

CMP237 'Response Energy Payment for Low Fuel Cost Generation'



CUSC Panel – 31st July 2015
Jade Clarke, Code Administrator

Background

- CMP237 was raised by National Grid in September 2014
- All licensed generators are obliged under the Grid Code to provide the Mandatory Frequency Response service
- When providing Frequency Response, a generator either (i) pays or (ii) is paid a Response Energy Payment (REP).
- The REP has been designed to reflect the cost of providing energy.
- Methodology was agreed when majority of generators providing frequency response had fuel costs that made up a reasonable proportion of the cost of providing frequency response.

Proposed CUSC Modification

- CMP237 proposes that the REP calculation be retained for conventional generators or generators that have a fuel cost
- For all other generators, it is proposed that the REP would be set at £0/MWh

Workgroup Consultation

- 2 Workgroup Consultations
- 5 Responses and an alternative request in response to first consultation.
- Workgroup chose to develop alternative request and consulted again
- 5 responses and a further alternative request in response to second consultation
- Following guidance from the Panel, Proposer reverted back to original proposal
- Issues raised by first alternative request are being progressed separately, due to additional defect identified. Subsequently CMP243 was proposed.

Workgroup Vote

- Original and 1 WACM agreed:
 - Original provides a classification of generators into two categories outlined within the report. Those with no fuel cost have their REP set to £0/MWh.
 - WACM1 uses same classification of generators as the Original Proposal, however allows all those with no fuel cost to choose whether their REP will be set to £0/MWH or will be based on the Market Index Price.
- Workgroup voted unanimously that original better than baseline and by majority that WACM better than baseline
- Equal split between Original and WACM as best option

Code Administrator Consultation

- Closed on 24th June 2015
- 5 responses
- Mixed view, however majority supportive of at least one of the options.

National Grids view

- National Grid believes that the Original Proposal is the best option as it will ensure that the REP better reflects the cost of changing a generator's energy output in providing frequency response.

Questions before Panel Vote?



Panel Recommendation Vote

- a) The efficient discharge by the Company of the obligations imposed upon it by the Act and the Transmission Licence.
- b) Facilitating effective competition in the generation and supply of electricity, and (so far as consistent therewith) facilitating such competition in the sale, distribution and purchase of electricity).
- c) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency.

Proposed Timetable

31 July 2015	Panel vote
3rd August 2015	Issue FMR for final comment
10th August 2015	Deadline for comments
12th August 2015	Final Report sent to Authority for decision
16th September 2015	Indicative 25 day KPI for decision
23rd September 2015	CMP237 Implemented (if approved)