

Report to Authority

Proposed revisions to the
Balancing Services Adjustment Data Methodology Statement
Procurement Guidelines
System Management Action Flagging Methodology Statement
Balancing Principles Statement

Following Industry Consultation

A Report by National Grid
In accordance with Standard Condition C16 of its
Electricity Transmission Licence

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Information Contact:

Adelle Wainwright

07817 139028

Adelle.wainwright@nationalgrid.com

BalancingServices@nationalgrid.com

Executive Summary

In accordance with Standard Condition C16 of its Electricity Transmission Licence, National Grid has carried out an annual review¹ of the C16 Statements.

Proposed changes have been made to update the following documents:

- Balancing Services Adjustment Data Methodology Statement (BSAD)
- Procurement Guidelines
- System Management Action Flagging Methodology Statement (SMAF)
- Balancing Principles Statement (BPS)

National Grid proposed the above changes via an industry C16 consultation document published on 23rd January. Industry responses to the consultation were requested by 20th February 2018. Responses were received from:

- Engie
- EDF Energy

Plus one confidential response which we are unable to publish in the public domain but was included in the Report to the Authority.

This report provides details of the outcome of the C16 consultation process undertaken by National Grid.

Recommendation

In the industry C16 consultation, National Grid proposed changes to the statements in relation to the following:

- **Removal of Supplemental Balancing Reserve (SBR)** – As the Capacity Market is now operational, National Grid no longer procures Supplemental Balancing Reserve. These changes seek to remove all references to SBR from the C16 statements.
- **General Housekeeping Amendments** have been made to keep the statements current and relevant.

Following industry consultation, National Grid now presents to the Authority for consideration revised versions of the C16 Statements supporting the changes outlined above.

These revised versions of the C16 Statements recommended for approval incorporate both the revisions originally proposed by National Grid in the C16 consultation and the changes to these revisions as a result of the C16 consultation.

The final revised versions of the C16 Statements recommended for approval are included in the Appendices.

The Authority is invited to approve either all the proposed changes or one or more of them based on the assigned 'ID' reference number.

If the Authority does not approve these proposed changes to the C16 Statements, the existing versions will remain in place. Subject to approval by the Authority, the proposed changes will become effective from 1st April 2018.

¹ Current versions of the C16 Statements can be found <https://www.nationalgrid.com/uk/electricity/market-operations-and-data/transmission-licence-c16-statements-and-consultations>

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Introduction

In accordance with Standard Condition 16 (C16) of its Electricity Transmission Licence, National Grid is required to conduct an annual review of all licence statements and, if appropriate, to propose changes to these documents.

The purpose of the annual review and consultation is to ensure that each of the applicable documents remains current, by seeking industry views on any proposed changes. Proposed changes can only become effective if approved by the Authority.

A consultation was published on 23rd January 2018 requesting responses by 20th February 2018. The Consultation Document was written to consult on the proposed changes to update the following:

- **Removal of Supplemental Balancing Reserve (SBR)** – As the Capacity Market is now operational, National Grid no longer procures Supplemental Balancing Reserve. These changes seek to remove all references to SBR from the C16 statements.
- **General Housekeeping Amendments** have been made to keep the statements current and relevant.

These are standalone changes and it is our intention that they are considered independently of each other.

Respondents were asked to provide comments and views on the proposed changes individually. Each proposed change was assigned an 'ID' reference which was provided in case respondents wish to comment on the suitability of specific changes.

Responses were received from:

- Engie
- EDF Energy

Plus one confidential response which we are unable to publish in the public domain but was included in the Report to the Authority.

Following the closure of the consultation period, National Grid is required to prepare and submit a post-consultation report to the Authority within seven days in accordance with Electricity Transmission Licence Standard Condition C16 paragraph (8) by which National Grid invites the Authority to approve either all the proposed changes or one or more of them based on the assigned 'ID' reference number.

This report provides details of the proposed change and consultation process undertaken by National Grid.

1 Industry responses to the C16 consultation

1.1 Consultation Questions

The Consultation Document was written to consult on the proposed changes to update the following:

- **Removal of Supplemental Balancing Reserve (SBR)** – As the Capacity Market is now operational, National Grid no longer procures Supplemental Balancing Reserve. These changes seek to remove all references to SBR from the C16 statements.
- **General Housekeeping Amendments** have been made to keep the statements current and relevant.

All of the Stakeholder responses to the consultation are in agreement with the proposed changes, where these are mentioned in the response. Responses to specific consultation questions are shown below; together with National Grid's view (only the consultation questions which provided rationale for responses are shown).

The responses to the consultation are attached in full as Appendix F.

1.1.1 Comment on Balancing Services Adjustment Data

Consultation Question 1

Do you agree that the changes proposed to the BSAD, shown in Table 1 have been implemented correctly to the BSAD in Appendix A? If not, please provide rationale.

Consultation Question 2

Do you agree that the changes proposed to the BSAD, shown in Table 1 and in Appendix A, should be made? If not, please provide rationale.

Consultation Question 3

Do you have any other comments in relation to the changes proposed to the BSAD?

The only response received on the BSAD methodology was a confidential response which we are unable to publish in the public domain. This response was included in the Report to the Authority.

1.1.2 Changes to the Procurement Guidelines

Consultation Question 4

Do you agree that the changes proposed to the Procurement Guidelines, shown in Table 2 have been implemented correctly to the Procurement Guidelines in Appendix B? If not, please provide rationale.

Consultation Question 5

Do you agree that the changes proposed to the Procurement Guidelines, shown in Table 2 and in Appendix B, should be made? If not, please provide rationale.

Consultation Question 6

Do you have any other comments in relation to the changes proposed to the Procurement Guidelines?

Industry Responses:

Engie

No:

- We believe a further change needs to be made to include services from non BM providers.

- We believe that:
Part B GENERAL PRINCIPLES
2. Procurement Principles
A new bullet point should be added to ensure compliance with the C16 licence condition that prohibits discrimination between class or classes of generation.
“When procuring services from non-BM providers the estimated customer cost associated with imbalance energy following the use of the services will be taken account in tender assessments unless an agreement is in place to remove the volume from the relevant supplier’s account.”
- Further details are contained at the end of this response. (In Appendix F)

National Grid’s View

This issue is being progressed through an open governance process through the proposed BSC modification P354 and through associated potential changes to the C16 ABSVD methodology. As part of this process, a number of options were considered against a defect identified by the Proposer of the modification. As part of this, a range of options were considered by a cross-Industry workgroup to address the identified defect.

The workgroup have come to a conclusion around how this defect may be best resolved, having considered a range of options, and if the Authority approve this, this will be implemented accordingly.

An additional confidential response was made on the Procurement Guidelines which we are unable to publish in the public domain but was included in the Report to the Authority.

EDF Energy

Yes, However:

- Should the specific service of Enhanced Frequency Response have been included in the list of procured services, for example at Part C1, Part D1 and Table 1, Part E Table 2? Its characteristics and procurement are quite different from existing frequency response products.

National Grid’s View

We do not intend to amend the statement at this time as we are undertaking a process of reviewing our strategy around which products are procured. This is through the Product Roadmap. More information on this is anticipated to be available in Spring 2018 at <https://www.nationalgrid.com/uk/electricity/balancing-services/future-balancing-services>

1.1.3 Changes to the System Management Action Flagging methodology

No specific comments raised.

1.1.4 Changes to the Balancing Principles Statement

Consultation Question 10

Do you agree that the changes proposed to the BPS, shown in Table 4 have been implemented correctly to the BPS in Appendix D? If not, please provide rationale.

Consultation Question 11

Do you agree that the changes proposed to the BPS, shown in Table 4 and in Appendix D, should be made? If not, please provide rationale.

Consultation Question 12

Do you have any other comments in relation to the changes proposed to the BPS?

Industry Response:

Engie

No:

- We believe a further change needs to be made to include services from non BM providers.
- Addition bullet points are required in the following sections :-
PART C Principles Underlying Balancing Measures
Section 2 (a) (V) a new bullet point
and /or
Section 4 (Vii) a new bullet point
“ for non-BM providers the estimated customer cost associated with imbalance energy unless an agreement is in place to remove the energy volume from the relevant suppliers account.”
- Further details are contained at the end of this response. (In Appendix F)

National Grid's View

This issue is being progressed through an open governance process through the proposed BSC modification P354 and through associated potential changes to the C16 ABSVD methodology. As part of this process, a number of options were considered against a defect identified by the Proposer of the modification. As part of this, a range of options were considered by a cross-Industry workgroup to address the identified defect.

The workgroup have come to a conclusion around how this defect may be best resolved, having considered a range of options, and if the Authority approve this, this will be implemented accordingly.

EDF Energy

Yes, However:

- Should the new requirement for, and use of, Enhanced Frequency Response be included in section D Part 3 and Section F part 3? Although it might be considered to fall under the general umbrella of 'frequency response', the need for it and its characteristics are different to historic forms of active frequency response.

National Grid's View

We do not intend to amend the statement at this time as we are undertaking a process of reviewing our strategy around which products are procured. This is through the Product Roadmap. More information on this is anticipated to be available in Spring 2018 at <https://www.nationalgrid.com/uk/electricity/balancing-services/future-balancing-services>

A confidential response was also received on the Balancing Principles Statement which we are unable to publish in the public domain but was included in the Report to the Authority

1.1.5 Wider Comments

EDF Energy commented on wider issues than the proposed C16 statement changes published in the consultation document, which are as follows.

1. There is considerable duplication across the different Condition 16 statements. They could surely be rationalised to reduce this duplication, at the same time reducing opportunity for inconsistency and ambiguity.

National Grid's View

National Grid recognises the viewpoint of the respondent. As a requirement of our licence we are required to maintain the full set of C16 statements and methodologies, therefore rationalising them would not be possible. However, we recognise that it may be helpful to introduce more cross-referencing between the statements if this would be more beneficial to stakeholders. This is something we will consider as part of next year's review.

2. We would like to see firmer incentives for NGET to deliver accurate BSAD, BM/SMAF and ABSVD data to BSC systems for use in reporting system imbalances and setting imbalance prices. Tighter timescales would also be desirable, to provide more timely signals on system imbalance, so as to better inform short term market trading and physical actions.

National Grid's View

We recognise that there have been some issues in relation to data submission during the 2017-18 financial year. This will be reflected in the SMAF accuracy report.

2 Proposed Changes to the BSAD

The amendments proposed to the BSAD are:

- Housekeeping – updating references to the C16 webpages on the National Grid website to the correct address.
- Removal of references to Supplemental Balancing Reserve as the service has been discontinued.

The proposed changes are detailed in Table 1 below.

Table 1 – Proposed changes to the BSAD

ID	Purpose of Change	Reference	Change
1.1	Version control change	Title Page	Change to Effective Date Change to Version Number
1.2		Page 4 – Version control table	Update to version control table
1.3	Web page link change	Page 4	Update to new National Grid website link
1.4	Remove SBR references	Part B, 2.1	Removal of References to Supplemental Balancing Reserve
1.5		Part B, 3.1.1	Removal of References to Supplemental Balancing Reserve
1.6		Part C, 3	Removal of References to Supplemental Balancing Reserve

The proposed changes detailed above are shown in a changed marked version of the BSAD attached as Appendix B.

3 Proposed Changes to the Procurement Guidelines

The amendments proposed to the Procurement Guidelines are:

- Housekeeping – updating references to the C16 webpages on the National Grid website to the correct address.
- Removal of references to Supplemental Balancing Reserve as the service has been discontinued.

The proposed changes are detailed in Table 2 below.

Table 2 – Proposed changes to the Procurement Guidelines

ID	Purpose of Change	Reference	Change
2.1	Version control change	Title Page	Change to Effective Date Change to Version Number
2.2		Page 3 – Version control table	Update to version control table
2.3	Web page link change	Page 4	Update to new National Grid website link
2.4		Part C, 4	Update to new National Grid website link
2.5	Remove references to SBR	Part C, 1	Removal of Reference to Supplemental Balancing Reserve
2.6		Part C, 2.2	Removal of Reference to Supplemental Balancing Reserve
2.7		Part D, Table 1	Removal of Reference to Supplemental Balancing Reserve
2.8		Part E, 3	Removal of Reference to Supplemental Balancing Reserve
2.9		Part E, Table 2	Removal of Reference to Supplemental Balancing Reserve

The proposed changes detailed above are shown in a changed marked version of the Procurement Guidelines as Appendix C.

4 Proposed Changes to the SMAF

The amendments proposed to the SMAF are:

- Housekeeping – updating references to the C16 webpages on the National Grid website to the correct address.
- Removal of references to Supplemental Balancing Reserve as the service has been discontinued.

The proposed changes are detailed in Table 3 below.

Table 3 – Proposed SMAF changes

ID	Purpose of Change	Reference	Change
3.1	Version control change	Title Page	Change to Effective Date Change to Version Number
3.2		Page 2 – Version control table	Update to version control table
3.3	Web page link change	Page 3	Update to new National Grid website link
3.4	Remove References to SBR	Part B, 1	Removal of References to Supplemental Balancing Reserve
3.5		Part B, 2	Removal of References to Supplemental Balancing Reserve

The proposed changes detailed above are shown in a changed marked version of the SMAF as Appendix D.

5 Proposed Changes to the BPS

The amendments proposed to the Balancing Principles Statement are:

- Housekeeping – updating references to the C16 webpages on the National Grid website to the correct address.
- Removal of references to Supplemental Balancing Reserve as the service has been discontinued.

The proposed changes are detailed in Table 4 below.

Table 4 – Proposed changes to the BPS

ID	Purpose of Change	Reference	Change
4.1	Version control change	Title Page	Change to Effective Date Change to Version Number
4.2		Page 3 – Version control table	Update to version control table
4.3	Web page link change	Page 3	Update to new National Grid website link
4.4		Page 8	Update to new National Grid website link
4.5	Remove References to SBR	Part B, 5, (e)	Removal of References to Supplemental Balancing Reserve
4.6		Part D, 3.2 (e) Demand Side Balancing Reserve	Removal of References to Supplemental Balancing Reserve
4.7		Part C, 4 (i)	Removal of References to Supplemental Balancing Reserve
4.8		Part C, 4 (iv)	Removal of References to Supplemental Balancing Reserve
4.9		Part C, 5	Removal of References to Supplemental Balancing Reserve
4.10		Part C, 11	Removal of References to Supplemental Balancing Reserve
4.11		Part D, 3.2 (e)	Removal of References to Supplemental Balancing Reserve
4.12		Part D, 3.3	Removal of References to Supplemental Balancing Reserve
4.13		Part e, 1, Step 8	Removal of References to Supplemental Balancing Reserve
4.14		Part E, 2, Step 3	Removal of References to Supplemental Balancing Reserve

The proposed changes detailed above are shown in a changed marked version of the BPS attached as Appendix E.

6 Proposed Recommendations

National Grid notes the responses given by the Industry to the proposed changes to the C16 Statements and has carefully considered each of the responses to the changes proposed within the C16 consultation. National Grid has provided its views in relation to the responses received in the relevant sections above.

Following industry consultation, National Grid now presents to the Authority for consideration revised versions of the C16 Statements supporting the following changes:

- The removal of references to Supplemental Balancing Reserve.
- General housekeeping amendments to keep the statements current and relevant.

The Authority is invited either to approve either all the proposed changes or one or more of them based on the assigned 'ID' reference number.

The revised versions of the C16 Statements recommended for approval incorporate both the revisions originally proposed by National Grid in the C16 consultation and the changes to these revisions as a result of the C16 consultation. These revised versions of the C16 Statements are included as Appendices A to D.

If the Authority does not approve any of the proposed changes to the C16 Statements, the existing versions will remain in place. Subject to approval by the Authority, the proposed changes will become effective from 1st April 2018.

APPENDIX A- Change Marked BSAD

Please see separate document.

APPENDIX B - Change Marked Procurement Guidelines

Please see separate document.

APPENDIX C - Change Marked SMAF

Please see separate document.

APPENDIX D - Change Marked BPS

Please see separate document.

APPENDIX E - Consultation Document

Please see separate document.

APPENDIX F - Industry Responses

Please see separate document.