LCN Fund Full Submission

Supplementary Answer Form

Tick if this answer is Confidential: ☐

Tick if this answer has been provided verbally: ☐

Project code:	Smarter Network Storage	Question Number	UKPN029
Question date	20 September 2012	Answer date	24 September 2012
Submission section question relates to	Section 2, Section 3		
Topic	Project Description, Project Business Case		
Question	Please detail the projections of the market prices and volumes that have been assumed for STOR and Frequency Response services in the future and the assumed comparison between the prices at which these services can be offered by the SNS project and other service providers		
Notes on question			
Answer	With regards to the Frequency Response market, we have assumed an actual availability payment in 2011 of £21.5/MWh. We have also assumed an energy payment of £1.26/MWh. With regards to the STOR market, we have assumed an availability payment of £9/MW/hr and utilisation payments of £220/MWh in 2011. For future availability and utilisation payments, we have assumed a 30% nominal increase in prices over the years out to 2035 reflecting future increases in the value of both STOR and Frequency response to help balance the system as a whole. With regards to future market volume trends, we have used the assumptions made by National Grid in their published 'gone green' scenarios on the increase in STOR requirements in the future. This increase in STOR requirements is aligned with their projected increase in wind capacity in the future. We have adapted the STOR projections to the Pöyry's 'central case' scenario wind projections. We have used the same methodology with the increase in Frequency Response needed. The prices which will be received by the Method are assumed similar to those received by other providers.		

	The cost of offering these services from electrical energy storage is driven by the wholesale energy price. This can be optimised by charging at known off-peak times, and in the future could even attract negative pricing if there was significant excess wind in the system. Conversely, fuel costs for alternative providers such as diesel generators are expected to increase due to support for carbon pricing.
Attachments	
Verbal Clarifications (Consultants)	