



# Flexibility Services

## Pricing Strategy

# 1. INTRODUCTION

To meet network needs, potential solutions will be assessed to identify the most suitable, least cost option. Where Flexibility Services are deemed an appropriate solution, the value of such services will depend on the cost of the alternative solution and is not driven by the capacity required or hours of network risk

Once the value (budget) is known for each individual constraint location the following will be used to calculate the ceiling rates that can be paid for Flexibility Services:

- **Product** - as this will drive the charging structure
- **Estimated Utilisation events and duration** – to calculate the utilisation hours required
- **Service window** – to determine availability hours (where an availability fee applies)
- **Capacity required** – to determine the level (MW) of service required

## 2. Pricing Signals

The Flexibility Services market is still developing, therefore It is our intention to provide, where possible, pricing signals for the individual locations we tender for. These will be based on the cost of the alternative solution and will likely differ for each location. For LV locations we will aim to provide a single pricing signal.

Where we provide guide prices, these will be for individual constrained locations, and we will provide a range to give FSPs an understanding of the potential level of revenue available. These ranges are based on the cost of the alternative solution and will differ for each constrained location as they are based on the individual scheme cost, the capacity required and the estimated utilisation. For LV constrained locations we will aim to provide a single range guide price.

Such guides are indicative only, when bids are received, they will be fully assessed based on the budget for individual constrained locations, likely utilisation, offered capacity and product.

During a tender round, potential Providers will be asked to submit bids for Availability and Utilisation as applicable and we request that FSPs offer their best price and we will pay as bid. We do not set fixed prices for any service.

### 3. Charging Structure

This will depend on the Product procured and may include a combination of the following as appropriate:

- **Utilisation Fee:** Paid when services are dispatched.
- **Availability Fee:** Paid when services need to be ready / available within a defined or scheduled window.

### 4. Application

The fees applied by the different Products are as follows:

#### **(a) Sustain**

This dispatch schedule is agreed with the Provider in advance of the services being required. Therefore, this service does not need to be made available within a service window and await a dispatch instruction. The Utilisation Fee is paid for the scheduled dispatch delivered.

#### **(b) Secure**

For both the scheduled and dispatched services, this product will attract an:

1. Availability Fee (sometimes referred to as an Arming Fee) – this fee is paid for the window confirmed in advance as being the time services are likely to be required; and
2. Utilisation Fee – this fee will be paid for the service scheduled ahead of time or dispatched in real-time following an instruction.

It is anticipated that the Availability fee and Utilisation fee for Secure are of similar value as the duration of the service window will be close to the utilisation requirement.

### **(c) Dynamic**

This post fault service attracts both an Availability Fee and a Utilisation Fee:

1. Availability Fee – this fee is paid for the availability declarations accepted/ agreed.
2. Utilisation Fee – this is paid for the duration of a Utilisation event following the issue of a dispatch instruction.

The Availability Fee will be low as the time of a fault is unknown therefore the service window needs to cover all potential risk hours. The Dynamic Utilisation Fee is likely to be higher than that paid for Sustain and Secure due to the likelihood of dispatch being low and for a short duration, and subject to a fault occurring on the network during the contracted service window.

### **(d) Restore**

Only a Utilisation Fee is paid for contracted Restore services. The likelihood of dispatch is low and is dependent on the network experiencing, or being at risk of, a loss of supply during the contracted service window. No Availability Fee is paid and therefore the Utilisation Fee is expected to be a premium rate.

## **5. Fee Adjustments**

Fees are paid depending on the service delivered and all dispatch events will be validated using metering data.

Should services not be provided, in part or in full, an adjustment may apply. The terms for such adjustment are included in the Flexibility Services Agreement.

### **Contact us:**

If you have any questions or would like to set up a 1-2-1 meeting with one of our team, please e-mail us at [flexibility@spenergynetworks.co.uk](mailto:flexibility@spenergynetworks.co.uk)