



Commission for Energy Regulation

An Coimisiún um Rialáil Fuinnimh

## **Winter Peak Demand Reduction Scheme 2007/2008**

**DECISION PAPER**

**11<sup>th</sup> October, 2007**

**CER/07/168**

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# 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 demand<sup>1</sup>.

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 are rebated resulting in reduced payments. Payments are made to participants by their respective supplier.

On the 24<sup>th</sup> August, the Commission consulted on a number of changes to the scheme proposed by EirGrid. The consultation closed on the 24<sup>th</sup> September and the Commission received two responses from:

- ESB PES
- Fingleton White & Co.

This paper sets out the Commission's decision in respect of both the WPDRS scheme rules and rates for the 2007/08 winter. Section 1 provides the purpose of, and background to, this decision document. Section 2 sets out the Commission's decision in respect of the scheme rules while section 3 presents the Commission's decision in respect of scheme rates. Section 4 summarises comments received and sets out the Commission's response.

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<sup>1</sup> 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

## 2 Decision on WPDRS 2007/08 Rules

The Commission has decided to approve the changes to the WPDRS scheme rules proposed by EirGrid (detailed in CER/07/132) for the forthcoming 2007/08 winter in order to further enhance the performance of the scheme and provide additional clarity.

Details of the approved rules for the 2007/08 WPDRS scheme are provided in EirGrid's accompanying document.

To summarise, the six primary changes to the scheme outlined in the table below have been approved. There are also a few additional minor changes (detailed in Section 3.5 of CER/07/132), proposed to provide greater clarity or scope to the scheme, which have also been approved. All changes are reflected in EirGrid's accompanying document setting out the approved rules for the 2007/08 WPDRS scheme.

Old Arrangement	Approved New Arrangement	Primary Impact
Customer gains a <b>Reliability Payment</b> if their demand remains below their <b>Committed Level</b> in <u>all</u> four half-hour periods between 17:00 and 19:00.	Customer gains a <b>Reliability Payment</b> in a half-hour period if their demand remains below their <b>Committed Level</b> in that half-hour - i.e. independent of behaviour in other half-hour periods → will increase <b>Reliability Payment</b> .	Promotes continued demand reductions by participants even if committed level is breached in a previous half-hour on a particular day.
<b>Rebate</b> applies if customer's demand rises above their <b>Committed Level</b> in <u>any</u> half-hour period between 17:00 and 19:00.	<b>Rebate</b> applies if customer's demand in a half-hour demand rises above their <b>Committed Level</b> in that half-hour (again independent of behaviour in other half-hour periods) → will reduce <b>Rebate</b> .	If a breach has occurred, incentivises participants to avoid breaching <b>Committed Level</b> in remaining half-hour periods between 17:00 and 19:00 and reduce demand
Exporters <b>Benchmark Energy</b> which is used in calculation of <b>Profile Payment</b> is calculated via an <b>Energy Benchmark Ratio</b> (essentially a simple multiplication factor)	Exporters <b>Benchmark Energy</b> which is used in calculation of <b>Profile Payment</b> is calculated via a new <b>Energy Benchmark Offset</b> (an augend rather than a multiplication factor)	Removes inaccuracies of areas of the <b>Benchmark Energy</b> calculation, which then propagate to the <b>Profile Payment</b> 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	Prohibits customers from getting paid twice for reducing demand at peak times

	Business Days, i.e., participants of WPDRS must set their market availability to zero at these times	
Customer winter historical data can roll-over from year to year (under certain conditions)	Customer historical winter data limited to two years past	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.

### 3 Decision on WPDRS 2007/08 Rates

As per the Electricity Regulation Act, 1999 and Condition 28 of S.I. No.60 of 2005, the Commission approves the WPDRS rules which are published with this paper. The Commission also approves the rates for this scheme as submitted by EirGrid and included in the table below.

<b>Payment Type</b>	<b>Payment</b>
Reliability Payment Rate	€ 216/MWh <sup>2</sup>
Reliability Rebate Rate	€ 2160/MWh
Profile Payment Rate	€ 97/MWh

The rates applicable in the 2006/07 scheme have been retained for 2007/08 scheme as the Commission considers that these rates adequately reward WPDRS participants for reducing demand and energy usage at winter peak times and encourage participation. Therefore, the above rates are approved and will apply for the WPDRS for the 2007/08.

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<sup>2</sup> The Reliability Payment Rate and the Rebate Rate for WPDRS 2007/08 are equivalent to last year's rates. The Rates are now specified in €/MWh as these payment types are now based on half-hour performance rather than daily performance as was the case in season 2006/07.

## **4 Responses to Comments Received**

This Section summarises comments received on the changes to the WPDRS 2007/08 scheme rules proposed by EirGrid (CER/07/132) and sets out the Commission's response.

### **4.1 Calculation of Baselines**

#### **4.1.1 Respondent's Comments**

One Respondent commented, not on a specific proposed change to the scheme (as set out in the consultation paper CER/07/131), but on the scheme rules for calculating baselines for eligible customers in general. The Respondent stated that the baselines for 2007/08 scheme are calculated using 2006/07 historical data for the WPDRS period, which results, in the Respondent's opinion, in uneconomic baselines for many eligible customers.

#### **4.1.2 Commission's Position**

If a customer has participated in the WPDRS the previous winter, the consumption data at shoulder periods (i.e. months either side of the WPDRS winter months) may be used to calculate a customer's baseline for the forthcoming WPDRS period. In addition, customers who have previously participated may 'roll over' or retain their baseline calculated from more historic winter data, under certain conditions. Lastly customers who have not previously participated in WPDRS obtain a baseline based on winter data unless it is identified that this customer has actively reduced their winter consumption; for example through participation in a similar demand reduction scheme.

It also must be noted that if a participant believes that its baseline does not reflect its consumption pattern, under the scheme rules, the participant has the opportunity to appeal its baseline (and provide justification why it should be different) and EirGrid will review each appeal on an individual basis. In all cases if the customer is still unsatisfied with the outcome of the appeal they can raise a dispute with the Commission.

### **4.2 Demand Side Bidders**

#### **4.2.1 Respondent's Comments**

Another Respondent queried how the proposal to monitor WPDRS participants who may also be Demand Side Bidders in SEM will operate satisfactorily in the context of market operations. Clarification was sought on whether EirGrid intends to independently monitor WPDRS participants where the customer notifies EirGrid of their intention to participate in SEM and/or EirGrid will expect the customer's supplier to provide

information on the customer's participation in SEM. The Respondent further asked to what extent is a supplier going to be liable for a particular customer's declaration to EirGrid as part of its participation in the WPDRS scheme.

## **4.2.2 Commission's Position**

As part of the recently approved Grid Code, EirGrid has a responsibility of ensuring that Demand Side Units adhere to Dispatch Instructions. Hence, EirGrid, in its role as Transmission System Operator, will be monitoring compliance with Dispatch Instructions. Overall Monitoring in the SEM will be the role of the Market Monitor. To clarify, no modifications to the Single Electricity Market are required.

A Demand Customer, which is also part of a Demand Side Unit, may also opt to participate in WPDRS. However, the Commission is of the opinion that customers should be prohibited from getting paid twice for reducing demand at peak times. That is, a Demand Customer should not receive a payment from the SEM and WPDRS for the same reduction. Accordingly, under the scheme rules participants or third parties operating on the participant's behalf must not participate in the Single Electricity Market (i.e. they must set their market availability to zero) on WPDRS business days between 17:00 and 19:00 for the term to which the participant has agreed to participate in WPDRS.

To prevent dual payment on WPDRS business days between 17:00 and 19:00, EirGrid will:

- review the Availability Declarations in this period, (this information is available to EirGrid) for DSUs which consist of an Individual Site.
- request a breakdown of the Availability declarations from the Suppliers 10 days after the end of each month in the WPDRS season. Under the scheme rules, Suppliers will be required to provide a breakdown of the Availability declarations (by individual site) to ensure that a Site is not receiving dual payments between 17:00 - 19:00 on WPDRS Business Days. It is believed that this will not be onerous on the Suppliers as this information should be easily extracted from the Suppliers own DSU-auditing and declaration aggregation systems.

In the event that a participant breaches this scheme rule, penalties will apply (details of these penalties are provided in the accompanying document on the Scheme Rules)

## **4.3 Timeline of Availability of Scheme Rules and Rates**

### **4.3.1 Respondent's Comments**

One Respondent commented that the availability of baseline and benchmark data from EirGrid together with the outcome of the consultation on the scheme rules leave eligible customers little time to evaluate the potential of participation. Increased customer participation in the scheme is likely to be adversely affected by these tight timelines.

### **4.3.2 Commission's Position**

Since the inauguration of the WPDRS in 2003, the Commission has published WPDRS rates in early-to-mid-October. These rates have not been published before this time as they are linked to changes to ESB PES rates, which in turn are not approved until early October of each year. However, the Commission recognises that this publication schedule puts pressure on suppliers to communicate rates within tight timelines. Therefore, in future the Commission will work to approve rates at an earlier date contingent on the publication and approval of the relevant PES tariffs.