

Proposal for a Capacity Market Rules Change



Making a positive difference
for energy consumers

Reference number (to be completed by
Ofgem):

Name of Organisation(s) / individual(s):
Open Energi

Date Submitted:
11/11/2016

Type of Change:

- Amendment
- Addition
- Revoke
- Substitution

If applicable, whether you are aware of an alternative proposal already submitted which this proposal relates to:

CP 98 and CP 148- ADE and Open Energi

Proposal summary (short summary, suitable for published description on our website)

- The proposal suggests a change to the baseline methodology to facilitate the entry of FFR (Schedule 2).

What the proposal relates to and if applicable, what current provision of Rules the proposal relates to (please state provision number):

- Open Energi is a UK company providing dynamic Firm Frequency Response (FFR), a demand response service classified as a relevant balancing service eligible to participate in the Capacity Market
- Dynamic FFR is deemed eligible under Schedule 4: Relevant Balancing Services and is accounted for in Chapter 8: Obligations of Capacity Providers and System Stress Events.
- Ofgem, National Grid and BEIS support in-principle the inclusion of FFR in the CM. The reasons for including CM are summarised by National Grid in their response to Ofgem's previous consultation for Capacity Market Rules Change;
 - "We believe a way needs to be found in order to fully allow the participation of FFR. We can also understand the need for FFR capacity to include both high and low frequency response. Under Schedule 4: Relevant Balancing Services providers declared availability is the sum of Max (Primary Response, Secondary Response) Low Frequency Response and High Frequency Response. The current methodology for DSR testing results in either Low Frequency Response or High Frequency Response being 'counted'. DSR Dynamic Frequency response providers provide a service that would otherwise be provided by more conventional type's generation. When providing this service there would effectively be unavailable capacity. Hence, using Dynamic FFR from DSR would in effect create a larger amount of capacity when providing High and Low Frequency Response and the tests of capacity should be reflective of this."
- Open Energi and ADE have previously raised proposal CP 148 and CP 98 to alter the testing regime for demand-side FFR.
- This proposal was rejected on the grounds that DSR refers to output below a baseline. Here we offer an alternative.

Description of the issue that the change proposal seeks to address:

- The rules currently do not accurately work to identify the capacity that could be delivered by an FFR provider during a stress event. This is what the current baselining and testing regime is meant to accomplish for DSR CMU's. The gap is particular to DSR FFR providers.
- Current CM baseline
 - Take a relevant half hour period in the same day of the week for each of the last 6 weeks
 - Average the demand for these periods
 - Demonstrate deviation from this baseline as DSR volume

If applicable, please state the proposed revised drafting (please highlight the change):

- The proposal suggests a change to the baseline methodology to facilitate the entry of FFR (Schedule 2).
- Open Energi proposes that the baseline methodology is **only** changed for FFR products
- We have been working with National Grid on the definition of this baseline however we have not reached a definitive conclusion.
- We would also like to work with Ofgem and the ADE to shape an appropriate baseline for this product.
- We welcome any other suggestions from the market.
- Note; existing FFR baseline (drawn from current methodology applied by National Grid to FFR)
 - Take demand at this instant (a live, rolling baseline)
 - Alter demand within 10 second in response to a signal
- The existing FFR baseline should inform a FFR baseline for the CM, but we do not propose using this exact wording

Analysis and evidence on the impact on industry and/or consumers including any risks to note when making the revision – including, any potential implications for industry codes:

- The proposal aligns with the aims of the CM to promote investment in capacity to ensure security of supply.
- The proposal aligns with Government policy on flexibility
 - *“A smart energy system is one which uses information technology to intelligently integrate the actions of users connected to it, in order to efficiently deliver secure, sustainable and economic electricity supplies.”* - BEIS/Ofgem joint Call for Evidence, November 10 2016
- Balancing services are a vital complement to electricity generation in the case of a system stress event.
- The proposal is aligned with the usual behaviour of an FFR provider over a settlement period.
- The proposal does not conflict with the definition of DSR in the Energy Act because this proposal considers the total response that the FFR service can provide. This is analogous to the treatment of generators turning up generation, currently rewarded within the CM.
- The proposal suggests a change to the baseline methodology to facilitate the entry of FFR (Schedule 2). This would be a new type of baseline specifically for FFR products, so as not to affect any other DSR.
- A robust methodology (as is already present in the FFR market) would ensure that only a genuine response is measured

Details of Proposer (please include name, telephone number, email and organisation):

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