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CMP 350 – Analysis of demands affected by different levels of CAP July 24, 2020

The following analysis looks at BSUoS price and demand information up to the 14 July 2020, contained in the BSUoS files published on National Grid ESO's website. It assesses which periods would be affected by price caps set at £5/MWh and £15/MWh respectively over two timeframes. The first of these is the period over which the CMP345 price cap is effective (from 25 June to 14 July given the data available). Given the limited timeframe covered by this analysis, we have calculated what the impact of these caps would have been during the months April to September 2019. The reason for this is to understand how much a "normal" non pandemic period would be affected, which would demonstrate the tendency of the mechanism to over-extend into "business as usual" type periods.

Analysis already provided to the workgroup has shown the level of cost which could be deferred under the existing cap and a £5/MWh cap. As the mechanism is meant to address unusually high incidences of high prices caused by low demand, this specific analysis looks at whether demand periods other than low demand periods (below 18GW) are significantly affected. It looks at the demand periods during which the cap is active and plots them in descending order of size to produce a demand duration curve.

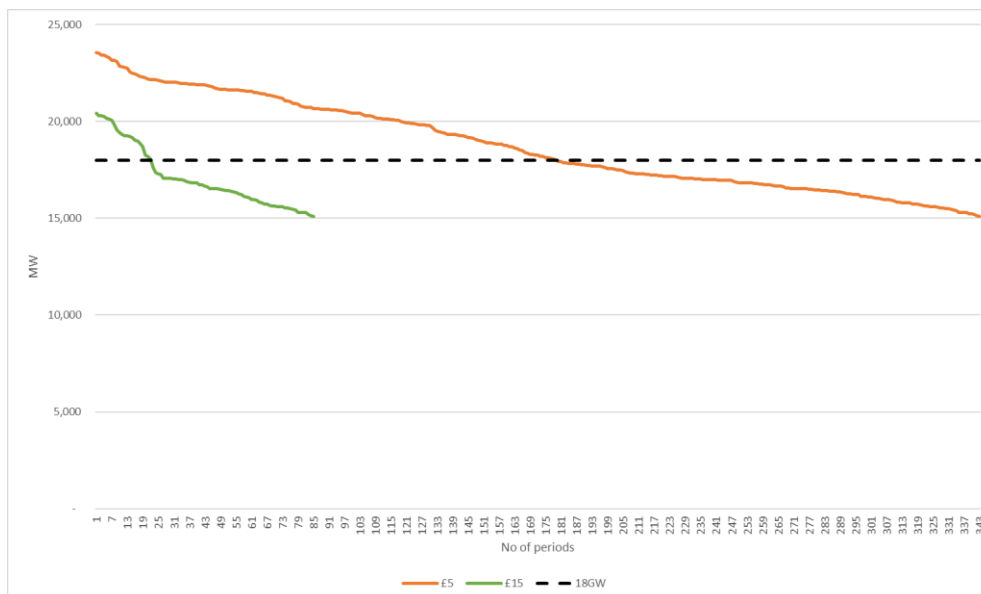


Figure 1: Capped demands at different price cap levels 25 June to 14 Jul 2020

Figure 1 above shows what the effect on the current scheme period would be. It shows that both caps affect demand levels above 18GW to some extent. As you would expect though, the £15/MWh cap has the lower impact in this respect. What is interesting to note is that the effect is not proportionate. The £5/MWh cap is one third the size of £15/MWh, but it affects around four times the number of periods in total. Of this, around eight times the number of periods above 18GW are affected compared with a cap of £15/MWh.

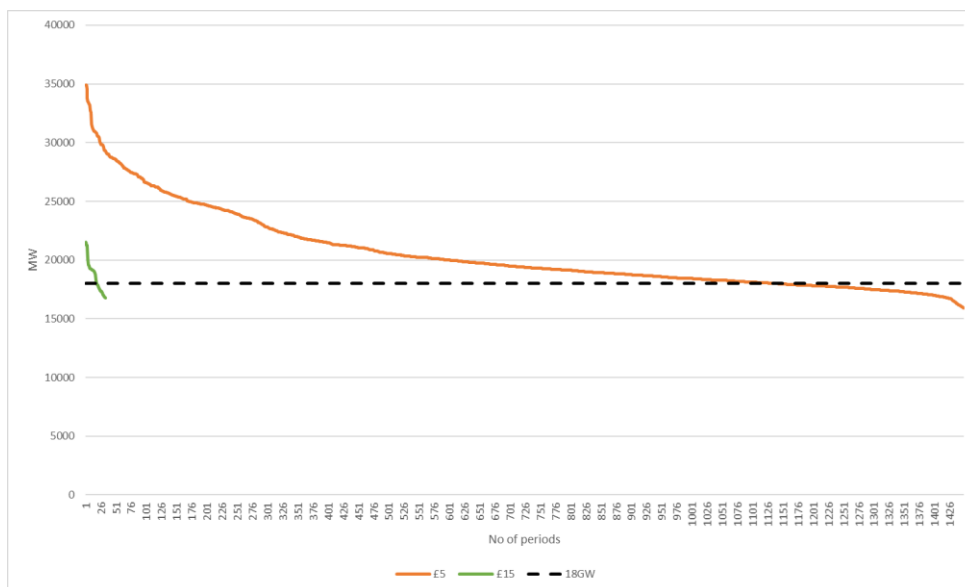


Figure 2: Capped demands at different price cap levels 1 Apr to 30 Sep 2019

Figure 2 illustrates the same analysis for April to September 2019 and shows a similar effect. However, in this instance around forty two times the number of periods would have been affected with a £5/MWh cap compared with £15/MWh. In terms of demands above 18GW, over sixty times the number of these would have been affected by a price of £5/MWh compared with a £15/MWh cap.

Both of these graphs illustrate well the extent to which the lower price cap would extend into periods of normal levels of demand and not just deal with effects which may have been caused by the pandemic.