



Commission for Energy Regulation

An Coimisiún um Rialáil Fuinnimh

Proposed Changes to the Winter Peak Demand
Reduction Scheme and Powersave Scheme 2010/11

DOCUMENT TYPE:	Consultation Paper
REFERENCE:	CER/10/142
DATE PUBLISHED:	24.08.2010
CLOSING DATE:	17.09.2010
RESPONSES TO:	mstack@cer.ie

*The CER for Energy Regulation,
The Exchange,
Belgard Square North,
Tallaght,
Dublin 24.*

www.cer.ie

CER – Information Page

Abstract:

The CER is consulting on proposals from EirGrid to amend the rules and rates for the 2010/11 Winter Peak Demand Reduction Scheme (WPDRS) and Powersave. This document presents these proposed changes to industry, and invites comment from stakeholders prior to a final decision by the CER.

Target Audience:

This paper is for the attention of members of the public, the energy industry, customers and all interested parties.

Related Documents:

CER/10/XXX	EirGrid's proposed WPDRS Rules 2010/11
CER/09/165	EirGrid's WPDRS Rules 2009/10
CER/08/192	EirGrid Powersave Scheme Rules 2008

Responses to this consultation should be returned by email, post or fax and marked for the attention of Maurice Stack (mstack@cer.ie) at the CER by the 17th September 2010.

The CER intends to publish all submissions received. Respondents who do not wish part of their submission to be published should mark this area clearly and separately or enclose it in an Appendix, stating the rationale for not publishing this part of their comments.

Executive Summary

The CER consults annually on submissions from EirGrid with regard to proposed amendments to the rules and rates for the 2010/11 Winter Peak Demand Reduction Scheme (WPDRS) and Powersave Scheme. The information provided in this paper should be read in conjunction with EirGrid's accompanying revised rules documents. The changes to the respective demand side management retail schemes are outlined below;

WPDRS

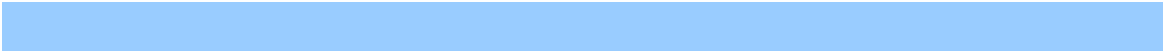
- Customers will be offered the choice of using either the baseline or benchmark energy to calculate their reliability payment. Customers have to select either the baseline or the benchmark energy as the method for their reliability payment calculation at the WPDRS application stage. Either the baseline or benchmark energy will then apply for the duration of the scheme;
- Customers who opt to have their reliability payment calculated using benchmark energy will no longer receive a monthly baseline;
- Suppliers will have to issue statements to customers within 10 business days of receipt of the statements from EirGrid;
- The scheme for 2010/11 will start on the 8th November 2010 and concludes on the 4th March 2011;
- The look back period for the baseline calculation will be extended to three months instead of the current two months;
- For WPDRS 2010/11, customers must now submit their committed levels electronically using the WPDRS portal which will be hosted by EirGrid. Baselines will be communicated with customer through the WPDRS portal;
- Decrease on the WPDRS rates of 1.5% on WPDRS Rates 09/10 in line with HICP.

Powersave

- Reduce the minimum number of Powersave events to one per Powersave season
- Decrease on the Powersave rates of 1.5% on Powersave Rates 09/10 in line with HICP.

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1.0 Introduction

1.1 The Commission for Energy Regulation

The Commission for Energy Regulation ('the CER') is the independent body responsible for overseeing the regulation of Ireland's electricity and gas sector's. The CER was initially established and granted regulatory powers over the electricity market under the Electricity Regulation Act, 1999. The enactment of the Gas (Interim) (Regulation) Act, 2002 expanded the CER's jurisdiction to include regulation of the natural gas market, while the Energy (Miscellaneous Provisions) Act 2006 granted the CER additional powers in relation to gas and electricity safety. The Electricity Regulation Amendment (SEM) Act 2007 outlined the CER's functions in relation to the Single Electricity Market (SEM) for the island of Ireland. This market is regulated by the CER and the Northern Ireland Authority for Utility Regulation (NIAUR). The CER is working to ensure that consumers benefit from regulation and the introduction of competition in the energy sector.

1.2 Purpose of this paper

The purpose of this paper is to seek the view of the public and the CER's stakeholders with regard to proposed changes to the rules and rates of the WPDRS and Powersave schemes for 2010/11. In order to make an informed and impartial decision on this topic, the CER wishes to obtain comments from members of the public, the energy industry, customers and all interested parties. The CER commits to considering all views equally and affording each respondent the opportunity to clarify any issue raised in this paper.

1.3 Responding to this paper

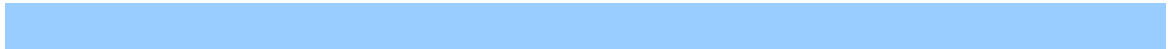
Interested parties are invited to comment on the proposal and issues raised in this paper by close of business on 17th of September 2010. The CER requests that respondents structure their comments to address the specific proposals outlined in the document. Where possible, reference to the section number should be made with specific comments. The CER regrets that it cannot undertake to provide individual responses to submissions on this paper.

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

Submission's on this paper and EirGrid's accompanying proposals for the 2010/11 WPDRS and Powersave schemes should be forwarded, preferably in electronic format, to:

Maurice Stack
Commission for Energy Regulation,
The Exchange,
Belgard Square North,
Tallaght,
Dublin 24.

E-mail: mstack@cer.ie



2.0 Overview of WPDRS & Powersave

2.1 Introduction

A key pillar of the CER's strategy for ensuring security of supply is the development and operation of demand side management schemes. Intrinsicly, demand side management pertains to actions taken by customers, as a result of incentives and market information, which have the potential to impact positively on system demand. The CER currently approves the rules and rates for WPDRS and Powersave, the details of which are discussed further below.

The Regulatory Authorities (RAs) in the Republic of Ireland (RoI) and Northern Ireland (NI) recognise the potential which demand side management has to deliver significant economic and environmental benefits to the All-Island market. They believe that realisation of this potential will require a high level of co-ordination between stakeholders and policymakers across a broad range of areas including energy efficiency, smart metering, large-scale demand side response, new forms of electric demand, aggregation of distributed generation and storage. The Regulatory Authorities, CER and NIAUR have conducted a review of Demand Side Management in the SEM and a consultation paper was published on 17th August 2010.¹ This consultation document forms a key part of the RAs' assessment of the merits of different DSM options, the associated development of a Demand Side Vision for 2020, and the identification of supporting policy measures and their implementation path to seek to enable the 2020 Demand Side Vision to be delivered.

2.2 WPDRS

WPDRS is operated by EirGrid on behalf of the CER, and is designed to encourage participants ('designated customers') to reduce their peak demand and consumption from typical usage and demand levels during the peak hours of 17:00 hrs to 19:00 hrs on selected business days during the winter months from the November to February. The demand side management scheme is designed to incentivise medium and large electricity customers with on-line quarter-hour meters to reduce their peak winter consumption and demand.

Participants are rewarded for demand and consumption level reductions at peak times. The payments they receive for this demand reduction are based on the difference between their predicted demand consumption at peak times and their actual demand consumption at those times. Participants commit daily in advance to reducing their demand and peak consumption levels. Customers who reduce

¹ Demand Side Vision for 2020 ([SEM-10-052](#))

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.

2.3 Powersave

Analogous to the WPDRS, the Powersave scheme is a voluntary demand side management initiative, designed to incentivise registered Powersave customers to reduce their electricity consumption or increase exports during periods where total system demand is close to available supply. The Powersave scheme is currently administered by EirGrid on behalf of the CER.

In 2009, the CER published a decision paper summarising the rules and rates governing the Powersave scheme. As for WPDRS, the rationale behind the provision of the Powersave scheme is to encourage medium and large scale customers, with on-line quarter-hour interval meters, to reduce their electricity consumption or increase exports of electricity, throughout the year. All licensed electricity suppliers are eligible to offer the Powersave scheme to their respective customers.

Customers wishing to participate in the scheme must have the capability to reduce consumption by a minimum of 100kW or alternatively increase electricity exports during periods of limited supply. In return, a 'Registered Powersave Customer' who responds to a Powersave request, will be compensated via a payment mechanism that is based on the kWh reductions achieved during the 'Powersave Event'.

Payments will be linked to the difference between the customer's consumption in the notified period and the average consumption in the same period over the previous four weeks. The payment a 'Registered Powersave Customer' receives in the event of a Powersave request is set out in EirGrid's annual 'Statement of Charges and Payments for Ancillary Services' document. In terms of pricing, Powersave rates vary by 'peak' and 'off-peak' periods. 'Peak Hours' are those hours which occur on Monday to Friday inclusive of the calendar months November, December, January and February between 17:00 hrs and 19:00 hrs. 'Off-Peak Hours' occur on Monday to Friday inclusive in all the other months of the year between 11:30 hrs and 12:30 hrs.

3.0 WPDRS and Powersave Rules 2010/11 – Proposed Changes by EirGrid

3.1 Introduction

The accompanying proposal paper, as submitted by EirGrid, presents a detailed description of each proposed change to the rules for WPDRS and Powersave in 2010/11. A high-level summary of the primary modifications proposed by EirGrid is outlined below.

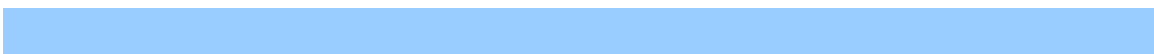
3.2 WPDRS

	WPDRS 2009/10	WPDRS 2010/11	Primary Impact
1	The baseline was used in the calculation of the reliability payment and the benchmark energy was used in the calculation of the profile payment.	Customers will be offered the choice of using either the baseline or benchmark energy to calculate their reliability payment. Customers have to select either the baseline or the benchmark energy as the method for their reliability payment calculation at the WPDRS application stage. Either the baseline or benchmark energy will then apply for the duration of the scheme.	This proposed change in methodology for calculation of the reliability payment offers customers the choice of using either a daily baseline (benchmark energy) or monthly baseline provided in advance. This change is being proposed by EirGrid based on customer feedback received during WPDRS 2009/10. EirGrid believes that this provides WPDRS customers with greater flexibility; customers can opt for either baseline/benchmark energy dependent on their own specific load patterns/trends.
2	All customers receive their monthly baselines one week in advance of the start of the month in which they will apply.	Customers who opt to have their reliability payment calculated using benchmark energy will no longer receive a monthly baseline.	Same as in point 1.
3	The WPDRS Rules 2009/10 stated that suppliers had to issue statements to customers promptly.	Suppliers will have to issue statements to customers within 10 business days of receipt of the statements from EirGrid.	Based on feedback from customers, it was found that some customers are still not receiving statements or that there were significant delays in sending these statements on to customers. Per the proposed WPDRS Rules 2010/11, suppliers will now be obliged to provide WPDRS statements to their customers within 10 business days of receipt of the statements from EirGrid. These statements must be

			<p>sent to the nominated WPDRS representative as stated on the application form.</p> <p>The purpose of this rule change is to improve communications with customers and ensure that customers are well informed about their WPDRS performance and payments.</p>
4	<p>The scheme started on 2nd November 2009 and ended on the 26th February 2010.</p>	<p>The scheme for 2010/11 will start on the 8th November 2010 and concludes on the 4th March 2011.</p>	<p>EirGrid has proposed to shift the start and end dates of WPDRS to test the flexibility of demand response from customers.</p>
5	<p>The baseline calculation for a given month uses the best available interval metering data for the previous two months and the benchmark energy data where appropriate.</p>	<p>The look back period for the baseline calculation will be extended to three months instead of the current two months.</p>	<p>EirGrid have proposed this change to improve the accuracy of the baseline calculation by taking a larger data set to calculate the baseline.</p>
6	<p>Customers can submit their committed levels via email to EirGrid before 12pm on a daily basis. Monthly baselines were communicated to WPDRS customers via email</p>	<p>For WPDRS 2010/11, customers must now submit their committed levels electronically using the WPDRS portal which will be hosted by EirGrid. Baselines will be communicated with customer through the WPDRS portal</p>	<p>The objective of this new WPDRS portal is to improve communications with WPDRS customers. Customers will also be able to review their performance online. This will improve the efficiency of WPDRS communications from EirGrid to customers.</p>

3.3 Powersave

It is proposed to reduce the minimum number of Powersave events to one per Powersave season.



4.0 Proposed WPDRS and Powersave Rates for 2010/11

4.1 Introduction

The rates allowed for both the WPDRS and Powersave schemes have traditionally been indexed with changes in regulated business tariffs. In light of the deregulation of the business markets from 1st October, this benchmark is no longer appropriate.

It is proposed that the WPDRS and Powersave rates for 2010/11 are linked to the European Central Bank Harmonised Index of Consumer Prices (HICP). Last year's WPDRS and Powersave rates are being returned with a 1.5% reduction to reflect the forecast deflation for 2010².

4.2 WPDRS Rates

The CER propose the retention of the rates applicable under the 2009/10 WPDRS scheme for the 10/11, which would be reduced by 1.5% based on the HICP inflation index for 2010. The associated payments under the proposal is summarised below;

Proposal – Reduction in rates by 1.5% by applying the HICP inflation index for 2010 to the approved rates for 2009/10

- Reliability Payment Rate €224/MWh
- Reliability Rebate Rate €783/MWh
- Profile Payment Rate €100/MWh

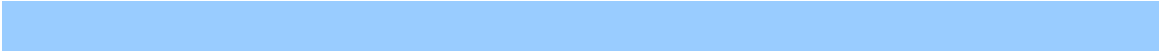
4.3 Powersave Rates

The CER propose the reduction of the rates applicable under the 2009/10 Powersave scheme for the 2010/11, which would be adjusted by 1.5% with respect to the HICP inflation index for 2010. The proposed 2010/11 Powersave payments are summarised below;

² [ESRI Quarterly Economic Commentary Summer 2010](#)

Proposal – Reduction in rates of 1.5% by applying the HICP inflation index for 2010 to the approved rates for 2009/10

- Off-Peak Rate 38.12 c/kWh
- Peak Rate 95.30 c/kWh



5.0 Consultation Timelines & Next Steps

The CER welcomes comments from all interested parties on EirGrid's proposals and on the rates proposed by CER, as outlined in this paper. The deadline for response is the 17th of September 2010. Subsequent to the receipt of responses from stakeholders, the CER's decision paper, on the rules and rates for the WPDRS and Powersave 2010/11, will be published at the end of September 2010.