

# CMP237 Response Energy Payment for Low Fuel Cost Generation



CUSC Panel 26 Sep 2014

Adam Sims

# Mandatory Frequency Response

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- All large generators are required to be able to provide frequency response
  - Primary, Secondary and High
- Generators submit monthly Holding Prices to cover their costs in providing response
  - The SO assesses which generators to instruct to provide response based on these prices
- Instructed generators then receive/pay for any fuel used/saved in changing their energy output through the Response Energy Payment (REP)

## Response Energy Payment

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- The REP is set out in CUSC 4 based on the Market Index Price (MIP):
  - For an increase in output, generator receives  $MIP * 1.25$
  - For a decrease in output, generator pays  $MIP * 0.75$
- These values were identified from historical analysis undertaken as part of CAP107
  - Identified as the average spread between the SBP and SSP, adjusted to achieve the smallest net monthly REP position

## What is the Issue?

- For plant that does not pay to generate, e.g. wind, solar, tidal, changes in output do not result in changes in fuel costs

Plant Type	Response Type	Cost	Benefit
Conventional	High Frequency	MIP*-0.75	Avoided fuel
	Low Frequency	Used fuel [Reduced output]	MIP*1.25 [BOA payment]
Low Carbon	High Frequency	MIP*-0.75	<b>x</b>
	Low Frequency	Reduced output <b>x</b>	BOA payment MIP*1.25

## Why is this a Problem?

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- The REP does not reflect the costs experienced by these generators in providing frequency response
- This is deterring participation in the response market by members of a growing market segment
- Lack of liquidity in the market will result in increased balancing costs

## Proposed Change

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- Existing methodology is retained for plant with a fuel cost for generating
- For plant with no fuel cost, the REP is settled at £0/MWh
- Ensures that the cost of changing energy output by providing frequency response is appropriately remunerated
- Minimal impact on existing conventional generators

# Progression of CMP237

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- The Panel is asked to agree:
  - whether CMP237 should be progressed through Self-governance
  - how to progress CMP237
    - Workgroup
    - Code Administrator Consultation
  - whether CMP237 is exempt from any ongoing SCR

# CMP237 Workgroup Timetable

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<b>26<sup>th</sup> September 2014</b>	<b>Proposal presented to CUSC Panel</b>
<b>W/C 29<sup>th</sup> September 2014</b>	<b>Send out draft TOR and WG nominations for 1 week</b>
<b>W/C 6<sup>th</sup> October 2014</b>	<b>Deadline for comments/nominations</b>
<b>W/C 20<sup>th</sup> October 2014</b>	<b>Workgroup meeting 1</b>
<b>W/C 3<sup>rd</sup> November 2014</b>	<b>Workgroup meeting 2</b>
<b>12<sup>th</sup> November 2014</b>	<b>Workgroup Consultation issued for 1 week Workgroup comment</b>
<b>19<sup>th</sup> November 2014</b>	<b>Deadline for comments</b>
<b>24<sup>th</sup> November 2014</b>	<b>Workgroup Consultation published</b>
<b>15<sup>th</sup> December 2014</b>	<b>Deadline for responses</b>
<b>W/C 5<sup>th</sup> January 2014</b>	<b>Workgroup meeting 3</b>
<b>9<sup>th</sup> January 2014</b>	<b>Circulate draft Workgroup Report</b>
<b>16<sup>th</sup> January 2014</b>	<b>Deadline for comment</b>
<b>22<sup>nd</sup> January 2014</b>	<b>Submit final Workgroup Report to Panel</b>
<b>30<sup>th</sup> January 2014</b>	<b>Present Workgroup report at CUSC Modifications Panel</b>