ukpowerreserve
SUPPORTING A RENEWABLE FUTURE

23/07/2014

Wholesale Markets
Ofgem
9 Millbank
London
SW1P 3GE

Dear Mr Heather,

Electricity System Operator Incentives: Incentives from 2015

UK Power Reserve Ltd (UKPR) is pleased to provide specific views on the Electricity System Operator Incentives consultation. As an independent developer and operator of flexible power generation and demand side response, we have a strong interest in the incentive mechanism of procurement relating to balancing actions/services. We recognize the importance of having an incentive mechanism that creates a balanced incentive to align National Grid's balancing decisions to the interests of the end consumer whilst maintaining security of supply. We believe the current framework would benefit from more focus and improvements on transparency with new innovative methods of publishing balancing actions/cost information that would provide mutual benefit to National Grid, generators, suppliers, regulators, market analysts and ultimately 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 pioneer of developing and acquiring flexible power generation, UK Power Reserve owns and operates a rapidly expanding UK portfolio with over 100 megawatts of generation capacity.

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UK Power Reserve Response to Questions

5. Is there sufficient transparency of the SO's actions? If not, where are improvements needed?

We believe the energy industry as a whole would benefit from more targeted information relating to the cost performance of National Grid's balancing actions.

The current incentive framework provides a high level framework within which National Grid operates and provides a mechanism that proves effect at the macro level but does not provide a robust level of transparency that within day balancing actions are verified as the most economic or efficient decisions taken. National Grid operates 24/7/365 using several control room shift teams to operate the system. These shift teams include a balancing team who take decisions on real time basis relating to the costs and volumes of capacity despatched through the Balancing Mechanism or via Balancing Service Agreements such as Short Term Operating Reserve (STOR) or Fast Reserve (FR)..

The balancing cost & volume decisions taken by the control shifts can vary significantly depending upon the system issues at any given time. National Grid has a number of systems and tools within the control room to help shift teams make informed decisions on the actions they take in real time to ensure system security. However, the despatch systems and tools used to inform economic despatch decisions do not always measure the complete range of balancing options available to the control room at any given point in time. This means that there is always a 'human element' to the decisions taken by each control room shift team in the types of plant despatched and the associated costs & volumes which may not always lead to the most efficient despatch decisions minute to minute, day to day.

Whilst the primary objective of the National Grid is to ensure security of supply we believe further information relating to control room shift team financial performance (as presented in figure 1 & table 1) should be made available to provide a better insight and understanding on the human element of SO actions. This would lead to improved transparency and provide some simple Key Performance Indicators (KPIs) that would provide industry participants as well as the end consumer with a better measure on the long run average cost performance of each shift team. We would also request that the SO shift patterns also be published in parallel with this information to allow the industry to further analyse SO shift actions and costs across peak/off-peak periods within day.

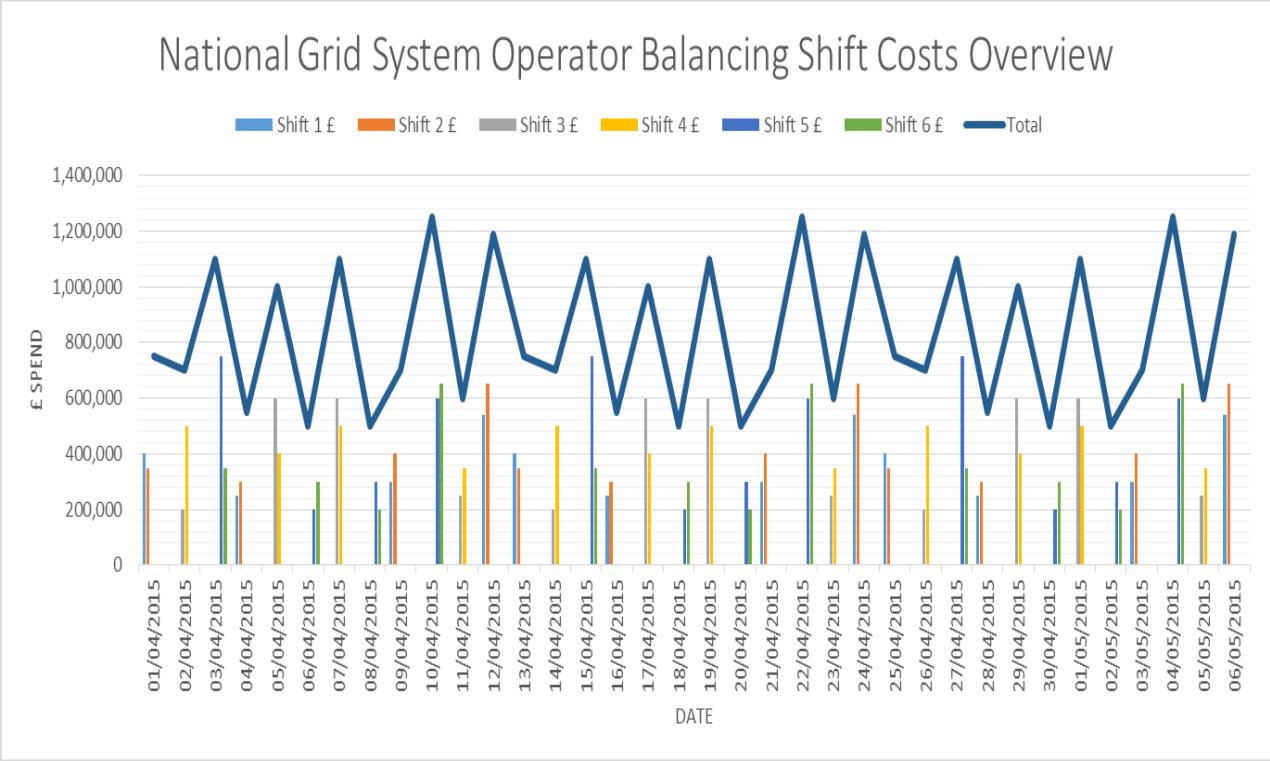

Figure 1; Example of information to improve SO transparency

Key Performance Indicators (KPI's)	Shift 1	Shift 2	Shift 3	Shift 4	Shift 5	Shift 6	
Annual cumulative average shift spend	£372,500	£425,000	£412,500	£437,500	£462,500	£375,000	£414,167
April Average Shift Spend	£358,889	£411,111	£410,000	£440,000	£465,000	£365,000	£408,333
April Total Shift Spend	£3,630,000	£4,050,000	£4,100,000	£4,400,000	£4,650,000	£3,650,000	£24,480,000
Deviation from Central Average %	-12.1%	0.7%	0.4%	7.8%	13.9%	-10.6%	

Table 1: Example of information to improve SO transparency

This information could form part of the Monthly Balancing Services Summary (MBSS) National Grid produce and publish on their website post monthly by the 18th working day. This would result in more

timely information being provided to the market whilst not being an onerous requirement upon National Grid.

Summary of UK Power Reserve View to Proposals

We encourage and welcome further transparency in the way National Grid incurs costs on behalf of the end consumer. We believe any requests for more information should be based on improving the status quo in that they should meet the following objectives:

- Measured/targeted through simple KPIs
- User friendly
- Timely
- Add value to the industry/market

We believe our comments/requests on this specific level of information provision would better serve the interests of the industry as a whole and should be something Ofgem and National Grid consider introducing from 2015.

Yours sincerely,

Sam Wither

Commercial Director
UK Power Reserve Ltd

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