

19-20 June 2017

All Change for Flexibility Markets

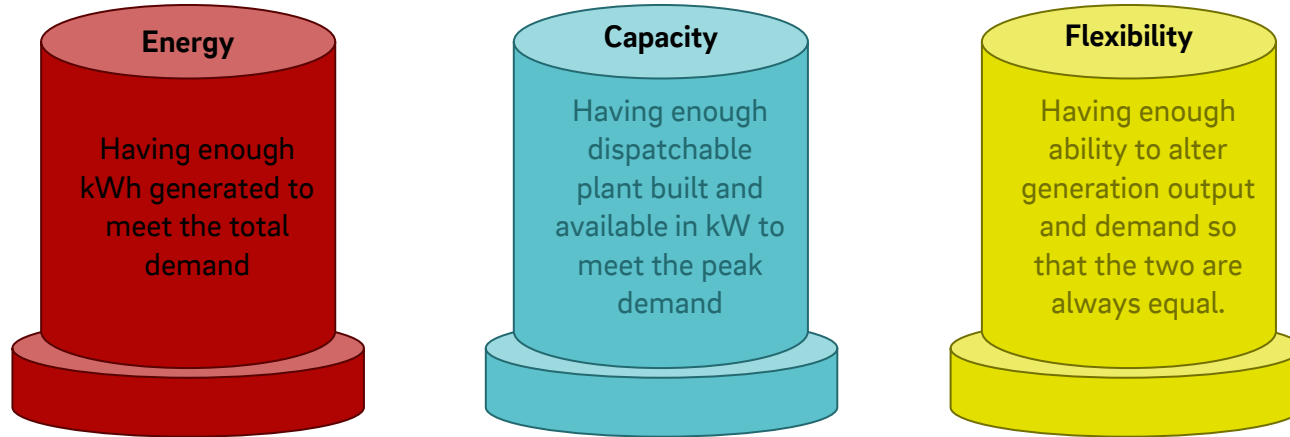


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8th Smart Grids Cleanpower Conference
Cambridge, UK [www.cir-strategy.com/
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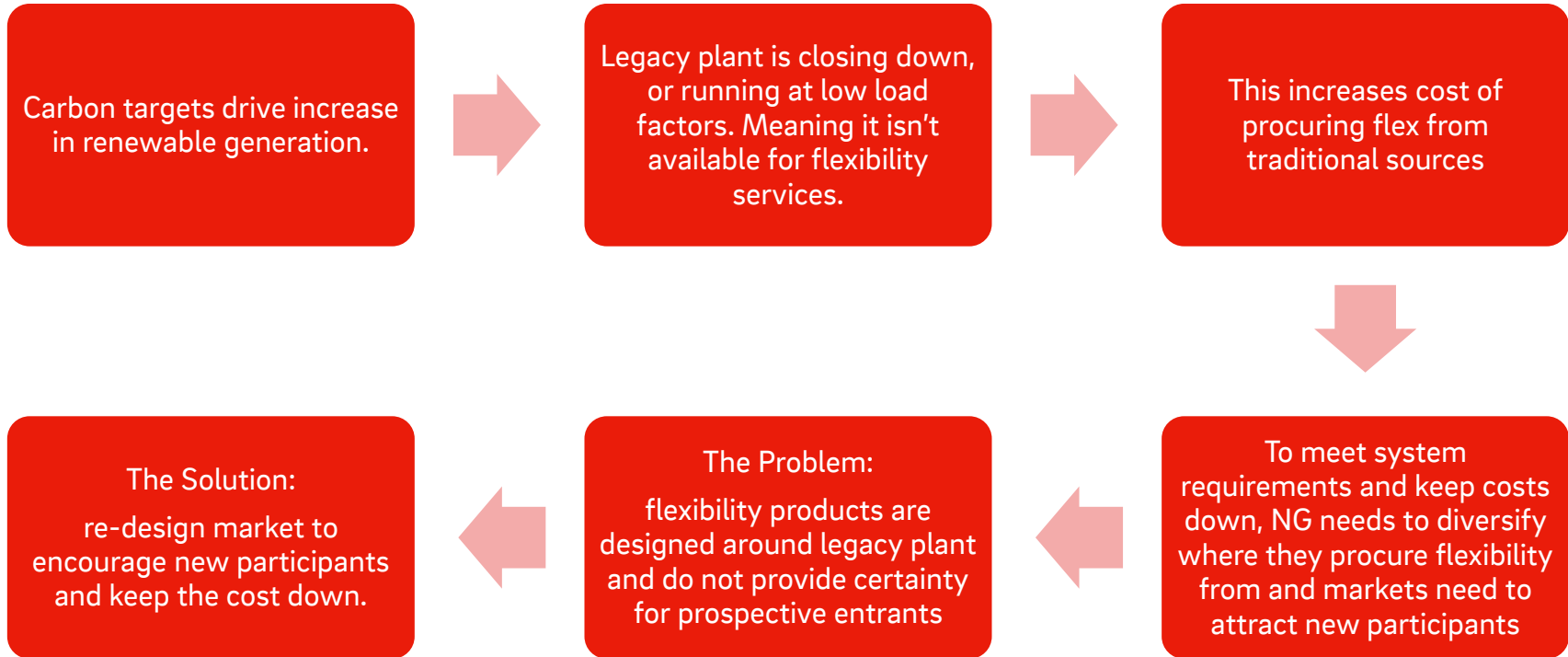
Three requirements of the energy system

Previously, large conventional plant provided energy, capacity and flexibility. The majority of the value lied with energy.

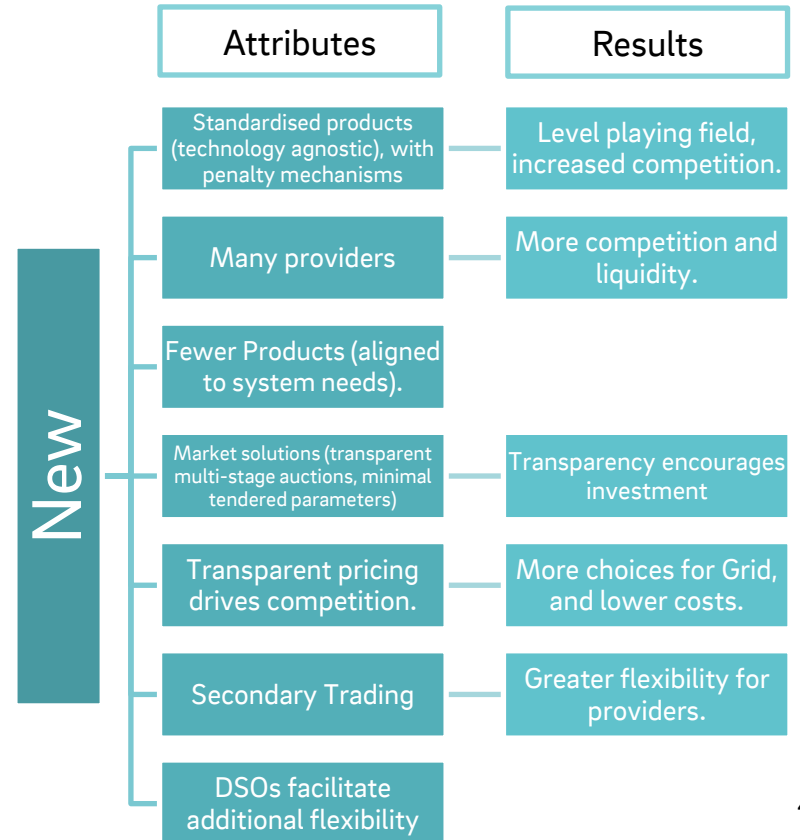
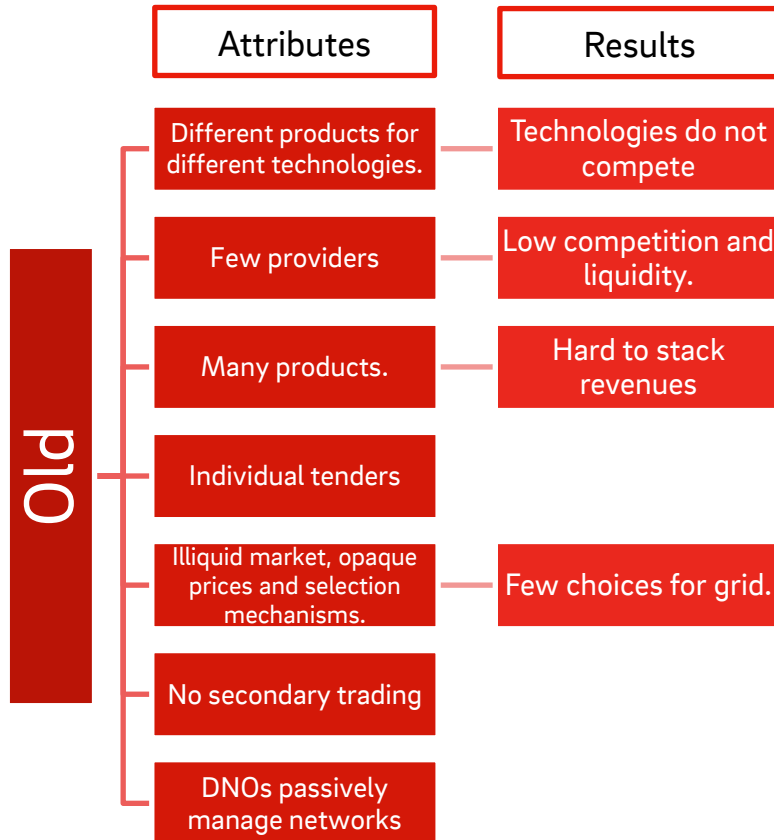


Now, a larger number of technologies will provider energy, capacity and flexibility with a more even share of the value between them.

The basis of change for Flexibility Markets



Old Market System vs. Possible New Market System



National Grid's "System Needs and Product Strategy" ¹ Published 13 June 2017.

In their recent document NG highlighted the issues with the Existing Market:

- Too many products
- Unclear requirements and interactions
- Unclear assessment criteria
- Overlapping markets

And set out a plan of improvements:

- Rationalisation
- Standardisation
- Improvement: single product versus standardised products.

1: <http://www2.nationalgrid.com/WorkArea/DownloadAsset.aspx?id=8589940795>

Important Market Principles

We agree with National Grid on:

- The need to simplify and rationalise markets.
- Providing clear and consistent signals to support investment decisions.
- Lower barriers for entry.
- Deliver the most economic outcome for consumers.
- Enabling optimisation of assets by offering multiple services from them.
- Creating investible markets.

We also believe that these principles will deliver the best outcome:

- Standardised products, which will...
 - Create clear market prices by keeping tendered parameters to a minimum.
 - Use penalty regimes to enable participants to enter technology that can provide at “sub-standard” levels.
 - Increase liquidity, and offer potential for secondary trading.

We believe that clear market prices and liquidity would lead to an investible market help provide the most economic outcome for consumers.