

CMP243

A Fixed REP option for all generating technologies

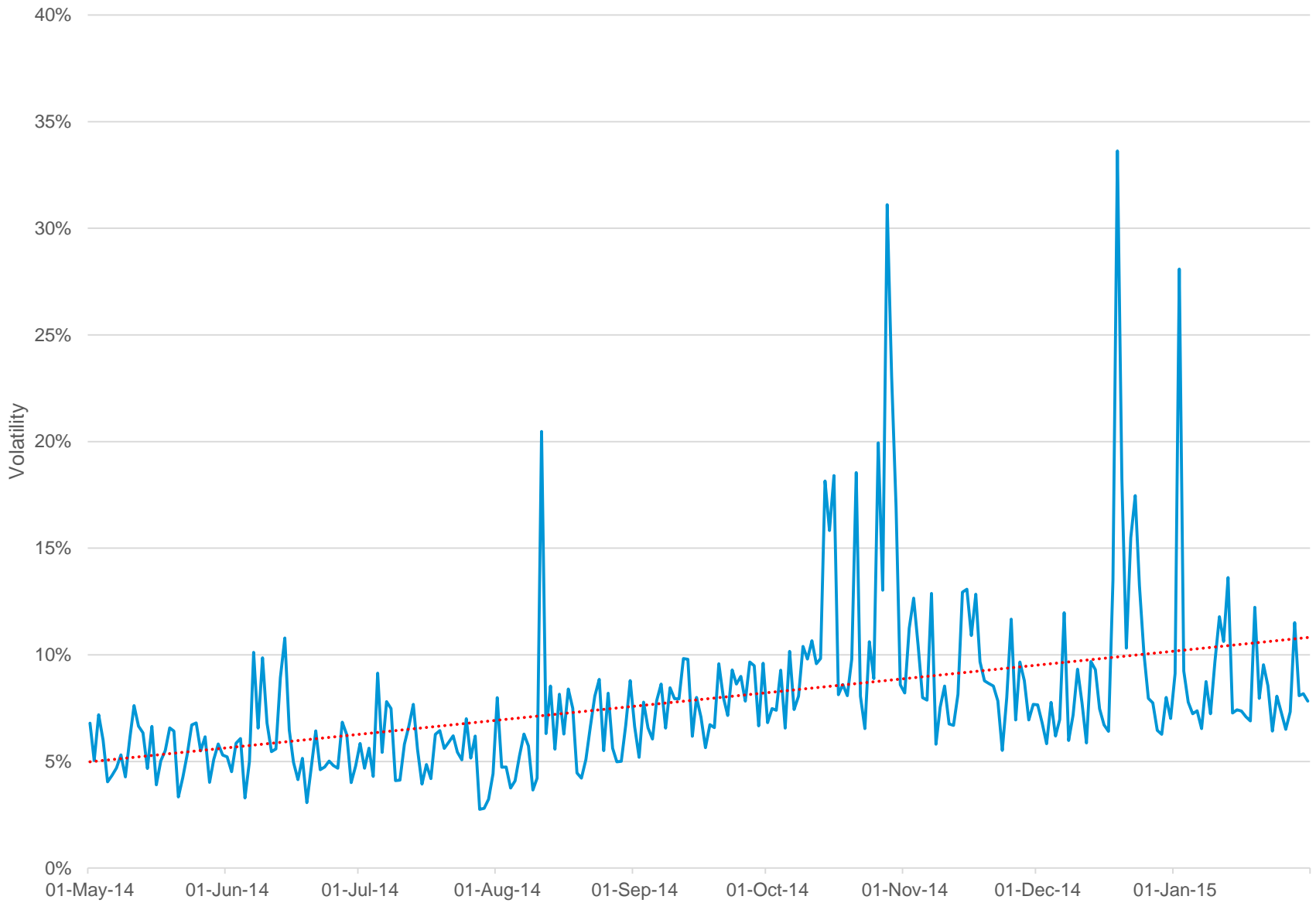


Cem Suleyman – CUSC Panel 29 May 2015

Defect

- For Mandatory Frequency Response (FR), Response Energy payments are based on the Market Index Price (MIP)
- This was adequate in a system dominated by conventional generation
- But now the system is changing significantly with increasing renewable generation
- This change in generation mix is driving increasing volatility of the MIP

Daily MIP Volatility from May 2014 - Jan 2015



Defect continued

- This increased volatility is increasingly difficult for FR providers to predict and manage
- This will negatively impact FR holding prices submitted and participation in the market
- Consequently there will be a negative impact on the System Operator (SO) and end consumers

Proposed Solution

- All FR providers given an option of:
 - Retaining the current REP pricing method
 - Switching to a fixed price, initially suggested at £0/MWh
- A workgroup may consider a different fixed value
- Solution simple and low cost

Justification

- CUSC Objective (b): another tool to manage MIP volatility. Reduced risk reduces risk premiums and increases participation & competition
- CUSC Objective (a): increased competition increases options for the SO ensuring more efficient system operation
- Ultimately provides benefits for the end consumer

CMP237

- CMP237 addresses the disparity between the payments received for FR for non-fuel cost generation
- Although the CMP243 solution is similar to that for CMP237, CMP243 is addressing a different defect
- However, CMP243 would be compatible with the CMP237 defect



Any questions?

CMP243 Progression

- The Panel is asked to agree:
 - Whether CMP243 should be progressed through Self-governance
 - How to progress CMP243
 - Workgroup
 - Code Administrator Consultation

Indicative timetable (Workgroup)

29th May 2015	Proposal tabled at CUSC Panel meeting
5th June 2015	Deadline for comments on Terms of Reference / nominations for Workgroup membership
W/C 15th June 2015	Workgroup meeting 1
W/C 29th June 2015	Workgroup meeting 2
10th July 2015	Workgroup consultation issued for 1 week Workgroup comment
17th July 2015	Deadline for comment
22nd July 2015	Workgroup Consultation published
12th Aug 2015	Deadline for responses
W/C 17th Aug 2015	Workgroup meeting 3
W/C 24th Aug 2015	Workgroup meeting 4
1st Sept 2015	Circulate draft Workgroup Report
8th Sept 2015	Deadline for comment
17th Sept 2015	Submit final Workgroup Report to Panel
25th Sept 2015	Present Workgroup Report at CUSC Modifications Panel

Indicative timetable (CA Consultation onwards)

30th Sept 2015	Code Admin Consultation Issued (15 Working days)
21st October 2015	Deadline for responses
28th October 2015	Draft Final Modification report issued for industry comment (5 working days)
4th November 2015	Deadline for comment
19th November 2015	Submission to CUSC Panel
27th November 2015	CUSC Panel recommendation vote
1st December 2015	Circulate Final Modification to CUSC Panel for comment (5 working days)
8th December 2015	Deadline for responses
10th December 2015	Submission to Authority
20th January 2016	Authority decision due (25 working day KPI)