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EnDCo Press Release

COMPANIES WITH ONSITE POWER GENERATION ARE ADVISED TO BE CAUTIOUS BEFORE COMMITTING TO THE BALANCING MECHANISM

Companies with onsite power generation need to be cautious before committing to the Balancing Mechanism as they may over commit power capacity needed to run their own operations and could also end up paying a premium for importing energy to cover the shortfall.

This is the advice from EnDCo, an independent licensed electricity supplier, which is advising '*caveat venditor*' (seller beware) before committing to the Balancing Mechanism under current rules.

The market for onsite power generation available through the UK Balancing Mechanism is estimated to be worth £500 million. Independent businesses with onsite power generation currently supply National Grid with 14% of UK generation capacity.

The Balancing Mechanism provides a very attractive offer for operators of large-scale onsite power generators with payments occasionally reported as high £3,000 per MWh and frequently around £2,500 per MWh.

However, for businesses that rely on their own generated power capacity to run operations, the Balancing Mechanism could prove to be restrictive with onerous penalties for non-delivery.

Les Abbie, chief executive officer at EnDCo, explains: "For companies that can generate electricity, either at a single site or at multiple locations, we think the Balancing Mechanism can offer rich pickings where there is surplus capacity, but companies with

marginal capacity should be mindful of their own operations and its own energy needs before committing to the Balancing Mechanism.”

The Balancing Mechanism, which has been in operation almost as long as the UK's competitive energy market, is rapidly becoming a hot topic for businesses with any kind of electricity generating capacity. It is the means by which the National Grid can 'balance' supply, especially during periods of peak demand, by taking energy supply into the grid from businesses with onsite power generation.

EnDCo believes the mechanism works well for businesses with excess generating capacity and which have the ability to be flexible when diverting power to the National Grid without affecting their own operations.

In the next 18 months the Balancing Mechanism will change, with new rules making it easier in principle for smaller players to participate, but much work remains to be done and the practical impact of these changes is hard to predict.

The way 'System' or 'Cash Out' prices are currently calculated will change in November 2018, making forecasting of revenue streams extremely difficult when deciding whether to enter the Balancing Mechanism.

Continuing developments in battery storage technology will further complicate business planning around selling the surplus capacity of onsite generation.

A copy of EnDCo's latest white paper 'The Balancing Mechanism – Why it's a risky high-wire act for onsite power generators' can be found on the EnDCo website at: <http://www.endco.co.uk>

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Issued for and on behalf of EnDCo by The Counsel House.

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