

Flexible Power 2019 Cycle 1 Procurement of Demand Response Services - Results

May 2019



Background

Western Power Distribution (WPD) recognises that within its distribution area many electricity consumers have the potential to decrease import by shifting demand away from peak periods or the ability increase export by switching their consumption to on-site generation. Where WPD has a known constraint on its network, it wishes to enter into contract with these consumers which will allow WPD to utilise this demand and generation flexibility in return for a payment. This type of arrangement is widely referred to as demand response. Constraints on WPDs network are confined to specific geographical locations, WPD defines these locations as Constraint Management Zones (CMZs). WPD has been seeking to procure demand response services within CMZs it has identified and published on its Flexible Power website, www.flexiblepower.co.uk.

Procurement Cycle 1

WPD's 2019 Procurement Cycle 1 demand response requirements were across 12 CMZs, totalling 93.5MW. Requirements were published on 4th February and the tender window was open from 19th March until 24th April.

This was WPDs third procurement exercise following the initial launch of Flexibility procurement in 2016. Building on learning from previous engagements 2019 saw us implement new procurement & pricing methods which are described in the following sections.

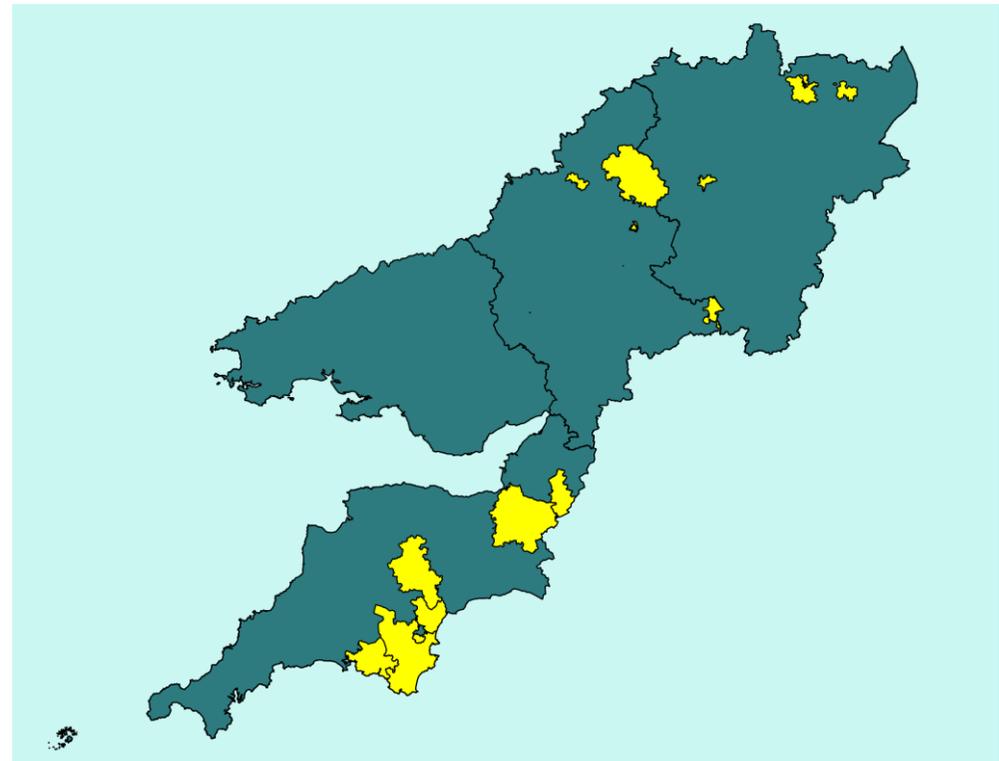


Image 1: Locations of the 12 CMZs identified in WPDs distribution area.

Procurement

In 2019 WPD announced its decision to procure all flexibility through formal tender. To facilitate this WPD implemented a Dynamic Purchasing System (DPS) for its demand response requirements. The DPS holds records of all potential flexibility providers that would like the opportunity to respond to a current or future flexibility tender. DPS registration is enduring; therefore WPD will provide DPS registration to any party without restriction.

In order to join the DPS, interested parties are required to first register their interest via WPD's 2019 [Periodic Indicative Notice \(PIN\)](#). All parties who respond to the PIN throughout 2019 and complete a Pre-Qualification Questionnaire (PQQ) are added to the DPS. The PQQ does not assess technical or commercial ability to provide services; requiring only the contact details of the potential provider and, if available, high-level information about their potential assets.

Parties registered onto the DPS will go on to receive a formal Invitation to Tender (ITT) to all of WPD's 2019 Demand Response requirements. DPS registrants have the choice to respond to each ITT should they consider they have potential assets within the locational boundary of any Constraint Management Zone (CMZ) open for tender at that time.

Pricing

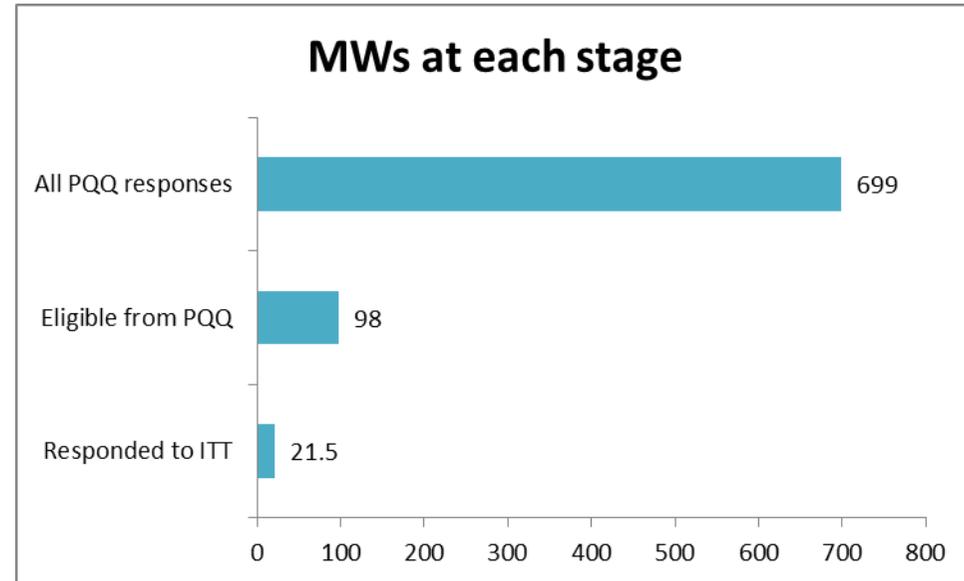
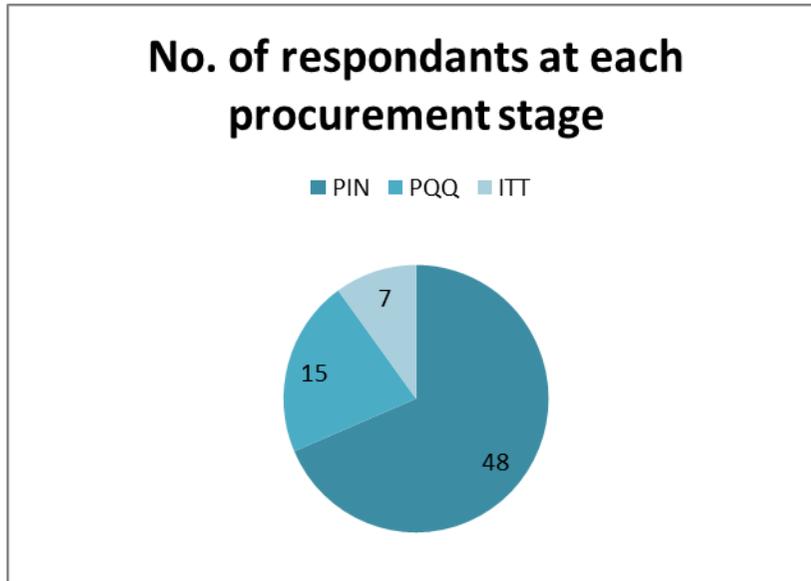
WPD has previously calculated a fixed price for flexibility within our CMZs based on cost efficiency set at around £300/MWh for the contract. From 2019 onwards, WPD has implemented a phased [pricing strategy](#), which will seek market led pricing where feasible;

- Where the procurement process finds there is not a sufficient amount of flexibility to provide a competitive market, then we will continue to use a fixed price in that zone.
- Where there is sufficient competition, the procurement process will derive a clearing price for the zone to be used in the contract.
- This will be based on the highest price submitted by the group of lowest priced participants that can meet the full amount of system needs, including redundancy.

Within the tender, WPD asked all bidders to acknowledge their understanding of the 2019 pricing strategy and provide a market price offer, which may be higher or lower than WPD's fixed prices, should the CMZ go to [clearing](#).

Results

Following completion of the tender, WPD awarded 7 contracts totalling 21.5MW.



- 48 registrations via PIN.
- 15 PQQ responses which informed of assets totalling 699MW.
- 98MW of assets informed at PQQ were sited within cycle 1 CMZs.
- 7 ITT responses which included 12 bids totalling 21.5MW, covering 7 CMZs.
- 22% conversion from PQQ to ITT stage, mainly due to many sites not yet built/energised and therefore not able to provide a service currently.
- Zero non-compliant bids at ITT.
- All bidders except one provided a market price offer.
- Contracts awarded to all ITT respondents on a fixed price basis, 7 in total.

CMZ Name	Service Requirement	Peak MW Required	Number of bids received	MW Total of bids received	Unfulfilled MW	Fixed pricing or clearing	Re-open procurement
Plymouth/South Hams – Subzones 1&2	Dynamic - Summer	35.8	2	2.2	33.8	Fixed	2019 Cycle 2
Woodall Spa	Secure - Winter	0.5	1	0.1	0.5	Fixed	2019 Cycle 2
Lincoln - North Hykeham	Dynamic - Winter	3.7	1	0.3	3.4	Fixed	2019 Cycle 2
Lincoln - Beavor Street	Dynamic - Winter	2.6	0	0.0	2.6	Fixed	2019 Cycle 2
Mantle Lane	Dynamic - Winter	4.6	0	0.0	4.6	Fixed	2019 Cycle 2
Newton Abbot	Dynamic - Winter	16.4	0	0.0	16.4	Fixed	2019 Cycle 2
Radstock	Dynamic - Winter	4.0	1	0.8	3.2	Fixed	2019 Cycle 2
Bridgwater/Street	Secure - Summer	4.5	3	4.6	0	Fixed	2019 Cycle 2
Banbury	Dynamic - Summer	6.9	2	12.0	0	Fixed	2019 Cycle 2
Donnington	Dynamic - Winter	0.5	0	0.0	0.5	Fixed	2019 Cycle 2
Smethwick	Secure - Winter	1.9	0	0.0	1.9	Fixed	2019 Cycle 2
Rugeley SGT	Secure - Winter	12.0	2	1.7	10.3	Fixed	2019 Cycle 2
Totals		93.4	12	21.5	77.1		

This latest round of procurement brings WPDs total amount of contracted Flexibility to 56.8MW across a total of 16 CMZs.

WPD will continue to formally procure flexibility in these CMZs, while also identifying new CMZ locations across the network. New CMZ locations will be announced on the 1st July.

Procurement cycle 2

WPD will run a second 2019 procurement cycle, using the same methods as cycle 1. The timetable for this is detailed below. WPD also reserves the right to withdraw or add procurement at any time throughout the year.

1st July 2019 - Proposed CMZs published

12th August 2019 - ITT issued to all participants accepted onto the DPS

20th September 2019 - ITT Deadline

7th October 2019 - Procurement results

Find out more

The Flexible Power website is dedicated to providing visibility of the services WPD is looking to procure, it contains detailed information about active CMZs and supporting documentation. The website can be viewed at www.flexiblepower.co.uk.

Any parties wishing to participate in the next cycle of procurement should first respond to the 2019 [Periodic Indicative Notice \(PIN\)](#). Alternatively, please contact the Flexible Power team: WPDFlexiblePower@westernpower.co.uk.