

Pricing Strategy - FAQ's

1. What happens to existing contracts when there is another subsequent procurement cycle in the same zone?

The price paid under the contract remains fixed throughout the life of the contract and is maintained at the original price regardless of another tender after 6 months. Hence, the flexible provider can be sure that the value will be maintained for them and gives them security to invest.

Our contracts are made for an initial period of one to 4 years and then automatically form into a rolling month on month contract. It is up to the flexible provider to determine the period that suits them.

Information on forecast availability windows and expected utilisation is provided upfront during the procurement cycle to all flexibility providers at www.flexiblepower.co.uk/our-schemes and this covers a number of years.

2. Can you confirm how you get to the price you set for flexibility.

The price we set for flexibility is within our [pricing strategy](#) and pay-as-you-clear [clearing process](#). The way we decide to use flexibility or reinforcement is based on an NPV assessment of the multiple options. We are ensuring the decisions are independent, consistent and transparent using processes subject to audit.

3. Can you confirm where/ how flexibility can be used. At the moment is it only for deferral of traditional reinforcement?

For Flexible Power deferral or elimination of traditional reinforcement is the main business case. Flexibility is being used in place of reinforcement and we do see this as an enduring solution. We are already planning to use the optionality provided by flexibility to help us develop our network appropriately. This might be for thermal constraints, or for post-fault capacity, particularly during outages.

Our Restore product is focussed on improving our network performance, particularly for unsecured faults.

4. How did you calculate the % split between arming, availability and utilisation (as relevant)?

Pricing for these products has been taken forward from the ENTIRE projects.

5. What were your reasons for following the pay-as-clear clearing process?

The capacity market has successfully used this approach. We are looking to ensure that flexibility providers bid in a truthful price, so pay-as-clear is favoured above pay-as-bid.

Our N-2 competition test implements Vickrey-Clarke-Groves principles after having taken into account the standard N-1 deficit condition for our security standards in P2.

- 6. Can you provide more details about the elements you consider when you economically assess the choice between network investments, flexibility and innovation intervention, to choose which route you will follow, specifically, do you take into account option value and decreasing costs of flexibility?**

This is best explained in our current consultation:

<https://yourpowerfuture.westernpower.co.uk/delivering-a-flexibility-first-approach>

Our process mostly takes into account the financial aspects of the assessment, but also includes a number of other measures in the balanced scorecard approach.

- 7. Are you able to provide a break-down of the type of flexible resources you have contracted with so far?**

Our previous tender results are available to view [here](#), [here](#) and [here](#), as well as Flexible Power – the first year in numbers, our [annual report](#) .