

Flexible Power 2019 Cycle 2 Procurement of Demand Response Services - Results

Oct 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.

2019 Procurement Cycle 2

WPD's 2019 Procurement Cycle 2 demand response requirements were across 17 CMZs, totalling 184MW. Requirements were published on 1st July and the tender window was open from 12th August to 20th September.

This was WPDs fourth 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.

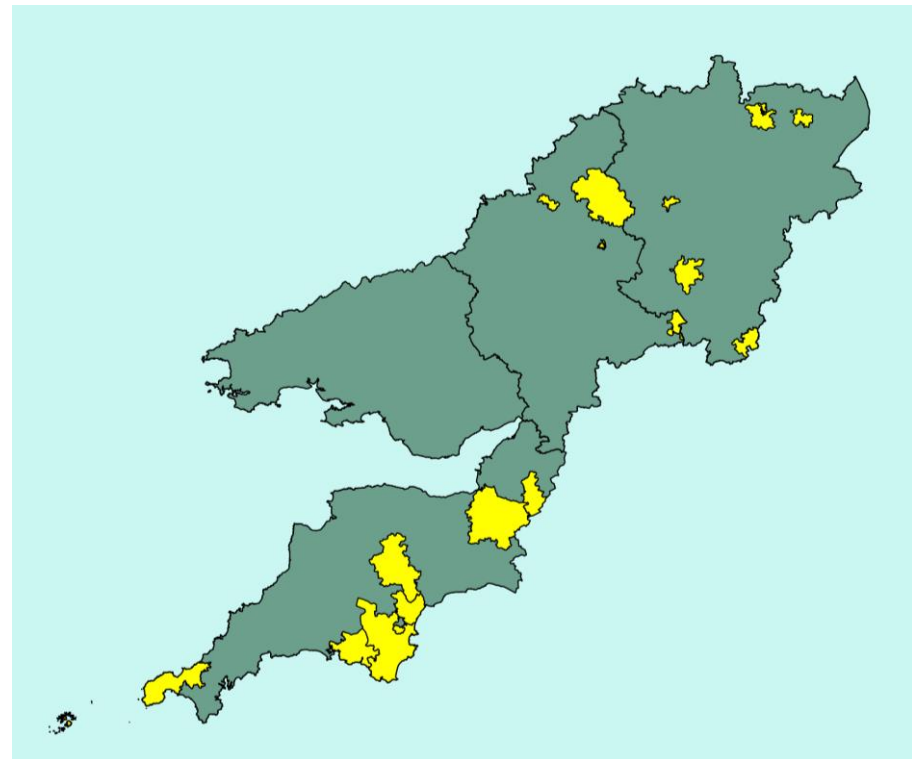


Image 1: Locations of the 17 CMZs identified in WPDs distribution area.

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

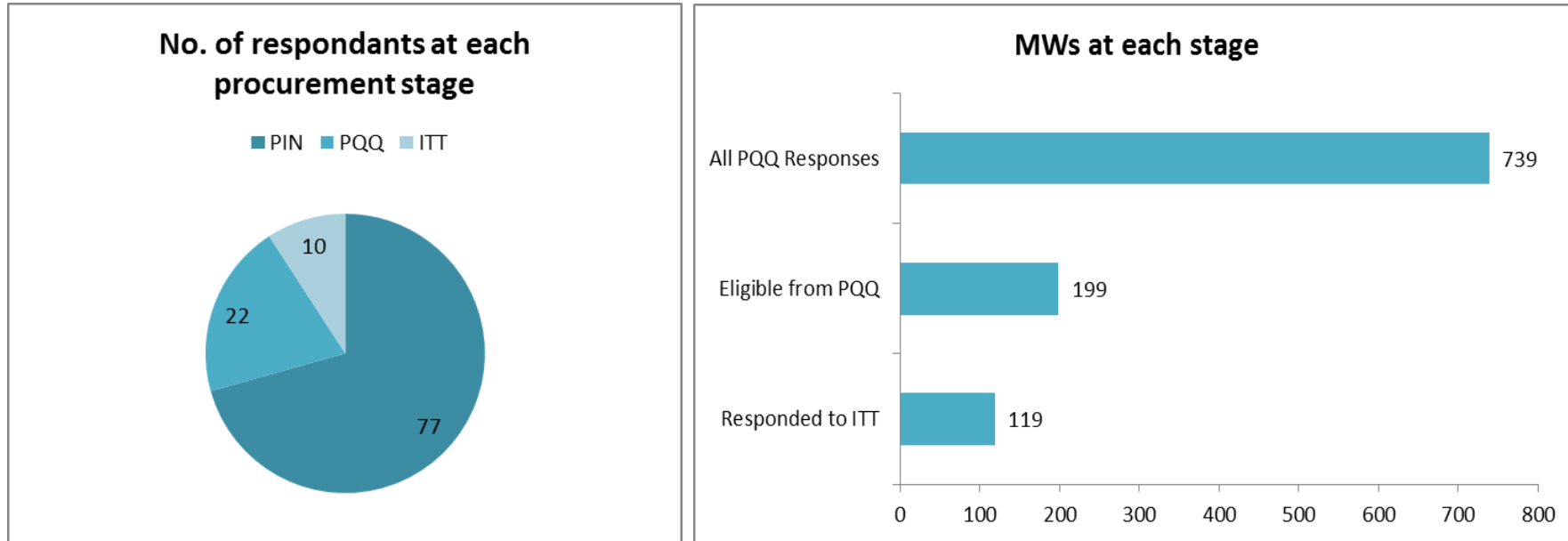
WPD has previously calculated a fixed price for flexibility within our CMZs based on cost efficiency set at around £300/MWh for the contract. From 2019 onwards, WPD has implemented a phased [pricing strategy](#), which will seek market led pricing where feasible;

- 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 10 contracts totalling 119MW.



- 77 registrations via PIN.
- 22 PQQ responses which informed of assets totalling 739MW.
- 199MW of assets informed at PQQ were sited within cycle 2 CMZs.
- 10 ITT responses which included 35 bids totalling 119MW, covering 17 CMZs.
- 60% conversion from PQQ to ITT stage.
- Zero non-compliant bids at ITT.
- Contracts awarded to all ITT respondents on a fixed price basis, 10 in total.

This is the first procurement round in which we have offered flexibility providers the option of securing a longer contract length of up to four years. We saw an equal split of preferences with 50% of respondents requesting longer term contracts while the other 50% chose one-year contracts.

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
Banbury	Summer	8.1	2	13	0	Fixed	2020 Cycle 1
Donnington	Winter	2.7	1	1	1.7	Fixed	2020 Cycle 1
Rugeley	Winter	16.8	3	3.24	13.56	Fixed	2020 Cycle 1
Smethwick	Winter	10.8	1	1	9.8	Fixed	2020 Cycle 1
Lincoln/Beevor Street	Winter	2.6	1	1	1.6	Fixed	2020 Cycle 1
Lincoln/North Hykeham	Winter	3.7	2	1.05	2.65	Fixed	2020 Cycle 1
Mantle Lane	Winter	4.6	1	1	3.6	Fixed	2020 Cycle 1
Woodhall Spa	Winter	0.5	1	1	0	Fixed	2020 Cycle 1
Rugby	Winter	16.1	3	2.6	13.5	Fixed	2020 Cycle 1
Bletchley	Winter	6.1	3	6.2	0	Fixed	2020 Cycle 1
Bridgwater/Street	Summer	11.2	2	2	9.2	Fixed	2020 Cycle 1
Plymouth/South Hams	Summer	46.56	6	20.48	28.28	Fixed	2020 Cycle 1
Newton Abbot	Winter	16.4	1	1	15.4	Fixed	2020 Cycle 1
Radstock	Winter	4	1	1	3	Fixed	2020 Cycle 1
Exeter	Winter	24.9	3	61	0	Fixed	2020 Cycle 1
Hayle/Camborne	Winter	8.1	1	1	7.1	Fixed	2020 Cycle 1
Isles of Scilly	Summer	0.7	3	1.59	0	Fixed	2020 Cycle 1
Totals		184	35	119	109		

This latest round of procurement brings WPDs total amount of contracted Flexibility to 123MW across a total of 17 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 6th January 2020.

Procurement cycles

WPD will continue to run biannual procurement cycles, the timetable for its 2020 procurement windows are detailed below. WPD also reserves the right to withdraw or add procurement at any time throughout the year.

2020 Procurement dates

Procurement cycle 1

6th January 2020 – Proposed CMZs published
3rd February 2020 – ITT issued to all participants accepted onto the DPS
13th March 2020 – ITT Deadline
3rd April 2020 – Procurement results

Procurement Cycle 2

29th June 2020 – Proposed CMZs published
3rd August 2020 – ITT issued to all participants accepted onto the DPS
11th September 2020 – ITT Deadline
5th October 2020 – Procurement results

2021 Procurement dates

Procurement cycle 1

11th January 2021 – Proposed CMZs published
8th February 2021 – ITT issued to all participants accepted onto the DPS
19th March 2021 – ITT Deadline
9th April 2021 – Procurement results

Procurement Cycle 2

28th June 2021 – Proposed CMZs published
2nd August 2021 – ITT issued to all participants accepted onto the DPS
10th September 2021 – ITT Deadline
1st October 2020 – 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 [Periodic Indicative Notice \(PIN\)](#). Alternatively, please contact the Flexible Power team: WPDFlexiblePower@westernpower.co.uk.