

Public

5th March - LCM Update

Following the successful go-live of the LCM in December-2023 we have continued to improve the product and its value for consumers. We have also been seeking feedback from all our stakeholders to understand how the service is performing in practice and what improvements could be made. As a result of this we have decided to alter our approach to LCM procurement – we expect that this will increase the average accepted price. This will allow us to find an improved balance between locking in potentially cheaper options at a longer lead time, versus waiting until real-time, to minimise cost for the end consumer.

We will closely monitor the cost of MW's dispatched and the performance of accepted bids versus our counterfactual. Prices accepted for the service will depend on day-to-day market conditions.

How we assess LCM prices?

We examine the network configuration and forecasted demand and generation for the next day to determine our flow limits across constraint boundaries and the amount of constraint action necessary to keep flows within limits. This assessment contains some uncertainty due to potential changes on the network before real-time. We then review the current submitted BM prices (which can change until gate closure) to estimate the costs required to resolve constraints in real-time. Subsequently, we evaluate LCM offers against these prices. We must consider that the lead time of LCM requires those actions to outperform the most expensive BM options, less a derating, to be beneficial in comparison to BM prices in real-time, when the best constraint information is available.