



# Clean Energy Package and Reserve Services

5 August 2020

- 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

# Presenters

Team member	Team
Steve Dugmore	Market Services Contracts
Ben Smith	Market Services Contracts
Claire Huxley	EU Code change
Charlotte Watts	Ancillary Services Development
Jeremy Rawlings	Structuring & Optimisation
Richard Price	Quantitative Analysis

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

A landscape photograph of rolling hills under a cloudy sky. The foreground is a field of harvested crops, possibly corn, with a path leading towards a large, dark tree on the right. The hills are covered in golden-brown vegetation. The sky is filled with soft, white and grey clouds, with a warm, golden light suggesting a sunset or sunrise. The text 'Survey feedback' is overlaid in white on the left side of the image.

# 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-optimize 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](mailto:commercial.operation@nationalgrideso.com)

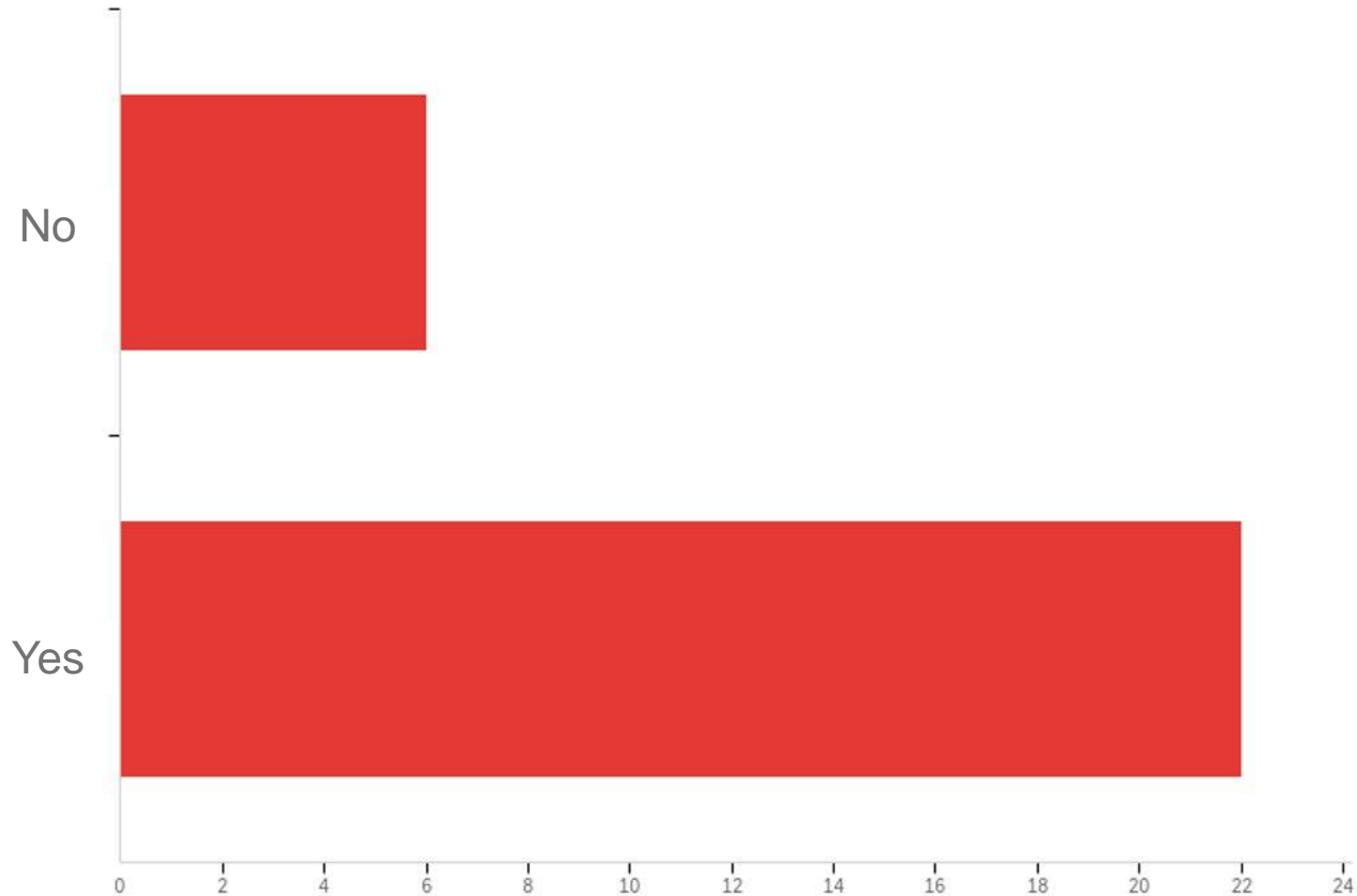
ESO website: [www.nationalgrideso.com](http://www.nationalgrideso.com)

# Appendix

A landscape photograph of rolling hills at sunset. The foreground is a field of harvested crops, possibly corn, with a path leading towards a large, dark tree on the right. The hills are covered in golden-brown crops, and the sky is filled with soft, golden light and scattered clouds. The word "Appendix" is overlaid in white text on the left side of the image.

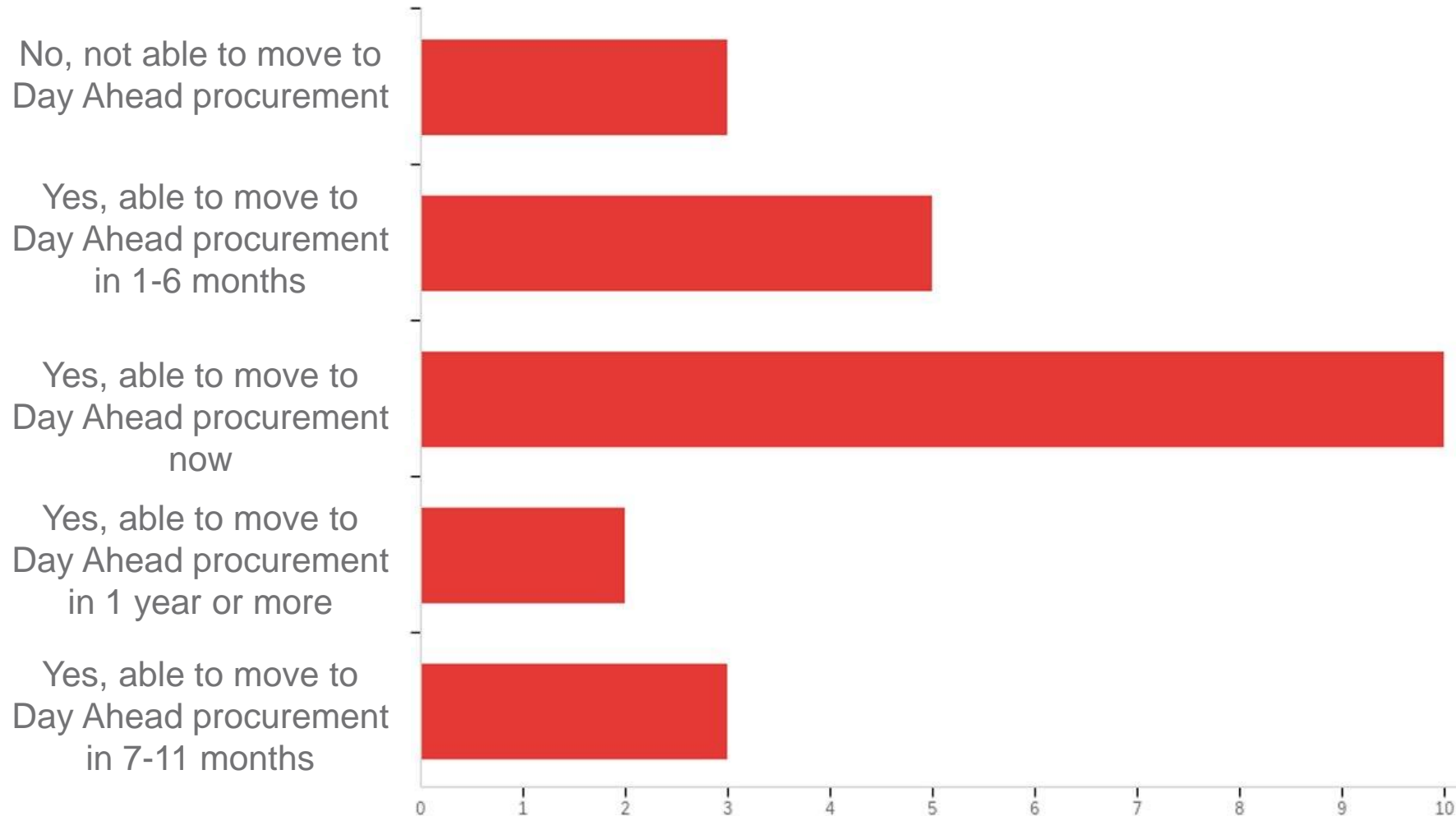
# Survey feedback

Would you be interested in moving to Day Ahead procurement?



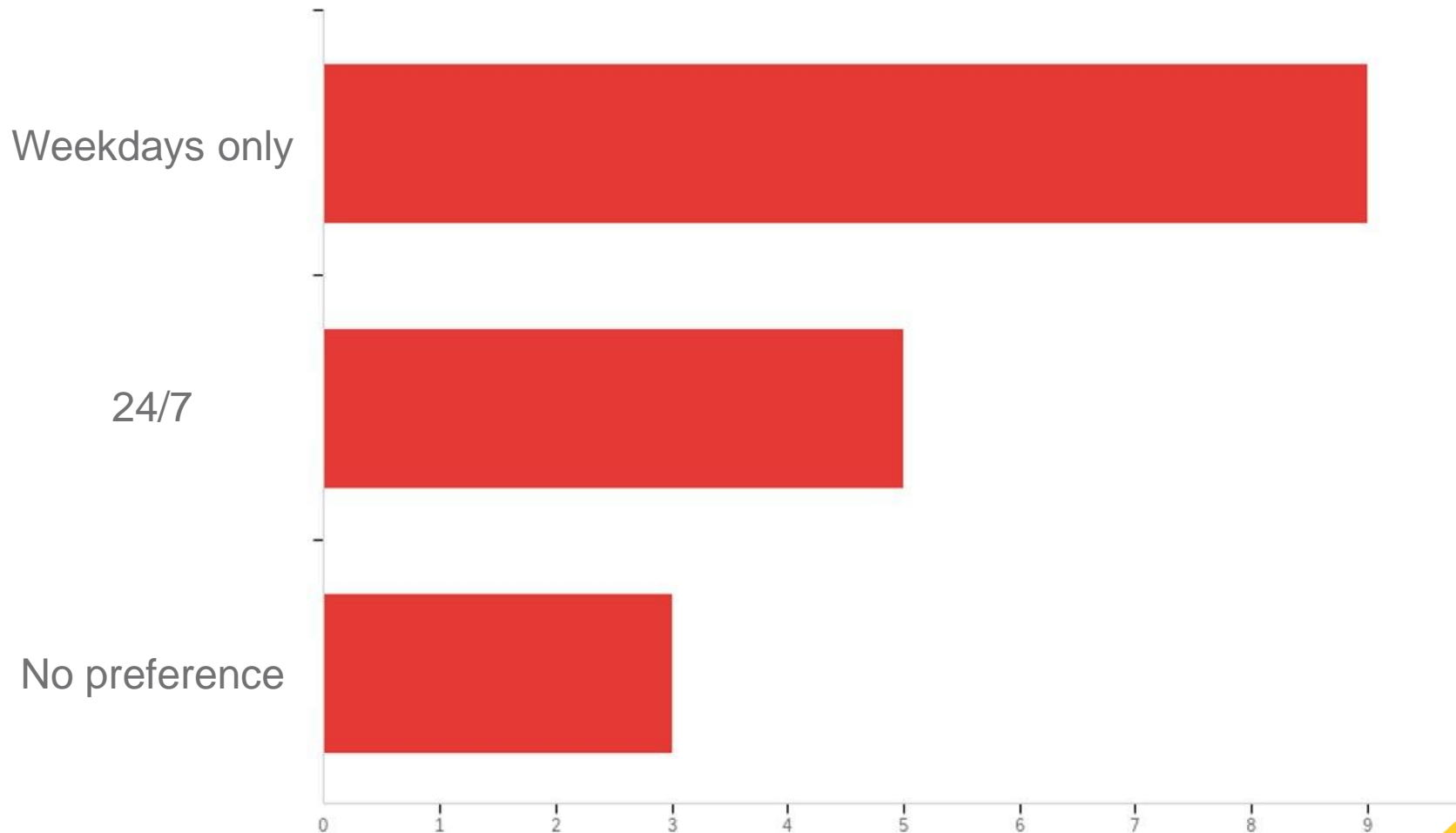
# Survey feedback

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



# Survey feedback

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



# 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-optimize 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