

CONSULTATION PROFORMA

CONTINUOUS ACCEPTANCE DURATION LIMIT (CADL) AND DE MINIMIS ACCEPTANCE THRESHOLD (DMAT) CONSULTATION PROFORMA

We are seeking your views on the CADL and DMAT review. If you represent BSC Parties your responses to the consultation should be submitted in this proforma.

Please send your responses to market.operations@elexon.co.uk by **17:00 on Friday 9 November 2018** and use email subject 'CADL / DMAT Review 2018'.

| Respondent: | <i>Alessandra De Zottis</i> | | |
|--|--|---|---|
| Company Name: | <i>UK Power Reserve Ltd.</i> | | |
| No. of BSC Parties Represented | | | |
| Parties Represented | <i>UK Power Reserve Ltd.</i> | | |
| No. of Non BSC Parties Represented (e.g. Agents) | | | |
| Non Parties represented | | | |
| Role of Respondent | <i>Generator</i> | | |
| Can we publish your response on the ELEXON website? | <i>Yes</i> | | |
| Q | Question | Yes/No Error! Bookmark not defined. | Rationale |
| 1 | Currently the CADL is set to 15 minutes. | | As a fundamental principle, the imbalance price should reflect the true cost of balancing the system, therefore all actions should ideally be included. Only then |

CONSULTATION PROFORMA

| | | |
|--|------------|---|
| <p>Do you agree with the proposal to change CADL to 10 minutes (or some other value) based on the analysis provided?</p> <p>Please give any additional comments.</p> | <p>Yes</p> | <p>will the market signal be truly reflective, and the market can respond to such signal appropriately.</p> <p>UKPR supports as low as CADL as possible to allow for the imbalance price to be reflective of the actions taken in real time to keep the system balanced. The proposal for a shorter CADL of 10 minutes is the right step in this direction and UKPR supports reducing the CADL limit. This would allow for more balancing actions to make it through the calculation of the imbalance price.</p> <p>Capturing as many actions as possible for the calculation of the imbalance price will favour increased transparency over which actions are taken to balance the system, allowing also market participants to verify what service is called on, at which point in time, with an overall impact on market behaviour (which is the essential purpose of making the imbalance price spikier and more reflective).</p> <p>The current 15-minute limit to determine whether actions are deemed to be system or energy balancing actions is arbitrary. Balancing renewables and energy balancing now requires much shorter sharper actions and this is the new norm given solar and wind penetration.</p> <p>Shorter sharper actions will also naturally become more frequent as NGESO makes the BM market more accessible for smaller providers and aggregators. The higher volume of shorter balancing actions taken by NGESO also requires an automated dispatch system, which should have already been put in place with EBS*. Only then will the ESO be able to manage operability challenges, and lead to more cost effective balancing actions.</p> |
|--|------------|---|

CONSULTATION PROFORMA

| | | | |
|----------|--|-----|--|
| | | | An automated system will also facilitate identifying which actions should be classified as energy and which as system balancing, ultimately enabling a reflective imbalance price. |
| 2 | <p>Currently the DMAT is set to 1MWh.</p> <p>Do you agree with the proposal to change DMAT to 0.1MWh (or some other value) based on the analysis provided?</p> <p>Please give any additional comments.</p> | Yes | <p>Looking at Elexon's analysis on the impact on prices, it is apparent that a lower DMAT set at 0.1MWh – coupled with a 10-minute CADL – would allow for more reflective price signals that would take into account a greater number of shorter sharper balancing actions.</p> <p>As stated above, UKPR favours a more reflective imbalance price, which provides greater transparency over the actions taken by NGESO.</p> |
| 3 | <p>If a change to either parameter is approved, do you agree with the proposed implementation date of 1 April 2019 (or believe another date is more preferable)?</p> <p>Please give any additional comments.</p> | Yes | <p>These changes should apply as soon as possible to allow all systems to be in place for a fair and levelled treatment of all market players.</p> |
| 4 | <p>Do you have any further comments regarding the CADL review?</p> <p>Please give any additional comments.</p> | No | // |

CONSULTATION PROFORMA

| | | | |
|----------|--|----|--|
| 5 | Do you have any further comments regarding the DMAT review? Please give any additional comments. | No | // |
| 6 | Do you believe the proposed CADL change will have a material impact to your systems? Please give any additional comments. | No | As balancing services providers, our systems will not be materially impacted. As Elexon has rightly noted, the material impact will be on the imbalance price, by making it more reflective of all the actions taken by NGENSO to balance the system. |
| 7 | Do you believe the proposed DMAT change will have a material impact to your systems? Please give any additional comments. | No | As balancing services providers, our systems will not be materially impacted. |