

Recommendations from CORWG: Emergency

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Issues considered

Demand Control

- Currently there is no mechanism within the electricity market to price or quantify demand control:
 - Do we need a mechanism to allocate prices and volumes?
 - What options are there to price the demand control volume?
- Affected Party imbalance positions will be lengthened (i.e. Party will appear less short or more long than in the absence of Demand Control)

Transparency

- Are the arrangements in the electricity market clear:
 - Do the licence and codes need more clarity?
 - How is the price determined during an emergency?

Interactions

- How will gas emergencies filter through into the electricity market?

Reference Prices

- Will the cash out prices continue to incentivise gas into the UK during an emergency?

Solutions proposed by CORWG

Demand Control

- Elexon presented a range of options to deal with Demand Control based on P138 and UNC44;
- The group generally agreed that Demand Control volumes should be included in the NIV stack, there was more debate surrounding how to price this volume.

Transparency

- Uncertainty surrounding how electricity cash out prices would be derived during emergencies, the group preferred a market based mechanism.

Interactions

- The group felt decisions would be taken for political reasons rather than economic;
- The group generally felt electricity market participants should be compensated for gas based emergencies.

Reference Price

- The group sought clarification into how the Spanish arrangements would affect European competition;
- The group felt more analysis would be needed.

Emergency: Ofgem's initial views

Demand Control

- Ofgem agrees with the principle of P138 that demand control volumes should be priced within the NIV stack;
- Concerns were with approach. Would need to consider potential alternatives.

Transparency

- Ofgem has been actively working with the industry to improve the transparency in both markets via a number of initiatives and will continue to welcome ways of improving it further.

Interactions

- Ofgem stated in its decision letter on P195 that relief for imbalance exposure is inappropriate.

Reference Price

- Ofgem has written to the European commission regarding competition issues, including the consequences of the cash out arrangements in Spain.

Ofgem's Way Forward

Demand
Control

- Ofgem believe there is evidence of a defect and this issue can be taken forward via a modification proposal.

Transparency

- Ofgem continues to invite views.

Interactions

- Ofgem currently considers that proposals by the market to receive relief from imbalance exposure would undermine incentives in cash-out

Reference Price

- The European Commission has assured Ofgem that it will analyse our concerns about the flow of gas from the continent quickly and will undertake the necessary investigations



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