

# CONSULTATION PROFORMA

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## 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](mailto:market.operations@elexon.co.uk) by **17:00 on Friday 9 November 2018** and use email subject 'CADL / DMAT Review 2018'.

<b>Respondent:</b>	<i>Oliver Xing</i>
<b>Company Name:</b>	<i>Ørsted</i>
<b>No. of BSC Parties Represented</b>	<i>11</i>
<b>Parties Represented</b>	<i>Ørsted Power Sales UK Limited Ørsted Salg &amp; Service A/S Ørsted Burbo (UK) Ltd Ørsted Power UK Limited Ørsted Gunfleet Sands DEMO Ltd Gunfleet Sands II Limited Gunfleet Sands Limited Walney Offshore Windfarms Ltd Westermest Rough Limited Barrow Offshore Wind Limited Burbo Bank Extension</i>
<b>No. of Non BSC Parties Represented (e.g. Agents)</b>	<i>11</i>
<b>Non Parties represented</b>	<i>Please list all non Parties responding on behalf of (including the respondent company if relevant).</i>
<b>Role of Respondent</b>	<i>(Supplier/Generator/ Trader)</i>

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Can we publish your response on the ELEXON website?		Yes	
Q	Question	Yes	Rationale
1	<p>Currently the CADL is set to 15 minutes.</p> <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>	No	<p>Imbalance prices should be determined in the way that encourages efficient balancing behaviours. Ofgem held the view that, to date (as of PAR50), P305 has worked as it intended to. However, PAR1 is still to be tested as it was only introduced on 1 November 2018. We are concerned about any further changes to imbalance pricing methodology or its parameters at this time as market participants should be given sufficient time to fully understand and adapt to the imbalance risks associated with PAR1, before any further changes are made.</p> <p>In our view, the current imbalance prices under PAR1 (CADL=15min and DMAT=1MWh) are sufficiently sharp and responsive to incentivise self-balancing. We think that the industry would benefit from having a better understanding of whether an even more marginal pricing than PAR1 (under the proposed lower CADL &amp; DMAT settings) would increase incentive for balancing behaviours and whether such benefit is proportional to the risks borne by market participants.</p> <p>As the largest offshore wind generator and a renewable energy supplier in GB, we are also concerned about the knock-on impact on renewable PPA pricing. Sharper imbalance price would make renewable energy less attractive due to higher balancing risks. This has the potential to reduce the competitiveness of renewable energy and impact investment decisions in the future. We believe that changes to CADL and DMAT should not be analysed in isolation from the wider market and system impacts.</p>

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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>	No	Same as Q1.
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>	No	<p>We would like to see further analysis taken on the impact of PAR1 after its implementation and whether reducing CADL and DMAT would further enhance balancing behaviours across the market.</p> <p>If there is a case for change then, we would require an implementation lead time of 1 year to fully understand the impact and ensure our commercial strategy and operation can respond effectively.</p>
4	<p>Do you have any further comments regarding the CADL review?</p> <p>Please give any additional comments.</p>	No	
Q	<b>Question</b>	<b>Yes/No</b> Error! Bookmark not defined.	<b>Rationale</b>

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5	<p>Do you have any further comments regarding the DMAT review?</p> <p>Please give any additional comments.</p>	No	
6	<p>Do you believe the proposed CADL change will have a material impact to your systems?</p> <p>Please give any additional comments.</p>	Yes	<p>There will be system changes to update the imbalance price forecast model. However, we see the commercial impact to be much greater, which could involve making adjustments to our imbalance risk premium in customer contracts. Sharper imbalance prices are likely to favour some particular market participants (e.g. large integrated companies with stable generation profile or small generation/DSR assets that operate on a speculative basis post Gate Closure for NIV chasing) while harm the others (e.g. small suppliers and intermittent generators who are more exposed to imbalance risks), which could cause pricing inefficiency across the market.</p>
7	<p>Do you believe the proposed DMAT change will have a material impact to your systems?</p> <p>Please give any additional comments.</p>	Yes	<p>Same as Q6.</p>