LCN Fund Full Submission

Supplementary Answer Form

Tick if this answer is Confidential: ☐

Tick if this answer has been provided verbally: ☐

Project code:	NPGT202/1	Question Number	NPG018
Question date	06/09/2012	Answer date	10/09/2012
Submission section question relates to	Section 4		
Topic	Evaluation criteria		
Question	Please explain your process in selecting the participants in Method 2. Please explain how you chose which types (eg supplier, storage, DNO) of participant would be involved and how you decided on how many of each type of participant would be involved in the trial.		
Notes on question			
Answer	**Overview** The Project aimed to get the main purchasers and providers for the type of flexibility with which this market is concerned. Our logic for the trial was then that the learning would be maximised by making sure we had an "average" representative of each type but not unduly complicating the trial by having more than one of each type (for reasons outlined below). The trial design will take into account any known differences between the trial participant and the rest of the group that they represent, by either undertaking simulations or enabling those not directly involved in the trial to input their views into the project. **Selection process** The participant selection process for Method 2 was as follows: • Method 2 is a successor to Method 1, therefore all the participant types in Method 1 will be taken forward to Method 2. The basic rationale of the GBFM is to design processes that enable DSR to be shared across the electricity industry, therefore there would not be any reduction of participants from Method 1 to Method 2, however increasing participants would be valuable. The Method 2 participants		

that purchase DSR and are carried forward from Method 1 include the following:

- DNO represented by Northern Powergrid. The inclusion of another DNO was also considered. The decision was made to restrict the project to Northern Powergrid on the basis that the extra complexity and cost would not deliver significant additional learning. However, we have identified potential benefits from collaborating with UKPN on the Smarter Network Storage project should both bids proceed. These are discussed in Appendix 11 of our full submission.
- TSO represented by National Grid or an alternative TSO participant. National Grid will participate in Method 1 but require the project to further progress before committing to Method 2. The GBFM may proceed without National Grid with the TSO role undertaken by an existing project partner or alternative TSO. This is a feasible approach since the learning generated with National Grid in Method 1 will establish a foundation of understanding to support Method 2.
- The Method 2 participants that purchase DSR and which are new for the Method 2 trials are the supplier / energy trader, represented by Centrica Energy. The inclusion of a supplier / energy trader in Method 2 had a number of advantages, 1) suppliers / energy traders have the potential to significantly increase the size of the market, which could attract more providers of DSR for the benefit of DNOs, the TSO and UK plc 2) the 2020 and 2030 scenarios may require suppliers / energy traders to more actively engage in this market, therefore trialing a DSR market that includes suppliers may provide significant learning for policy makers and 3) the inclusion of a supplier further supports the objective of sharing DSR information across the electricity sector.
- The inclusion of another energy supplier / trader in addition to Centrica Energy to purchase flexibility services was considered by the project. The advantages would be potential increased learning with a wider variety of participants. The disadvantages would be increased project complexity leading to increased risks to deliverability. Based on this, the project concluded that the benefits of the additional learning would be outweighed by the additional complexity and that Centrica Energy would adequately represent the supplier / energy trader purchaser of services category.

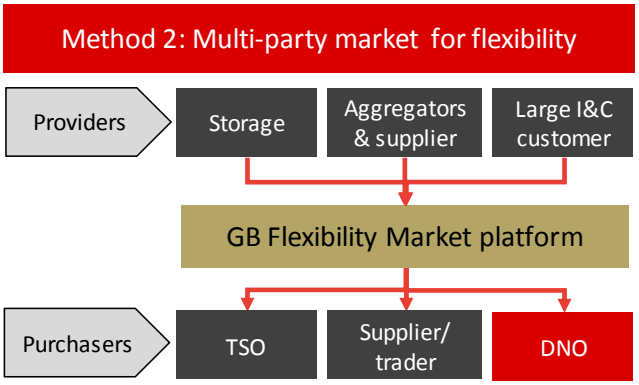
- The providers of DSR carried forward from Method 1 include:
  - The DNO electrical energy storage assets owned by Northern Powergrid;
  - The aggregators providing DSR primarily from large energy users with the capability to flexibly change consumption profiles or have on-site generation (e.g. diesel or CHP); and
  - An independent large energy user represented by Asda.
- The provider of DSR which is new for Method 2 is the domestic and non-domestic (e.g. SME) British Gas customers. British Gas will fulfil an aggregator role and will support domestic and non-domestic customers with engagement, technology installations, trial support and commercial arrangements.
  - The inclusion of domestic and non-domestic (e.g. SME)

customers will significantly increase the supply of DSR providers for the purchasers of DSR, supporting the development of market participants and introducing further competition.

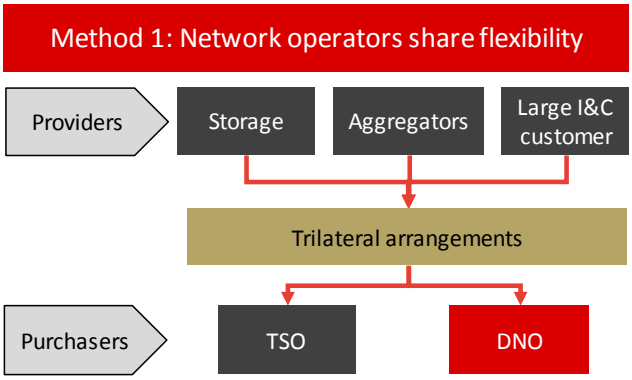
- This participant could provide DSR services to Method 1 i.e. the DNO-TSO trials, however, the longer lead times associated with engagement and set-up precluded participation in the Method 1 trials.
- The inclusion of another supplier in addition to British Gas to provide flexibility services was considered by the project. The advantages would be potential increased learning with a wider variety of participants. The disadvantages would be increased project complexity leading to increased risks to deliverability. Based on this, the project concluded that the benefits of the additional learning would be outweighed by the additional complexity and that British Gas would adequately represent the supplier as a provider of flexibility services category.

The GBFM if rolled out nationally would include the large generators (e.g. Drax). The project excluded this type of participant on the basis of there being no direct benefit to DNO customers from transmission-connected generators. The project believes these generators could be accommodated in a national roll-out plan if applicable.

Method 2 participants



Method 1 participants



Attachments	
Verbal Clarifications (Consultants)	