

21/10/2013

Wholesale Markets
Ofgem
9 Millbank
London
SW1P 3GE

Dear Mr Flamm,

Electricity Balancing Significant Code Review (EBSCR) – Draft Policy Decision and Impact Assessment

UK Power Reserve Ltd (UKPR) is pleased to provide specific views on the EBSCR proposal in conjunction with the wider Electricity Market Reform (EMR) proposals. As an independent developer and operator of flexible power generation, we have a strong interest in the issues raised in this document and understand the importance of the impacts on the UK Energy Industry as a whole. We recognize this SCR proposes to address the lack of incentive around imbalance that is currently prevalent to participant contracted energy positions. Our view is that the current framework is no longer fit for purpose and a ‘do nothing approach’ is no longer an option. We welcome this proposal and view the EBSCR as vitally important in reforming the energy market to better serve the end consumer.

About UK Power Reserve

UK Power Reserve is the leading independent developer and operator of flexible power generation in the UK. Founded by energy experts and investors in 2010, UK Power Reserve combines a specialist team and a portfolio of flexible energy generation assets. From site purchasing to operations and from plant design to grid connections, UK Power reserve brings a unique expertise to the UK energy market.

With its portfolio of flexible power plants, UK Power Reserve maintains security of supply and supports a renewable future as a provider of choice to the UK energy market. The pioneers of developing and acquiring flexible power generation, UK Power Reserve own and operate a rapidly expanding UK portfolio with over 100 megawatts of generation capacity.

UK Power Reserve Response to Questions

Question 1: Do you agree with our proposal to make cash-out prices more marginal?

Yes - the current cash out methodology dampens critical price signals and is no longer fit for purpose given the rapidly changing generation mix – therefore more marginal pricing is an important step required to enable the market to manage imbalance.

Question 2: Do you agree with our rationale for going to PAR1 rather than PAR50? Are you concerned with potential flagging errors, and would you welcome introduction of a process to address them ex-post?

Yes - we agree with PAR1 as the proposed methodology captures the breadth and depth of actions, we would also welcome a process to address any errors ex-post.

Question 3: Do you agree with our proposals for pricing of voltage reduction and disconnections, including the staggered approach?

Yes.

Question 4: Do you agree with our assessment of the interactions with the CM and its impact on setting prices for Demand Control actions?

Yes.

Question 5: Do you agree that payments of £5/hr. of outage for the provision of involuntary DSR services to the SO should be made to non-half-hourly metered (NHH) consumers, and for £10/hr. for NNH business consumers?

We agree that the principle of payments for involuntary DSR services is correct in that it sets a direct financial cost to the SO for exercising this option. It is difficult to agree or disagree with the payment values. However it seems a reasonable baseline from which to reassess in future.

Question 6: Do you agree with the introduction of the Reserve Scarcity Pricing function and its high-level design? Explain your answer.

Yes as this better reflects the costs of actions taken during the relevant periods to correct imbalance and is simple to implement.

Question 7: Do you agree with our rationale for a move to a single price, and in particular that it could make the system more efficient and help reduce balancing costs? Please explain your answer.

A single price should better serve the market as it is simpler and straight forward to assess. This should result in a better understood price signal to incentivise the correct behaviour to reduce imbalance and avoid penal costs during periods where significant cost actions are taken to balance the system.

Question 8: Do you have any other comments on this consultation, including on the considerations where we did not propose any changes?

No comments.

Question related to the accompanying Impact Assessment:

Question 9: Do you have any comments regarding any of the three approaches we have taken to assess the impacts of the cash-out reform packages?

No comments.

Question 10: Do you agree with the analysis of the impacts contained in this IA? Do you agree that the analysis supports our preferred package of cash-out reform? Please explain your answer.

We think the analysis is always going to be highly subjective, however, it does provide information that informs and supports the principles of the EBSCR. We believe that the principles of the EBSCR and the analysis do support the preferred package of cash-out reform.

Question 11: Do you agree with the key risks identified and the analysis of these risks? Are there any further risks not considered which could impact on the achievement of the policy objectives? Please explain your answer.



We agree the key risks have been identified and analysed. We are also mindful that the risks identified differ significantly to different industry participants and many are concerned of unintended consequences if the industry moves away from the 'status quo'. Our view is that despite the difficulty in quantifying the risks the proposal is robust in its objective and simplicity. We also are of the view that maintaining the status quo is not an option given Electricity Market Reform (EMR) objectives and these proposals as part of the EBSCR are a fundamental step in the right direction.

Question 12: What if any further analysis should we have undertaken or presented in this document? Do you have any additional analysis or evidence you would like to contribute to support the development of the EBSCR towards its Final Policy Decision?

We feel the analysis presented is sufficient to demonstrate the principles in question and the proposed solutions.

Summary of UK Power Reserve View to Proposals

UKPR encourage and welcome support for creating reflective price signals that incentivise security of supply. This means creating the right commercial incentive for flexible generation capacity to be developed and operated to balance the UK energy mix. UKPR feel that the EBSCR is a significant step in the right direction and is fit for purpose - as it accurately reflects imbalance costs within Cash Out.

Yours sincerely,

Sam Wither
Commercial Director
UK Power Reserve Ltd
0121 7121975
sam.wither@ukpowerreserve.com