

Potential New Balancing Services

An Introduction
July 2013

ofgem



Ofgem 2013 Capacity Assessment

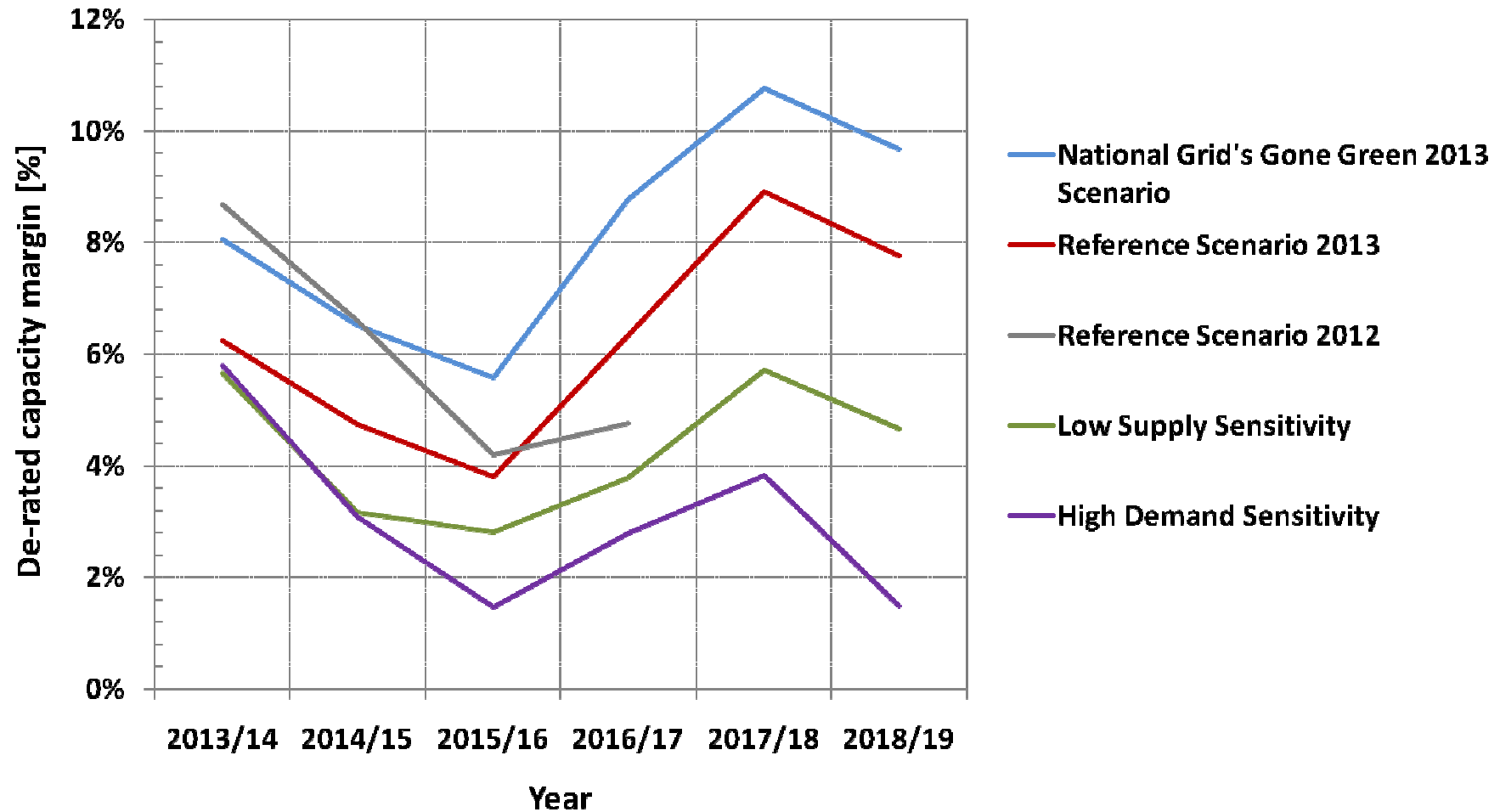
What

- Risks to security of supply increasing faster than expected in our 2012 report
- But still peaking in 2015/16 at around the same level with 2012 report
- Risks potentially decreasing in the second half of the decade

Why

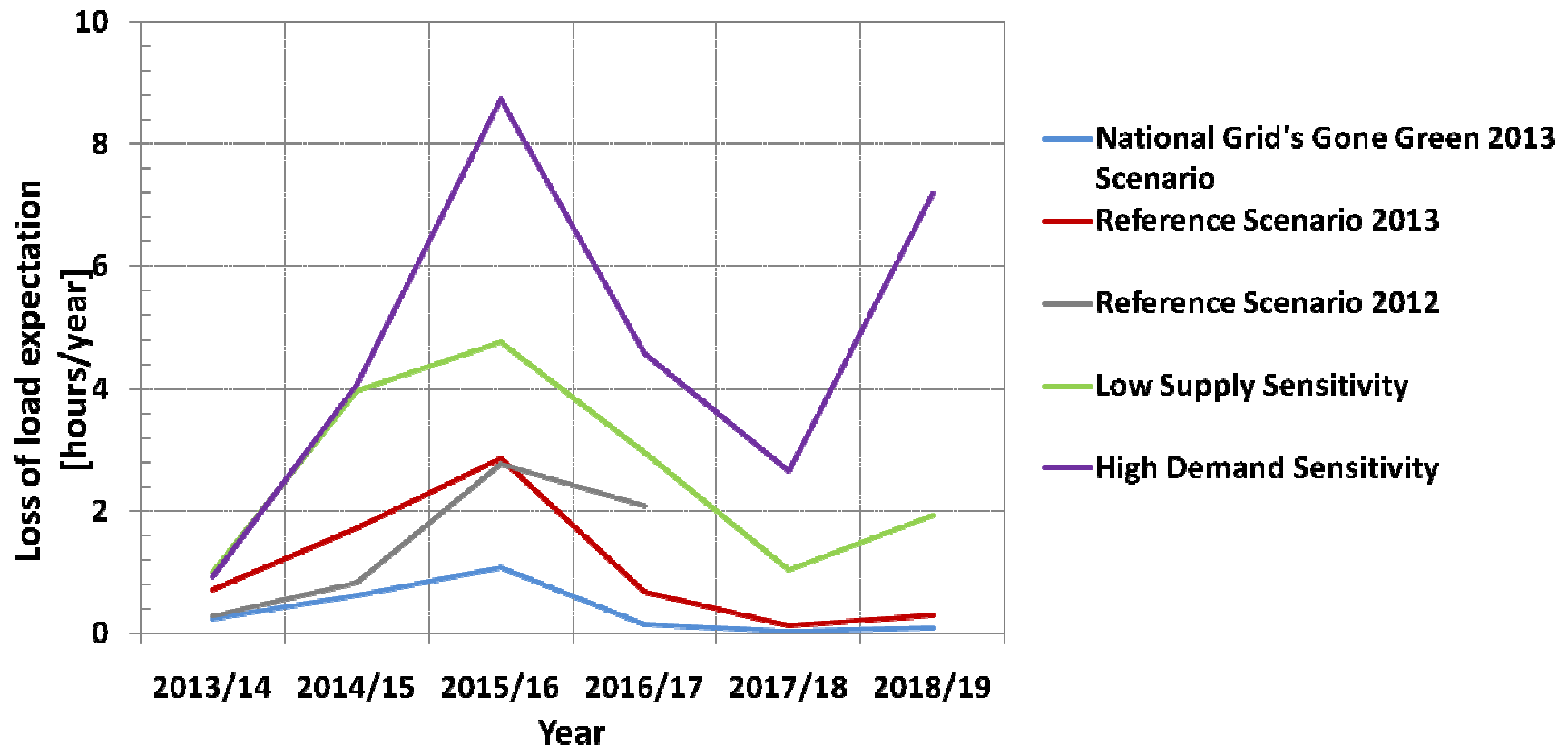
- Deterioration of supply: closures, mothballing and limited investment
- High uncertainty over reductions in demand – we present several scenarios
- The risks are asymmetric – a small drop in margins has a large impact on risks

Risks to security of supply



Why

Increased uncertainty – especially in 2014/15 and 2015/16



Loss of Load Expectation (LOLE): the mean number of hours per year where supply does not meet demand without intervention from the System Operator 4

Possible new balancing services

What

- Consultation on the case for extending NGET's balancing tools
- New tools to deal with consequent impact on balancing the system
- Focus not on new capacity or increasing margins
- Not a substitute for Capacity Market, Electricity Balancing SCR or improvements to interconnector efficiency

How

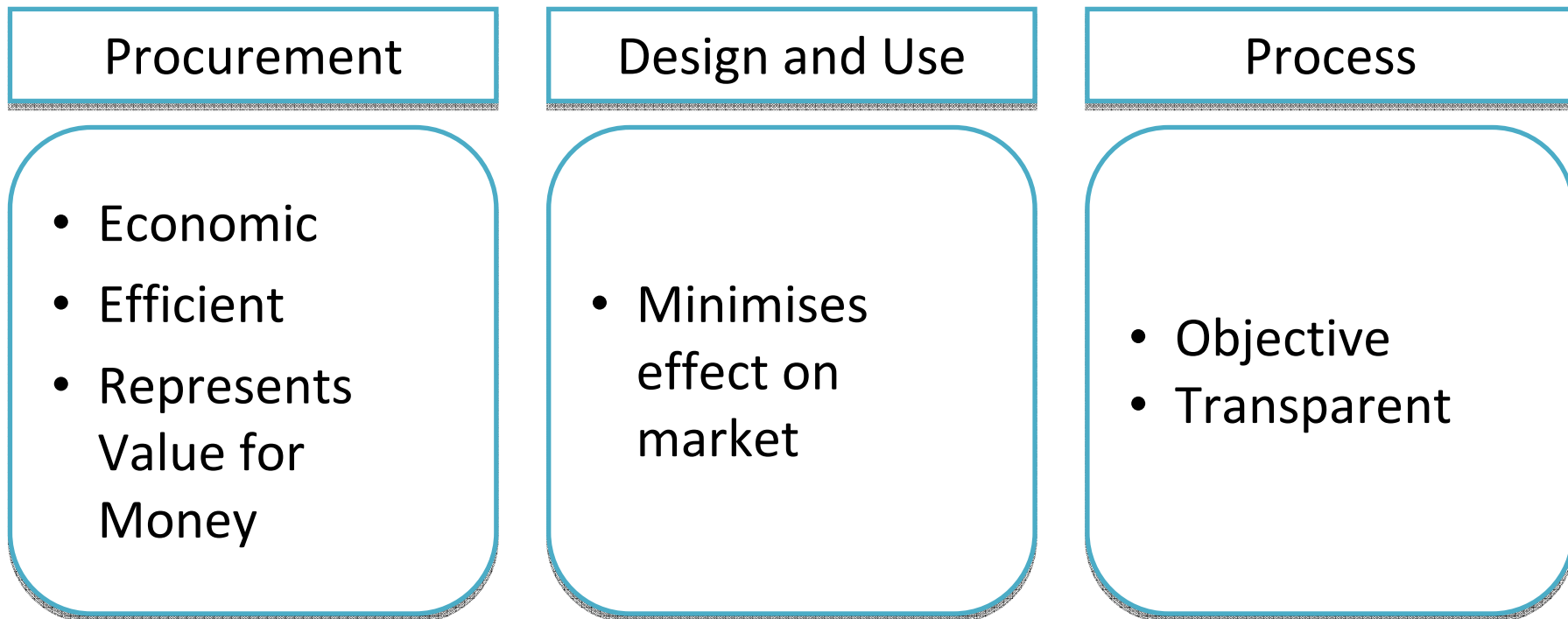
- NGET would propose amendments to its Balancing Services Procurement Guidelines
- Ofgem would then decide whether to approve or reject
- NGET consulting informally on product design and procurement

- 1. Do you agree with our assessment of security of supply risk**
- 2. Do you agree it is prudent to consider new balancing services for NGET?**

- Approve or reject any changes NGET proposes to its Balancing Services Procurement Guidelines which would enable them to contract for new balancing products
- Ofgem would not design the products or their procurement methodology
- ...but in approving or rejecting, need to satisfy ourselves that the products and procurement methodology met our key assessment criteria
- Ofgem would have to consider the appropriate funding method for NGET for its role any new balancing services

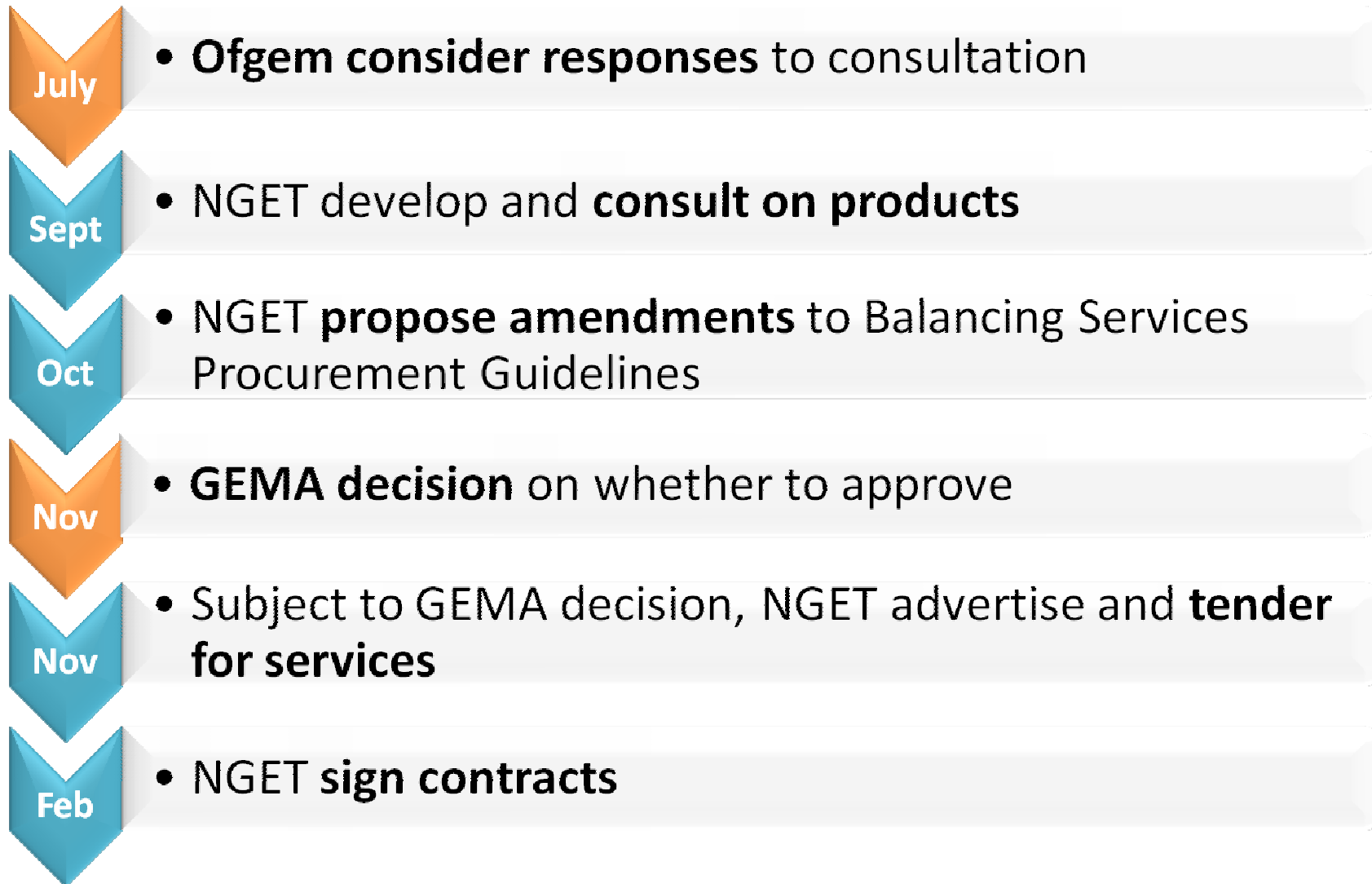
Our proposed assessment criteria

In line with our duties and NGET's licence obligations we are considering:



We are currently consulting on these criteria

Possible Next Steps



- Closes 26th July
- Questions or responses: wholesale.markets@ofgem.gov.uk
- Ofgem are happy to engage further with industry on these issues

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