Pricing Strategy

SP ENERGY NETWORKS

To meet network needs, potential solutions will be assessed to identify the most suitable, least cost option. Where Flexibility Services are deemed an appropriate solution, the value of such services will depend on the cost of the alternative solution and is not driven by the capacity required or hours of network risk.

Once the value is known the following will be used to calculate the ceiling price that can be paid for Flexibility Services:

- Product (as this will drive the charging structure)
- Service window
- Estimated Utilisation events and duration
- Capacity required

1. Tendering Pricing

The Flexibility Services market is still developing, therefore It is our intention to provide, where possible, pricing signals for the individual locations we tender for. These will be based on the cost of the alternative solution and will likely differ for each location. For LV locations we will aim to provide a single pricing signal.

During a tender round, potential Providers will be asked to submit bids for Arming, Availability and Utilisation as applicable.

2. Charging Structure

This will depend on the Product procured and will include a combination of the following:

- **Utilisation Fee:** Paid when services are dispatched.
- **Arming / Availability Fee:** Paid when services need to be available within a defined window.

Product	Type	Utilisation Fee (£/MWh)	Arming Fee (£/MW/Hr)	Availability Fee (£/MW/Hr)
Sustain	Scheduled	**Yes**	No	No
Secure (Scheduled/Dispatched)	Pre-Fault	**Yes**	**Yes**	No
Dynamic	Post-Fault	**Yes**	No	**Yes**
Restore	Post-Fault	**Yes**	No	No

In addition, we have tendered for Reactive Power Services. Fees paid for these services are aligned with the active power services and paid as per the type of service required e.g. pre-fault or post-fault and are paid on a £/MVARh basis.

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3. Application

The fees applied by the different Products are as follows:

Product	Type
(a) Sustain	The dispatch schedule is agreed with the Provider well in advance of the services being required. Therefore, this service does not need to be made available within a service window and await a dispatch instruction. The Utilisation Fee is paid for the entire scheduled dispatch delivered.
(b) Secure	For both the scheduled and dispatched services, this product will attract an: (1) Arming Fee – this fee is paid for the window confirmed in advance as being the time services are likely to be required; and (2) Utilisation Fee – this fee will be paid for the service scheduled ahead of time or dispatched in real-time following an instruction. It is anticipated that the Arming fee and Utilisation fee are of similar value as the duration of the service window will be close to the utilisation requirement.
(c) Dynamic	This post fault service attracts both an Availability Fee and a Utilisation Fee: (1) Availability Fee – this is paid for the availability declarations accepted a week ahead. (2) Utilisation Fee – this is paid for the duration of a Utilisation event following the issue of a dispatch instruction. The Availability Fee will be low as the time of a fault is unknown therefore the service window needs to cover all risk hours. The Dynamic Utilisation Fee is likely to be higher than that paid for Sustain and Secure due to the likelihood of dispatch being low and subject to a fault occurring on the network during the contracted service window.
(d) Restore	Only a Utilisation Fee is paid for contracted Restore services. The likelihood of dispatch is low and is dependent on the network experiencing, or being at risk of, a loss of supply during the contracted service window. No Availability Fee is paid and therefore the Utilisation Fee is expected to be a premium rate.

Fee Adjustments

Fees are paid depending on the contracted service delivered and all dispatch events will be validated using metering data. Should services not be provided, in part or in full, an adjustment may apply. The terms for such adjustment will be included in the Flexibility Services Agreement

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