• The webinar will start shortly
  • Please make sure your microphone is muted and your camera is turned off
• Please note the webinar will be recorded
Clean Energy Package and Reserve Services

5 August 2020
Please send in your questions via the Webex chat function to the host. We will collate and answer them in the Q&A session at the end of the webinar.
Agenda

1. Clean Energy Package overview
2. Impacts on STOR and Fast Reserve
3. Survey - day ahead procurement
4. Next steps
5. Q&A session
Clean Energy Package
Clean Energy Package explained - Why does it exist?

EU approach to help meet 2030 and 2050 emissions targets:

- Increase energy efficiency
- Increase low-carbon generation
- Remove barriers to the IEM
Clean Energy Package explained – What is it?

• CEP consists of 8 documents, containing over 100 articles, with hundreds of paragraphs

Three of the documents result in obligations for NG ESO:

• The Regulation on the Internal Market for Electricity (RIME)
• The Regulation on Risk-Preparedness in the Electricity Sector (RPES)
• The Directive on common rules for the Internal Market for Electricity (DIME)
• The articles of DIME that contain obligations on NGESO have not yet been entered into UK Law
Clean Energy Package explained – What does it mean?

**New legal obligations:**
- Long-term capacity
- Long-term planning
- Reporting
- Settlements
- Procuring Balancing Services
  - Settle balancing energy using a Pay-as-Clear mechanism – Article 6(4)
  - Procure capacity at day ahead – Article 6(9)
Clean Energy Package - Derogations

**STOR & BM - 6(4)**
- Submitted a derogation under 6(4) to remain Pay-as-Bid in December 2019 to last for 2 years
- We would like to start an industry consultation once OFGEM have communicated their decision on this derogation

**STOR - 6(9)**
- Derogation was submitted STOR Reserve Replacement (delivery more than 15 minutes) for moving some procurement to Day Ahead by Spring 2021
- STOR Frequency Restoration Reserve (delivery less than 15 minutes) derogation drafted

**Fast Reserve**
- No derogation has been submitted for Fast Reserve as we have stopped firm procurement of this product and therefore a derogation is not required
Impacts on procurement
Impacts on procurement of Firm Fast Reserve

• We have taken the decision not to make the existing Fast Reserve product compliant with CEP

• We therefore will not be procuring any further firm fast reserve

• We intend to look at how fast reserve fits with the future design of standardised fast acting reserve products

• We intend to continue to use optional contracts including optional fast reserve contracts as well as BMUs with dynamic parameters to deliver fast energy to meet our requirement for fast reserve
Impacts on procurement on Firm STOR

• Will not be procuring any further firm STOR in 2020

• Continue to operate with existing firm contracts and the optional STOR service

• Finalising our future procurement strategy in line with CEP and pending derogations

• Continue to focus on making the existing STOR product compliant with the requirements of CEP
Survey feedback
Survey summary

• Most providers able to move to day ahead within 6 months
• Most would prefer auctions to run during the week only (not weekends)

• Potential blockers
  • Assessment process
  • System issues
  • Participant readiness - training & resourcing

• Benefits
  • Flexibility & market liquidity
  • Better optimise assets
  • Aligns better with the rest of the market and BM

• Design suggestions
  • Single platform desired and integrate PAS
  • Co-optimise auctions
  • Standardisation of product and algorithm led procurement
  • Set up working group engaging/consult with providers
Next steps

CEP compliance for STOR
• Share the service design & system requirements
• Engagement

Reserve Reform
• Milestones delayed while we consider reserve design in light of TERRE and what the impact of wider access will be on the Balancing Mechanism
• Communicate updates and progress on reserve reform
• Reserve reform – consultation
Questions
Thank you

Contact us:
Via your account manager or commercial.operation@nationalgrideso.com

ESO website: www.nationalgrideso.com
Appendix
Survey feedback

Would you be interested in moving to Day Ahead procurement?

- No
- Yes

0 2 4 6 8 10 12 14 16 18 20 22 24
Survey feedback

Are you in the position to move to Day ahead procurement?

- No, not able to move to Day Ahead procurement
- Yes, able to move to Day Ahead procurement in 1-6 months
- Yes, able to move to Day Ahead procurement now
- Yes, able to move to Day Ahead procurement in 1 year or more
- Yes, able to move to Day Ahead procurement in 7-11 months
Survey feedback

Would you prefer for the Day Ahead auctions to run during the week only or to run 24/7?

- Weekdays only
- 24/7
- No preference
Survey feedback

When would you prefer the results to be available?

- As soon as possible
- Before 5pm
- No later than 12:00 on day ahead
- Immediately
- Within one hour of auction close
- Mid afternoon
Survey feedback

What blockers do you foresee moving to Day Ahead procurement?

- Assessment process
- System issues
- Training & resourcing (in industry)
- Participant readiness
- Standardisation of products
- Additional cost
- Price degradation
Survey feedback

Do you foresee any benefits to moving to Day Ahead procurement?

- More flexibility
- Market reflective pricing
- Market liquidity to increase
- Allow parties to better optimise assets
- Improved access to services
- Better market environment for aggregators
- Aligns better with the rest of the market and BM
Survey feedback

Do you have any suggestions on the design of Day Ahead procurement?

- Processes automated as much as possible
- Single platform desired / use and integrate PAS
- Pay as clear auction
- Co-optimise the FFR/DC/LFS and other static auctions at the same time as STOR and FR
- Standardisation of product and algorithm led procurement
- Allow tendering between products
- Carry out the auctions one at a time in value order
- ESO should set up a working group engaging the industry and consult with providers properly