



Participation of DSR in the Capacity Market

Capacity Market Expert Group



Following DSR through the Capacity Market process

- Setting the amount to contract
- Pre Qualification
- De-rating and Baseline
- The load following obligation
- Dispatching DSR



The Quantum to Contract

- The Quantum of Capacity Resources to meet the reliability standard are ‘procured’ at two forward auctions
 - T-4 is the bulk procurement
 - T-1 is the ‘fine tuning’ (in light of updated forecasts)
- The amount held back T-1 will be informed by the likely quantum of DSR resource – refer to CM process for determining Demand Curve
- It maybe that at T-1 there is no need to ‘fine tuning’ i.e. the quantum procured at T-4 is deemed sufficient to meet the reliability standard resulting in foreclosure of CM to DSR resources.
- Commitment to procuring a minimum quantity in T-1 so as to ensure continuity for the DSR segment



Pre-Qualification

- All CM resources must pre-qualify and demonstrate that there is reasonable surety that they will perform on CM obligations. There are two routes to pre-qualification for DSR, providers will be able to choose :
 1. Demonstrate capacity (e.g. prove relationship between DSR resource and aggregator or provide evidence of performance in STOR or Transition Arrangements.
 2. Provision of Names Meter (MPAN) and/or Business Plan supported with refundable bid bond
- DSR will bid in aggregated DSR resources as 'CM units' with a *de minimis* (e.g. 3MW). This will allow aggregators with portfolios to bid multiple units into the auction.



De-Rating, Baselining and Dispatch

De-rating: Like other CM resources DSR resources will have a de-rating factor applied by the SO. De-rating will be based on the DSR's resource performance in STOR and/or during the Transition

Baselining: DSR needs to be baselined to determine how much load has been reduced once the resource is dispatched. An average load is taken over the same period on a proportion of previous days ('X' of 'Y' method). There is potential for gaming by inflating the baseline and we recommend this is kept under review.

Dispatch: DSR will be dispatched by the SO in the medium term with a dedicated IT System. This will be kept under review depending on how much DSR comes into the mainstream and how/when the energy market is reformed. The SO will dispatch at gate closure in normal circumstances and as soon as possible for unforeseen events. Credit will not be given for gaps in delivery (e.g. for ramp rates) when DSR is dispatched at short notice outside the BM, this is comparable with the situation for generation.



Conclusion

DSR resources will participate in the CM on comparable terms with all other resources except where its nature requires modified or different terms

These are

- In recognition of the nascent state of the DSR industry in GB, DECC has set out a multi-stage transition to incubate the DSR segment
- We commit to purchasing a minimum quantity at T-1
- We have set out specific terms laid out for pre-qualification, de-rating and baselining to recognise the different nature of the DSR resource
- We intend to ask National Grid to provide a new IT System to dispatch DSR