



Commission for Energy Regulation

An Coimisiún um Rialáil Fuinnimh

**Proposed Changes to the Winter Peak Demand
Reduction Scheme 2007/2008**

CONSULTATION PAPER

24th August, 2007

CER/07/131

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1 Introduction and Consultation Process

1.1 Background

The Winter Peak Demand Reduction Scheme (WPDRS) was established in 2003 to encourage medium and large electricity customers with on-line quarter-hour meters to reduce their peak winter consumption and demand¹.

The WPDRS, operated by Eirgrid, and approved by the Commission, encourages participants ('designated customers') to reduce their peak demand and consumption from determined typical usage and demand levels during the peak hours of 17.00 to 19.00 on selected business days during the winter months of November to March. Participants are rewarded for demand and consumption level reductions via payments based on pre-approved demand reduction and peak consumption reduction rates. Participants commit a week-in-advance to reducing their demand and peak consumption levels. Customers who reduce their demand and consumption according to their committed levels are rewarded. Customers who significantly deviate from committed levels do not receive payments, or receive a lower payment. Payments are made to participants by their respective supplier.

As mentioned above, the WPDRS has been in operation for the last 4 years and each year, based on the experience of the previous year, the rules are reviewed and where appropriate modified to give additional clarity or to increase the performance of the Scheme. Following this year's review and discussion with participants, a number of changes are being proposed by Eirgrid based on the experiences of the 2006/2007 season.

This document presents for consultation Eirgrid's proposed changes to the rules of the WPDRS scheme for the forthcoming 2007/08 winter period. In total there are ten changes proposed by Eirgrid; four of these changes involve moderately significant changes to the rules while the remaining six modifications are minor. The six minor changes are aimed to providing additional clarity to the rules or extend certain conditions of the rules. Detail on the proposed changes is contained within Eirgrid's accompanying Proposal document.

This consultation paper is structured as follows. Section 1 sets out the purpose of this document and explains how to respond to this consultation. Section 2 provides a summary of each of the primary proposed changes by Eirgrid. Section 3 sets out the consultation timelines and next steps.

1.2 Responding to this consultation

Interested Parties are invited to comment on the proposals and issues raised in this paper by close of business on 24th September 2007. The Commission requests that

¹ A separate Scheme operated by ESB PES, known as the Winter Demand Reduction Incentive (WDRI), has a similar aim to WPDRS and operates at a similar time of year

respondents structure their comments to address the specific proposals outlined in the document. Where possible, reference to the section number should be made with specific comments. The Commission regrets that it cannot undertake to provide individual responses to submissions on this paper.

Responses may be published in full on the Commission's website; therefore respondents should include any confidential information in a separate annex.

Submissions on this paper and the PES accompanying Tariff Proposal submission should be forwarded, preferably in electronic format, to:

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2 WPDRS Rules 2007/08 – Proposed Changes by Eirgrid

The accompanying proposal paper submitted by Eirgrid sets out a detailed description of each proposed change to the rules, underlying rationale, impact and financial implications. Provided below is a high-level summary of the primary modifications proposed by Eirgrid.

There are a few additional minor changes which are proposed to provide greater clarity or scope to the scheme; these are detailed in Section 3.5 of the Eirgrid’s accompanying proposal document.

Current Arrangement	Proposed Arrangement	Primary Impact
Customer gains a Reliability Payment if their demand remains below their Committed Level in <u>all</u> four half-hour periods between 17:00 and 19:00.	Customer gains a Reliability Payment in a half-hour period if their demand remains below their Committed Level in that half-hour - i.e. independent of behaviour in other half-hour periods → will increase Reliability Payment .	Promotes continued demand reductions by participants even if committed level is breached in a previous half-hour on a particular day.
Rebate applies if customer’s demand rises above their Committed Level in <u>any</u> half-hour period between 17:00 and 19:00.	Rebate applies if customer’s demand in a half-hour demand rises above their Committed Level in that half-hour (again independent of behaviour in other half-hour periods) → will reduce Rebate .	If a breach has occurred, incentivises participants to avoid breaching Committed Level in remaining half-hour periods between 17:00 and 19:00 and reduce demand
Exporters Benchmark Energy which is used in calculation of Profile Payment is calculated via an Energy Benchmark Ratio (essentially a simple multiplication factor)	Exporters Benchmark Energy which is used in calculation of Profile Payment is calculated via a new Energy Benchmark Offset (an augend rather than a multiplication factor)	Removes inaccuracies of areas of the Benchmark Energy calculation, which then propagate to the Profile Payment Calculation .
No Arrangement currently exists	Customers participating in WPDRS will not be allowed to bid into the market as a demand side bidder between 17:00 and 19:00 on Business Days, i.e., participants of WPDRS must set their market availability to zero at these times	Prohibits customers from getting paid twice for reducing demand at peak times

<p>Customer winter historical data can roll-over from year to year (under certain conditions)</p>	<p>Customer historical winter data limited to two years past</p>	<p>Recent meter data ensures all participants receive parameters which accurately reflect current consumption levels thereby assuring equitable calculation of Baselines and Benchmarks for all participants.</p>
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3 Consultation Timelines & Next Steps

Timelines for publication and approval of WPDRS rates and rules for 2007/08 are as follows:

CER consultation on Eirgrid's proposed WPDRS rules changes: 24th August

Eirgrid submission of proposed rates to CER for approval: mid September

CER approval of WPDRS rules and rates: mid October