

Power Potential Consultation Responses

The Power Potential project



05 July 2018

This document provides an overview of the responses received on the Power Potential contractual terms recently published.

For further information please contact the Power Potential team box.PowerPotential1@nationalgrid.com.

Summary

Alongside the publication of the [DER Framework Agreement](#) and the [Market Procedure](#), we asked DER's their views on:

- contractual terms
- payment structures
- appropriate £/MWh payment for the mandatory technical trials for the active power service.

During this consultation, we received four formal responses and continued commercial proposition discussions with several interested parties. This document includes the responses we received, responses to queries raised by DER and an indication where amendments are being considered to the commercial proposition.

We will make amendments to the commercial proposition and incorporate these into our final *DER Framework Agreement* and *Market Procedure*. These will be published on the [Power Potential website](#) week commencing 16th July 2018.

Responses to the consultation

Question 1. What are your views on the contractual terms required to participate in Power Potential?

Specific points that were raised from the formal consultation were:

- That the terms be subjected to review following the completion of wave 1 to allow DERs to consider previously unforeseen factors.

We agree that there is value in reviewing the various elements of the market procedural processes, in discussion with DERs following wave 1. This will allow the project team to incorporate, where appropriate, amendments to support the subsequent waves and gather additional project learning from a DER perspective.

- Clarity is required on how a participant is 'deemed to have been available' to provide the reactive power service.

The definition of availability differs by type of DER:

- *If **non-synchronous**: When it is online generating active and/or reactive power and operating, for a given active power output, in voltage droop control mode within its declared reactive capability range and within UKPN's network connection agreement limits.*
- *If **synchronous**: When it is online generating active and/or reactive power and operating, for a given active power output, in voltage control mode within its declared reactive capability range and within UK Power Network's network connection agreement limits.*

- Consider offering DERs the flexibility to offer variable capacity between waves during the trial period particularly as there was no utilisation payment for wave 1.

The intention within wave 1 is to provide learning and ensure that technically the full capacity can be delivered in wave 2, hence the need to operate at full capacity within wave 1. Providers will have the opportunity to offer a reduced Q capability in the later waves.

- Ensure that Distribution Use of Systems (DUoS) charges exceedance exposure charges during wave 1 are explicitly defined as being recoverable.

DUoS charges associated with provision of active and reactive power services through Power Potential during the trial period will not be applied. The project team will update our documentation to ensure that this is explicitly communicated.

- Additional clarity required on the liability clause within the *DER Framework Agreement*.

The liability cap of £5m within the Power Potential DER Framework Agreement (clause 13) relates only to physical damage to the property of the other party and not to physical damage to third parties' property. UK Power Networks will not accept liability in respect of damage to a third party's property caused by the DER providers actions. The DER provider's obligation to implement an instruction only applies to the extent that it is a valid instruction (i.e. one which is within the safe operating parameters).

Question 2. What are your views on the proposed Power Potential payment structure?

Summary of responses:

- During our one to one discussions several providers indicated that the proposed participation payment of £18,000- £20,000 was insufficient to recover most of their costs.

This feedback has been taken on board and the participation payment as well as the availability thresholds are being reviewed to support providers in recovering costs associated with participating in the project. The revised participation payment and availability thresholds will be notified in our publication of documents week commencing the 16th July 2018.

- There was general concern that the DERs would potentially be making an investment prior to the decision being taken to proceed with the trial.

Further consideration is being done to understand how this risk could be managed for DERs. One of those considerations is to increase the percentage of the maximum participation payment the DER will be entitled to, following successful site commissioning and performance testing, should the trial not proceed. This would be dependent on a DER being able to provide evidence of the investments they made to participate in the Power Potential trials.

- DERs felt the proposed payment structure for waves 2 and 3 was suitable but required additional clarification on wave 1. Particularly how the £18,000-£20,000 participation payment range was determined and what is the reactive payment for the mandatory technical trials in wave 1.

The participation payment range of £18,000 - £20,000 was determined based on the average cost of CAPEX required from those DERs discussing participating in the Power Potential trial. This information was shared via the March consultation, where DERs fed back on the draft Heads of Terms, as well as in one-to-ones that took place until the revised proposition was published (i.e. from discussions that took place prior to our May webinar). No payment will be made for the mandatory technical trials in wave 1 for the reactive service.

Question 3. What would an appropriate £/MWh payment be for the mandatory technical trials for the active power service?

Summary of responses:

- Respondents indicated that this would be based on costs associated with various technology types.

Based on the responses the project team are considering an appropriate payment for mandatory technical trials for the active power service.

Question 4. Any further comments you would like to express?

Summary of responses:

- Provide clarification on if injection and absorption will be measured separately and account in the total utilisation volume.

UK Power Networks' measuring equipment will be designed so that it is capable of capturing Mvar flow with the sign (it is possible to infer direction of change). Additionally, changes in Mvar flow will be assessed against default reactive power operating position. For example, if a default operating point is at 0.95 lead PF and the plant is moving to 0 MVar, it will be considered lag utilisation (as the network would see it as injection of Vars).

- Clarify what is the expected process and cost of installing local area network cable.

The requirements and processes associated with installing LAN can be found in the [DER Technical Requirements document](#) available on our website. The DER, as part of the communications upgrade, will need to establish the cost of this installation.

Next Steps

Further details on the amendments to the commercial proposition will be incorporated into the final *DER Framework Agreement* and *Market Procedure*. We welcome feedback on any aspect of the Power Potential project from interested parties.