial offer data formats used within the balancing market. Under the proposed daily auction arrangements, awarded service volumes will be based on a merit order. We welcome further exploration of this matter with industry through bilateral engagement.

# **Question 20**

## **Industry Question**

How are default bids determined?

## TSOs' Response

It is proposed that the default price for service provision without a corresponding DASSA bid would be initially set at the level of the regulated tariff. As the volume procured through the DASSA is progressively increased, it is proposed that the default price would be decreased, to reach a suitable long-term value as detailed on p5 of the DotEcon/ Afry proposal paper.

As discussed, at this stage these are only proposals. The level of the default price will be subject to consultation with industry.

# Question 21

## Industry Question

If I did not win a DASSA Order, but end up being (for example) a conventional unit running at part load, ....I have no obligation to provide?

Presumably there still a grid code requirement to provide minimum levels of POR, SOR etc. regardless of DASSA outcomes?

## TSOs' Response

If a unit's bid has not cleared in the DASSA, then the unit does not hold a commitment obligation to submit a compatible FPN. However, Grid Code requirements for service provision, as applicable, would remain. We welcome further exploration of this matter with industry through bilateral engagement.

## Industry Question

How will this be balanced off against a market value for these services? Will Grid Code be a last resort after the FAM if needed?

## TSOs' Response

Actions taken by the TSOs to address operational constraints can result in a requirement for additional service volumes, above what was cleared in the auction, to be made available. The FAM is an ex-post reconciliation mechanism to pay certain units in merit - who did not hold a Confirmed DASSA Order - for making themselves available to provide services.

Ideally, the outcomes of the daily auction would closely align with system requirements and constraints. It is intended that the future development of a methodology for the forecasting of daily service volumes will accomplish this. However, there will always be instances where actions taken by the TSOs to maintain system security may result in deficits of services in real-time.

# Question 22

## Industry Question

How would the higher price be determined for the FAM? Would it be based on the bid from the DASSA?

## TSOs' Response

Prices in the FAM arise from the interaction of the Adjusted supply functions and the volume requirement for the FAM. Section 4 in the recommendations paper sets out how the FAM uses DASSA bids to set the adjusted supply function. The interaction of these variables could lead to higher prices in FAM.

# Question 23

## Industry Question

There's no obligation to bid sensibly in the FAM if these are "required" additional volumes - which means if you need them we can provide them at a premium

## TSOs' Response

As the FAM Assignments will be based on a merit order of the most economic bids available at the time, there is an incentive to bid sensibly. The Final Assignment Mechanism (FAM) is an ex-post reconciliation mechanism and bid revisions are not allowable in that time frame since it is happening after gate closure of DASSA. Please see Article 16.3; EBGL.

# Question 24

## Industry Question

If DASSA is a single chance auction, what incentive is there for units that can provide energy in DAM, to offer system services in case they may be called? Unless prices are comparable to how important it is for a unit to switch from energy to system services.

## TSOs' Response

Due to EBGL compatibility requirements for procuring Balancing Capacity, providers have to exclude their intended Balancing Capacity volumes from the ex-ante energy markets, and will be subjected to commitment obligations after winning the auction. Where a unit has remaining capacity after the DAM, if it does not participate in the DASSA but is available in real-time it may get a FAM Assignment at the default price. By bidding into the DASSA, the unit has an opportunity to be paid for the services at the level at which they bid.

## **Industry Question**

How can we know how this will pan out if we are unclear at this stage how EBGL will be implemented? Would that mean yet more scalars in a market design that is disproportionately heavy on scalars

## **TSOs' Response**

In the upcoming bilateral engagements and workshops, the TSOs will explain our views on the implementation of EBGL and on the compatibility of the proposed design. Based on Article 3.2.D EBGL "system operators shall ensure that TSOs make use of a market-based mechanism as far as possible to ensure system security and stability". Procuring quality system services is an important part of fulfilling this requirement. Scalars are tailored to ensure that enhanced response is rewarded, and that good performance is incentivised.

## **Industry Question**

At present--industry has no stance on how EBGL will be implemented. The last time this was consulted on, system services was ringfenced out of scope by SEMO/EirGrid. We have heard nothing since then to indicate there would be any implementation of EBGL for system services and if so how. We are also still awaiting clarity on balance responsibility and other changes that are complementary.

## **TSOs' Response**

In the current DS3 System Services Regulated Arrangements, we do not procure balancing capacity and therefore no commitment obligations apply. In the proposals for future arrangements, what is being procured in DASSA would be balancing capacity and therefore the EBGL provisions would be applicable. In the upcoming bilateral engagements and workshops, the TSOs will explain our views on the implementation of EBGL and the compatibility of the proposed design.

# **Question 25**

## **Industry Question**

What is the timeframe for introducing (1) the DASSA and (2) these extensions?

Are the extensions going to be delivered by Dec 2026 as well?

## **TSOs' Response**

As noted in the TSOs' presentation and our response in the workshop, the target date for DASSA go-live is December 2026. This delivery date is contingent on SEMC decisions.

The DASSA design, and the extensions, are proposals only. The TSOs intend to consult on the daily auction design with Industry by December 2023.

# Question 26

## Industry Question

Considering the complexity discussed in the slides, what are the envisaged costs for introducing this DASSA design?

## TSOs' Response

The TSOs are working closely with the RAs to ensure that all programme costs are efficiently incurred. Funding for Phase 2 has been approved by both UR and CRU in March 2023. The TSOs will shortly apply for additional funding for Phase 2 to account for the costs to develop the Layered Procurement Framework. The full costs will not be understood until Phase 2 is complete.

# Question 27

## Industry Question

On the product quality/types point - wouldn't clearing 'fixed' volumes of types lead to a situation where there could be 'higher quality' volumes rejected in favour of lower quality, even where the prices were similar? Given the higher quality providers are also likely to be lower carbon, this seems suboptimal.

## TSOs' Response

As with other markets, the interaction of prices, qualities and willingness to pay will determine the profiles of the products which will be cleared in the auction. Based on the current proposal, the TSOs would be able to set volume requirements for different qualities of products, to set a total volume requirement and then weighting factors would be assigned to the higher quality products in the optimisation problem which would determine the outcomes.

# Question 28

## Industry Question

Will the extensions be incorporated into the FAM?

## TSOs' Response

The recommendations paper is an initial proposal. The final design, timelines and inclusion of extensions will be consulted on following bilateral industry engagements.

# Question 29

## Industry Question

Hypothetical--how much would we be tied to hypothetical bids? and how does this work if we are required to be bidding presumably in line with bidding principles?

## TSOs' Response

Based on the proposal, if a provider bids for products that can make a potential bundle, it can win in the auction as a bundled product provider. Summation of the prices submitted for each individual product will form the effective price of the bundled product in the optimisation process. Please see Section 6.2 of the report for more information.

# Question 30

## Industry Question

Following on re Grid Code obligations, if I did not have a DASSA order I may still be obligated to provide services (depending on my dispatch position). Are the consequences for failure to provide in an actual event different where (a) I am selected in FAM and (b) I am not selected in FAM?

## TSOs' Response

The DotEcon/ AFRY proposals will be further developed to consider how the performance monitoring regime is to be applied to units that held a FAM Assignment for a Trading Period during which a frequency event occurred, and those that did not. Considerations will include Grid Code obligations. We welcome further exploration of this matter with industry through bilateral engagement.

# Question 31

## Industry Question

I was under the impression today's session was to bring industry up to speed on the DotEcon proposal (there was a 3 month review by TSOs and consultants but less than 2 weeks for participants to review). It might be more useful if you could provide answers as the document is quite a difficult read.

## TSOs' Response

The TSOs hosted the workshop to enable DotEcon and AFRY to provide an overview of the recommendations set out in their paper and to facilitate initial feedback and questions through an online Q&A process. We appreciate that there is lot of content in the paper. As stated in the workshop, the TSOs will facilitate further industry engagement on the recommendations paper through bilateral engagement,

with an opportunity for participants to submit questions in advance of the sessions. All interested parties are encouraged to read the recommendations paper in full.

## Question 32

### Industry Question

Does EirGrid support all of the proposals in this paper and the phased delivery?

### TSOs' Response

The TSOs engaged our partners DotEcon and AFRY to propose a design for daily auctions of system services and associated commercial arrangements. The feedback from industry on these proposals will inform the TSOs' consultation on daily auctions.

The TSOs have developed a plan for the phased delivery of future arrangements for system services following engagement with the Regulatory Authorities through 2023. The implementation of future arrangements is subject to the upcoming SEMC decision and further TSO consultations.

## Question 33

### Industry Question

Will DASSA deal with a bundle of products e.g. FFR to TOR1/2 or will each product have to be dealt with separately? If it is the latter, a provider could be successful for, say, FFR and TOR2 but not the ones in between. In practice they would automatically provide SOR and TOR1 but would not be paid for them. This would be inequitable.

### TSOs' Response

The proposed continuous provision extension, set out in section 6.2 of the DotEcon and AFRY recommendations paper, describes how a TSO preference to have a bundle of services provided by a single participant in the daily auctions can be facilitated. The precise outcome would be dependent on the design of the market clearing optimisation method to be implemented.

## Question 34

### Industry Question

Paper refers to long term and the investor - long term contracts yet fixed contract are restricted to limited number of technologies technology. But investor confidence is required. Paper touches off this but might be helpful if could update your observations supporting investor confidence across all technologies...

## **TSOs' Response**

It is intended that long-term contracts will be further considered by DotEcon and AFRY. As noted on page 80 of the recommendations paper, we are particularly interested in stakeholder feedback on this topic, which can be facilitated through bilateral engagement.

# **Question 35**

## **Industry Question**

What is the difference between (1) the availability performance scalar, (2) short notice declaration charges and (3) GPIs charges? It would appear that the availability performance scalar is a double penalty.

## **TSOs' Response**

Short Notice Declaration (SND) Generator Performance Incentive (GPI) charges are classified under 'Other System Charges' and are intended to incentivise optimum performance of connected generators to ensure efficient use of the power system. The proposed availability performance scalar is intended as a mechanism to incentivise Confirmed Order holders to maintain their availability to provide services for the applicable trading period(s).

# **Question 36**

## **Industry Question**

In the 3rd case....I don't have DASSA order and am also not selected in FAM, but am obligated to provide services per Grid Code

## **TSOs' Response**

The DotEcon AFRY proposals will be further developed to consider how the performance monitoring regime is to be applied to units that did not hold a FAM Assignment for a Trading Period during which a frequency event occurred. We welcome further exploration of this matter with industry through bilateral engagement.

# **Question 37**

## **Industry Question**

On first sight the recommendations for secondary trading look generally positive, particularly for interconnector units who won't know and can't influence their availability at day ahead via the energy market. On a practical level however, do the TSOs think they would be able to develop a central secondary trading platform in time for the expiring of existing DS3 contracts?

## **TSOs' Response**

The TSOs note that the recent SEMC consultation (SEM-23-043) proposes that the DS3 Regulated Arrangements tariffs are extended by two years i.e., until 30 April 2026. The TSOs' target go-live for the DASSA Arrangements is December 2026, subject to SEMC decisions.

The TSOs note that the DASSA design is currently a proposal. The TSOs intend to consult on the DASSA design with Industry by December 2023.

# **Question 38**

## **Industry Question**

Looks like difficulty in long term contract model working for batteries?....(excl LDES separate mechanism)

## **TSOs' Response**

In the proposed framework, there are variety of options for different technologies, be they new investment or an existing asset. We are happy to hear your comments in the bilateral engagements to further inform the design.

# **Question 39**

## **Industry Question**

Has an effective and clear modelling through of expected bidding behaviour been overlaid onto this purely theoretical model? I just cannot fathom how this will work because of 1. undue complexity, 2. really unclear how signals will be expected to work 3. how value will actually be earned in this way and 4. how this could be compliant with EBGL balancing principles including real-time dynamics (since there will be stagnant DASSA bids and no chance to update them and since primarily all units are motivated under Grid Code and investor case--to deliver, trade and bid energy first, in full, with no residual).

## **TSOs' Response**

We are happy to discuss parts 1-3 of your question in the forthcoming bilateral meetings. in relation to part 4, EBGL Art 24 - 6 relates to updating the bids in the integrated scheduling process which is for balancing energy procurement. However, DASSA bids are categorised as balancing capacity products. Therefore, based on EBGL, Article 16.3, rebid is not allowed for DASSA bids. Please note, the FAM is an ex-post reconciliation mechanism and providers cannot update/adjust their bids after DASSA gate closure in favour of FAM payments.

## **Industry Question**

And all scalars seem to be just trying to push a change in behaviour that runs completely counter to investment economics and Grid Code obligations to be generators first, system service providers second

## **TSOs' Response**

The scalars that have been implemented to date under the Regulated Tariff Arrangements have been designed to incentivise the provision of services in a manner that best meets system requirements and facilitates the increase of the level of operational SNSP. The TSOs will endeavour to continue to incentivise such behaviour in any daily auction arrangements; this may take the form of procuring quality services, subject to the outcome of a product review and subsequent industry consultation.

# **Question 40**

## **Industry Question**

Will the consultation also include DSO/TSO interactions?

## **TSOs' Response**

There is an ongoing programme of work concerning the interactions between the TSOs and DSOs. As per SEM-23-043, the TSOs - in consultation with the respective DSO - will be submitting a report to the SEM Committee in December 2023 outlining their progress in implementing agreed arrangements to facilitate the safe provision of system services from distribution connected units. It is anticipated that our future consultation will make reference to these arrangements.

# **Question 41**

## **Industry Question**

Application of Performance Event Scalar per existing Reg Arrangements and penalties could be disproportionate - unless revisited...

## **TSOs' Response**

The existing performance scalar methodologies have been designed to incentivise the reliable provision of system services procured under the Regulated Tariff Arrangements. A tailored performance scalar regime will be developed for any future competitive arrangements, while leveraging the TSOs' current processes, tools and experience.

# **Question 42**

## **Industry Question**

Can there be 2 FPNs at a time? [This is in the context of how dynamic trading data will be in this regard where it may be that a generator is available for energy but also available for system services. Will this be part of the design? And therefore, can more than one FPN represent the unit's position at a given time?]

The issue with this model is that no generator will hold back a portion of their energy position for system services purposes because we can never know the actions of the TSO in terms of dispatch.]

## TSOs' Response

Submission of FPNs is governed by the Trading and Settlement Code and is not proposed to be changed. The rationale for the proposed timing of the auction - after the DAM and before the LTS - is set out in section 1.4 of the recommendations paper. It is intended that holders of a Confirmed DASSA Order would not lose out should they be moved from a compatible FPN due to TSO actions in the balancing market.

We are happy to engage further on this query bilaterally.