Baringa
Brighter together

Energyst DSR Event: Flex outlook – where's value heading and impact on strategy

Tom Harper, Baringa Partners

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Introduction to Baringa

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Company profile

We are an independent business and technology consultancy. We help clients using our deep industry insight to run more effective businesses, launch new businesses and reach new markets as well as understand and navigate industry change.

Our clients include:

- Energy and Water Retailers
- Oil and Gas Supermajors
- Resources/Commodities Companies
- Asset Investors and Private Equity Companies
- Banks, Financial Services and Insurance Companies
- Telecoms, Media and Technology
- Consumer Products and Retail

Baringa was founded in 2000 and now has:

660 Employees

61 Partners

6 Offices worldwide

UK, Germany, Ireland, UAE, USA and Australia

Great Place To Work. 2019 Beste Arbeitgeber Consulting

Best Workplaces Master 2007-2016 United Kingdom

Commodity Business Awards 2016

EnergyRisk AWARDS WINNER 2015 Regulatory Advisory House of the Year

Our activities in the energy sector

50% of our projects are for customers from the energy industry. The energy consulting team comprises 210 employees and over 20 partners.

We support a wide range of topics in the energy industry:

- Strategy and Regulation
- Energy Business and Market Analysis as well as Market Modelling
- Conception and Implementation of new Business Models
- Operational Excellence
- HR and Change Management
- Financial Transformation
- Digital Transformation
- IT Strategy and Data Analytics

Baringa was awarded by the Financial Times (2019) as the only 'Gold' consultancy in the 'Energy, Utilities and Environment' sector:

FT FINANCIAL TIMES

statista

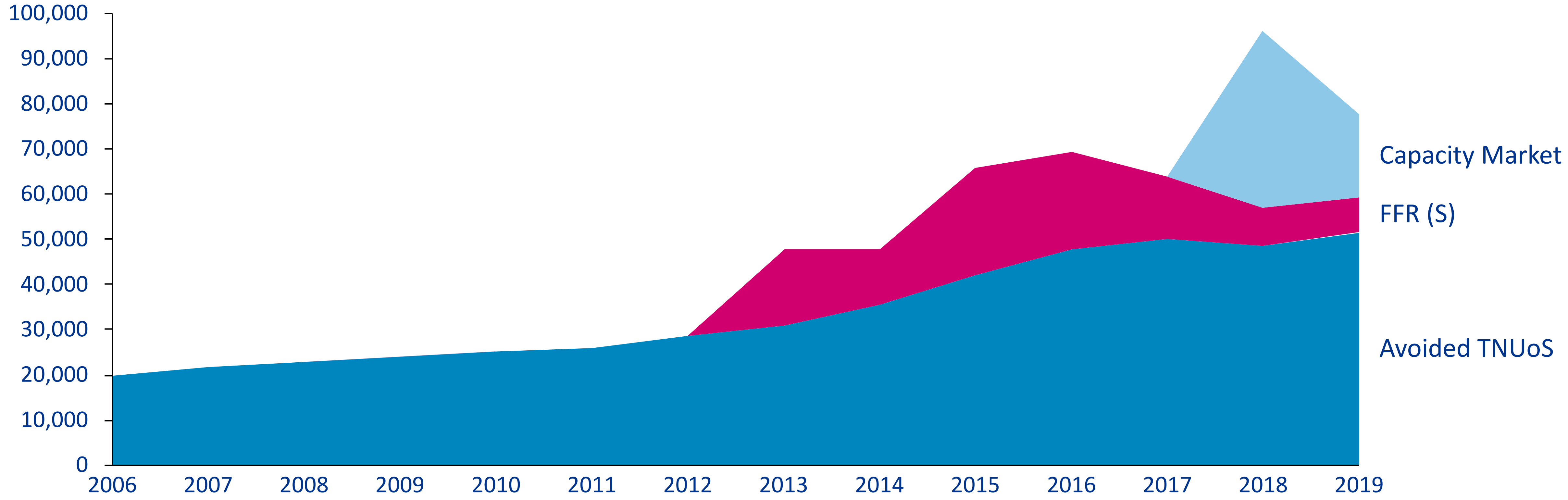
Energy, Utilities & Environment

Company	Rating
Baringa Partners	Gold
Accenture	Silver
Bain & Company	Silver
BCG - The Boston Consulting Group	Silver
EY Advisory Services	Silver
IBM Global Business Services	Silver
KPMG Advisory	Silver
McKinsey & Company	Silver

Where are we now?

- On paper, 2019 is one of the best of the last 15 years for monetising DSR flexibility

Historical value stack for 1MW of DSR, £’000s/MW p.a.



Assumptions: Pre aggregator sharing; East Midlands based customer; 1MW load; CM transitional auction contract in 2017/18; FFR Secondary Static for 10 hours per day; no DUoS avoidance included

So why is there unease about the future?

- Regulatory reform is likely to result in a £20-60k/MW reduction from the loss of avoided TNUoS

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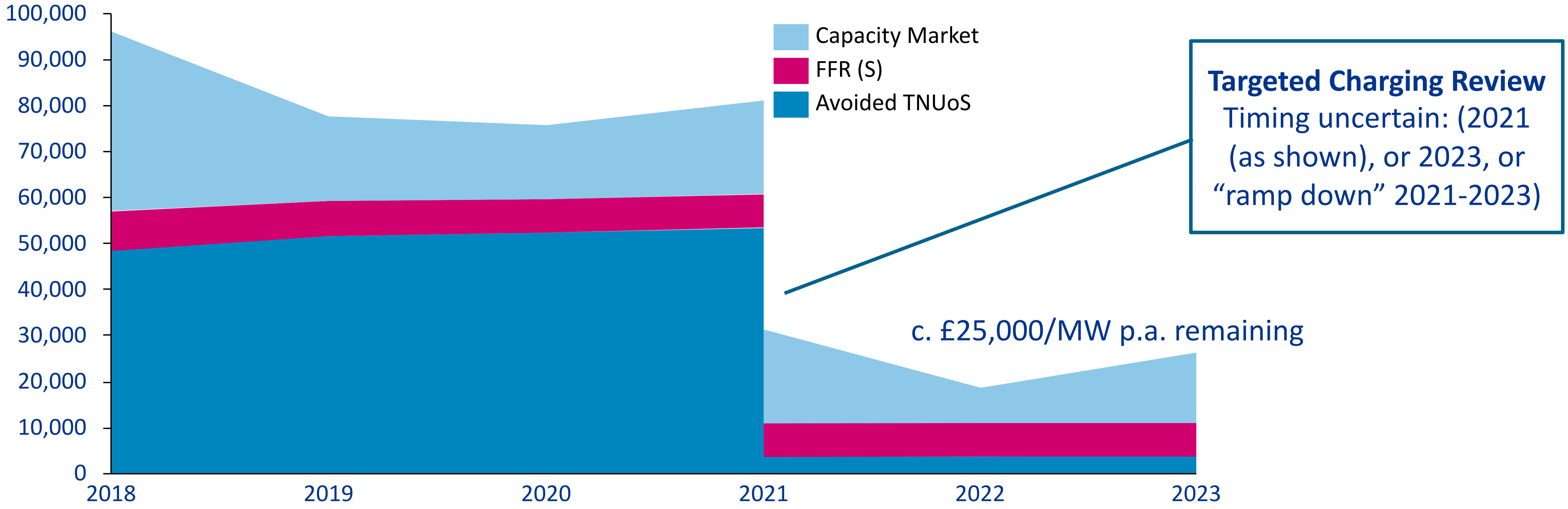

What is the missing money and where will it come from?

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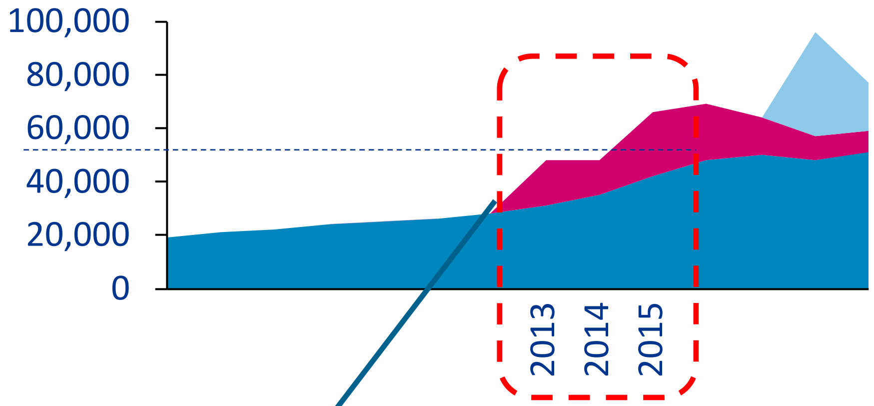

DSR really started taking off between 2013-15, when c.£50k/MW was achievable – implying around **£25k/MW** missing money after TCR which could stall momentum…

New components of the revenue stack

DSO markets:
£1-8k/MW/p.a.?

Traded markets, incl. wholesale and BM?

New TSO balancing services?

New network incentives, e.g. under future charging and access?

Source: WPD Flexible Power portal

How are our clients using this time to position for the future?

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Suppliers and route to market providers: *Refining B2B propositions*

"Go-to market" commercial propositions, including infrastructure frameworks, testing route to market/revenue sharing contract structures, and associated energy management services

Large corporates: *Renewables procurement*

Taking advantage of low renewable levelised costs, and meeting corporate net zero objectives through running corporate PPA tendering processes for long term supply hedges

Aggregators and technology companies: *International expansion*

Seeking out markets where high value flexibility markets can be combined with robust fundamental value in traded markets, and investigating first steps for new entry

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Subscription services

Our market reports are available as individual products or annual subscriptions to keep you up to date with our latest view on market developments and price evolution

Bespoke analysis

Including markets that we update on-demand, or modelling new markets to meet our clients' increasingly global horizons

Advisory services

Using our analytical capabilities, and deep market knowledge as a basis to provide market leading commercial advice on the economic performance of new projects and companies in the power sector