

Participation in demand side response

Lindsay Gibson

Arla Foods Ltd

Leading the way...

Arla Foods



- **The Arla Foods Group is the second largest Dairy company in Europe.**
- **Arla Foods UK Ltd is the largest Dairy company in the UK.**
- **Processing more than 2 billion Litres of milk per year in the UK alone.**
- **Leading own label supplier to the supermarkets.**
- **Operating out of 9 Dairies & 9 Distribution Centres across the UK.**
- **Spending in excess of £30 Million on Utilities (Gas, Power & Fuels).**

Leading the way...



Leading the way...

The markets went crazy!



- Up to 50% increases in annual fixed contracts YOY.
- High levels of volatility.
- Detachment of forward & prompt markets.
- Crude Oil!
- Will this year be any different?

Leading the way...

How can these cost be mitigated?

- **Moving to more flexible ways of purchasing.**
- **Keeping close to the market**
- **Considering renewables**
- **Energy Management**
- **Investment in more efficient equipment**
- **Demand Management**
- **Demand Side Response**

Overcoming obstacles

- Internal resistance to change.
- Top down buy-in.
- Risk assessment across sites.
- Ensuring fuel supply contracts in place.

Putting the tools in place



- **Supply contracts tailored to incorporate DSR.**
- **Back up tanks on standby.**
- **Lines of communication in place.**
- **Dry run to test readiness.**
- **E-mail alerts of DA closing price.**
- **Cost of replacement fuel.**

Leading the way...

Reaping the benefits

- **Known cap on daily costs.**
- **Levelling out sharp spikes in volatility.**
- **Helping to reduce overall market demand.**
- **Quicker response times if interrupted by Transco.**

Other considerations

- **The environment.**
- **Possible breach of PPC permits.**
- **Cost of replacement fuel.**
- **Possible inefficiencies.**
- **Reduction in demand up to maximum of 70%.**

Conclusions

- Useful tool as part of an energy diverse strategy.
- Short term solution.
- Market stabilising effect.
- Requirement for more I & C consumers to participate.