

Locational Procurement

Webinar Q&A Document

Response and Reserve Locational Procurement Webinar Q&A document

Question	Answer
Different Zones	
Will EAC bidding be split into separate market zones, e.g. 5 separate EAC auctions for 5 zones? Or will NESO run a single EAC auction and clear according to zone requirements, so no material change for service providers?	NESO will run a single auction for all zones and products. All products will clear simultaneously within a single, co-optimised market intended to maximise global welfare.
Can you confirm that there will be different clearing prices across zones?	Yes, the clearing price will be different for the same product in different zones if constraints between the zones are active.
Has NESO considered there may be additional costs to procuring frequency response in certain zones given the pool of providers available will be smaller than currently under the national auction?	This depends on what requirements we put on response – if we were to add a minimum response requirement to an unconstrained zone, then procurement costs for that may increase if more units in that zone are filling the unconstrained reserve need. However, if we are still procuring some response in constrained zones, the price in those zones would decrease due to increased competition.
Transfer Limits	
I would think, the ATC transfer is only possible in adjacent zones. Also, if the ATC works at SP granularity, however transfer is limited to Reserve product only, would that mean the D* auction will continue to be at EFA level?	Yes, ATCs are defined for adjacent zones and in both directions. As today, services of different time resolutions can be combined and co-optimised at the finest of the time resolutions.
Can you explain again the difference operationally between the sharing and other option for the multi-transfer procurement as they looked like they had the same	Under exchange, a service procured in a zone can meet local requirements of another zone, provided sufficient ATC, but no double counting is allowed. That is, it counts towards the requirements of one zone or the other.

outcome of capacity being able to be procured & delivered across both zones?	Under sharing, on the other hand, a service procured in a zone can meet local requirements in that zone, and simultaneously, in all other zones with sufficient ATC.
How are the ATCs calculated? Will they be publicised before each DA auction?	Yes, we expect they will be published.
Not sure if you answered this already, but can you transfer to neighbouring zones only or any zone?	Any zone, as long as there is sufficient ATC.
What assumptions go into the transfer capacities at day-ahead?	Local demand, local generation, state of the network, pre fault response delivery estimates. Then power system simulations are carried out to obtain the boundary flows where thermal and stability limits are not exceeded.
Will you be modelling the forecast transfer capacity based on e.g. weather and demand models, or relying on market participant-submitted PNs to do so?	We have not yet decided this, but we would be interested in any views from participants if there are specific advantages/disadvantages to either method. Market participant submitted PNs are expected to serve as a valuable input for ATC calculation.
So the inputs for the power system analysis come from PNs or from models?	Generation and demand forecasts are fed to the power system models that then calculate boundary flows under different network conditions.
When sharing option for reserve do you still have a minimum national reserve capacity you have to secure?	No, for reserve the way we propose to model the localised requirements is with local demand and ATCs. This combination, and the fact that reserve is manually activated, means that minimum values are not required. Note that the unlocalised requirements for response and reserve will still be modelled as global elastic demand (price, quantity pairs), as is the case today.
Qualitative Analysis	
page 17 is that £m for the assessment period of 405 days?	It is annualised so it is saving per year, not for the 405 days. (if we come back to that slide it says annual saving)
From the results analysis, does NESO anticipate no requirement for Negative Slow Reserve then..?	We do have a requirement for NSR, as STOR is for positive only we only have input data for PSR.
Is there an assessment of the £ savings of the response changes (not just reserve)?	We did a conservative estimate of savings coming from reserve only, as these are the services that are replaced in real time by the control room and where we incur the repositioning costs.
Thanks for showing your analysis of how the benefits arise from Zonal	In constrained areas, we would expect assets not cleared in reserve to drive increased competition for

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<p>reserve procurement. How do savings from locational response procurement manifest? Reduced procurement of MFR, reduced overall procurement of D*, or something else?</p>	<p>response, lowering prices – however we do not want to move all response to constrained areas so may use maxima to prevent this. There may also in the future be a need to have a minimum response amount in areas which could increase procurement costs. However, as we have some more flexibility in allowing response delivery due to the typically shorter duration (especially for DC) we have taken what we believe is a conservative assumption that response remains at the same cost as national procurement.</p>
<p>Could you please repeat how the 'price for replacement' was calculated? Is it using historical prices? What time period was used for the analysis?</p>	<p>We used the buy order as our estimate of alternative cost, however we believe that this is a conservative approach as it does not reflect increases in market costs between the day ahead stage and real-time. The saving is sensitive to this assumption, so additional benefit is possible here.</p>
<p>Auction Timing</p>	
<p>Given the additional complexity in the auction algorithm accounting for zonal procurement, is NESO expecting any changes to the 14:00 bidding deadline and 14:30 results publication?</p>	<p>No, we don't anticipate any changes to the current times. We will continue to review this and communicate any changes if they arise.</p>
<p>Consultation Timelines</p>	
<p>When do you expect to consult in 2026? What other work does NESO need to complete before the consultation?</p>	<p>We expect to complete the impact assessment around mid-2026, this will give us a better indication of how long the systems and process changes will take to deliver this change. We will then determine the appropriate time for consultation, likely to be in late 2026 or 2027. We will also need to complete detailed service design in first half of 2026.</p>