Flexibility – do the new rules go far enough?

1 March 2017

Phil Baker
Why is flexibility an issue?

- Rising share of renewable generation is changing the nature of electricity markets
  - More variable less-predictable output, balancing supply and demand more difficult
  - Increased need for fast-response services
  - Demand flexibility as a cost-effective alternative to traditional network development
Winter package and flexibility

• Wholesale market reform to encourage flexibility
  – Develop short-term markets
  – Markets to reflect real value of energy & flexibility
  – Prices capped only at VoLL
  – De minimis trading limits of 1 MW or less
  – Service definitions to reflect demand response characteristics

• Enable active customer participation in markets
  – Linking wholesale and retail markets
  – Right to a smart meter and dynamic retail tariff
  – Right to contract with aggregator without supplier’s permission
  – Aggregators not required to compensate suppliers
  – Common and supportive “prosumer” rules
Could more have been done?

• Possibly, but

– Ensuring that aggregators don’t have to compensate suppliers should assist development of “incentivized” DR
  • Danger of compensation is that it removes value available to aggregator/consumer

– Allowing energy prices only to be capped at VoLL will incentivize all forms of flexibility, DR, storage and interconnection
  • Ambitious, may have to be phased in