

Lot Submission

Background

Following increasing numbers of lots being submitted to the auction platform, the Department consulted on limiting the number of lots providers can submit to auctions. The vast majority of responses received during the mini consultation were in support of this restriction, often very strongly so.

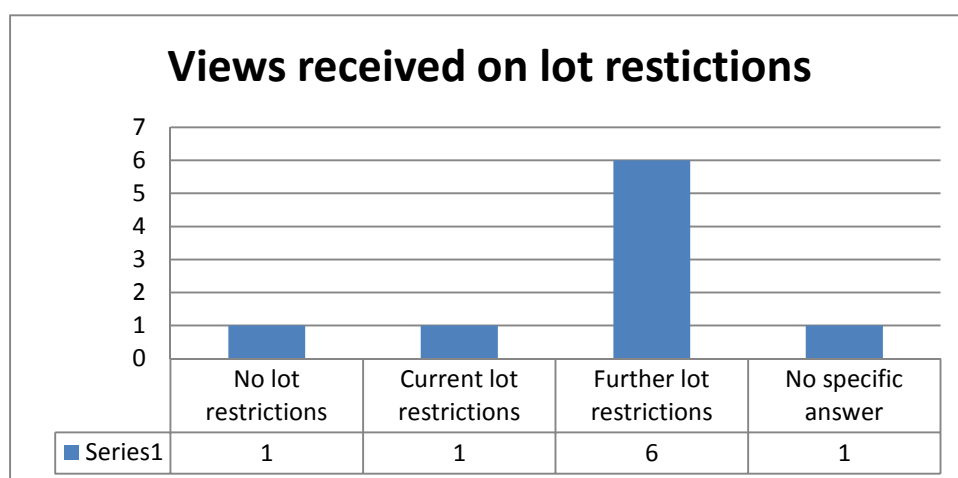
In conjunction with this mini consultation, a trial was implemented on a temporary basis. The trial started on 20th September, where all platform users were made aware that restrictions of one lot per band, per time frame, per commodity would be temporarily imposed with immediate effect. In practice, this restriction allowed GDPs to submit a total of 84 lots per biweekly auction. The results of the trial period were encouraging with both auction participation and trading levels increasing from its introduction.

Views Received

In total, the Department received nine responses, all from GDPs. Overall, while the overwhelming majority are in support of a cap on lot submissions, some were not entirely encouraged by the current blanket restriction of one lot per band, per timeframe.

In all;

- One GDP agreed with the current limitation proposal of one lot per band.
- Six responses agreed in principle to restricting the number of lots submitted but did not believe the current proposal fits all participants.
- One response did not support limiting lots at all
- One further response did not specifically answer and provided views on both sides of the argument.



Key Points

Key points raised by those in favour of the restriction included;

- The number of lots being submitted has resulted in auctions becoming more like a lottery with the effect of the number of lots submitted effectively reducing the probability of selling lots.
- Having far too many lots available has made it difficult for companies to rely on any lots selling, which in turn makes business planning very difficult.
- The amount of sales is out of proportion, and there is no way the majority of sales will be met if successful.
- Restrict to 2 at the most. The system is absurd.
- I have serious issues with this proposal....Is there an option to limit the number of lots but not restrict it to a single lot per band?
- The benefit of this strategy is that energy companies will have fewer lots to bid for, and the process will be that much more structured and fair to every provider making the bidding process tighter.

Key points of those against the restriction (or acknowledging the arguments) included;

- Some companies may be involved in groups or networks and may have multiple jobs/projects that may mean they need to offer more than one lot in a specific band. Restricting lots to one lot per band would seriously restrict attempts to get funding for projects.
- Restricting lots in this way may mean installers have to wait for their “turn” at a lot of the correct size.
- Restricting lot submissions could force prices upwards or downwards with greater volatility and destabilise what the auctions are trying to achieve.

Suggestions

- Lot submissions should be capped at 6 lots per auction
- Lot submissions should be capped at 2 lots per auction
- Lot submissions should be capped at 2 lots per commodity, resulting in 6 per auction
- Lot submissions should be capped at 1 lot per category, per GDP
- Lot submissions should be capped by obligation type (not band) or as a set number of lots per month

We appreciate the arguments put forward, and, based on the responses received, we would like to continue to limit the number of lots GDPs are able to submit to auctions, but with an amended approach.

We therefore suggest limiting the number of lots submitted to auctions to a finite number per auction session, which enables GDPs to choose where they place their lots in the auction. The specific number should be agreed in today’s meeting.