Fast Reserve

December-19

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Introduction

This WebEx:

- More detail on the upcoming changes for the Fast reserve Service.
    - Contract Changes
    - System Changes
    - Assessment process
    - Next Steps

- Ensure all providers receive the same information and understand how the changes impact you

- Q&A session

Representatives

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Fast Reserve Contract Changes

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Introduction

We will shortly be launching an Outline Change Proposal (OCP) to update the Fast Reserve Contract Terms (Firm and Optional).

The proposed changes are based on EU Code requirements, the implementation of P354 from April 2020 and general housekeeping changes, many which will be similar to the recent STOR OCP.

All changes will take effect from when the new terms are introduced, though some requirements come into force sooner.

For these, we will look to agree bilateral changes as Special Conditions in provider's Framework Agreements ahead of the January tender.

Recent clarity on the impact of EBGL requirements on Fast Reserve, have meant the need for contract changes now need to be made.

Contract changes

The initial list of proposed changes are*:

- Prequalification requirements for Fast Reserve
- Removal of utilisation prices from contracts
  - Changes to the format of the optional availability payment to £/MW/Hr
- Facilitate transfer of Fast Reserve contracts between Fast Reserve providers and consequential impacts on settlements
- Amend the process to change the contract terms to align with EBGL requirements
- Outline requirements of P354 (imbalance adjustment for NBM contracts)
- Settlement changes to clarify payment formulae and events of default
- Housekeeping changes including:
  - Updating SCTs to reflect separation of National Grid ESO (“NGESO”)
  - Remove requirement for NGESO to nominate windows.

EBGL

***Final set of changes in OCP subject to change**

Prequalification requirements for Fast Reserve – 18 Dec 19

Under Article 159 of the SOGL, NGESO is required to develop a prequalification process for Frequency Restoration Reserve (FRR) services, under which Fast Reserve is categorised.

The process for prequalification will be:

- Provision of provider and unit information – similar to what is captured in Framework Agreements
- NGESO will then have upto 8 weeks to check the information for completeness
- Once complete, over the next 3 months, the necessary systems (e.g. ASDP) must be completed and NGESO systems updated
- Once a unit is prequalified, it will be able to participate in tenders and offer optional Fast Reserve
- Units that have a framework, will be deemed to have been prequalified
- Existing providers wanting to prequalify a new unit, will only need to provide the unit's information.

- Units wanting to prequalify as a BMU/Secondary BMU, must have first prequalified for the Balancing Mechanism

Removal of utilisation prices from contracts – 31 Jan 20

Under Article 15.6 of the EBGL, “the price of the balancing energy bids … shall not be predetermined in a contract for balancing capacity.”

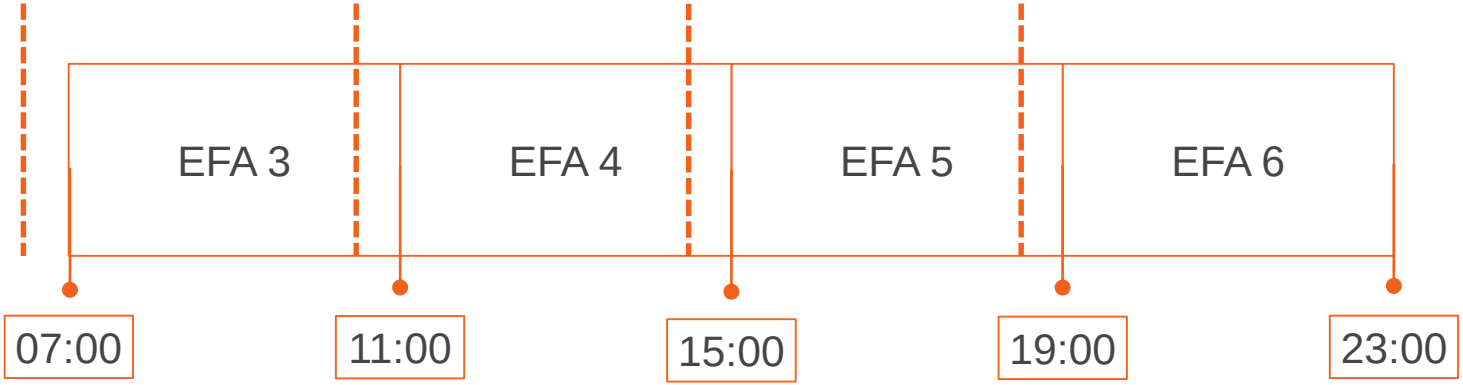
This means:

- We will no longer require utilisation prices as part of tenders
- The assessment principles will be updated to reflect this change
- For the Firm service utilisation prices will be submitted in real-time via ASDP (Non-BM)
- Similarly for optional services, the availability and utilisation prices will be submitted in real-time via ASDP (Non-BM)
- Payment for energy delivered will be at the prevailing price at the time of instruction

- This change will apply to all Fast Reserve contract from 31st January 2020*

*including the current with Ffestiniog

Example of a Firm Contract Post EBGL

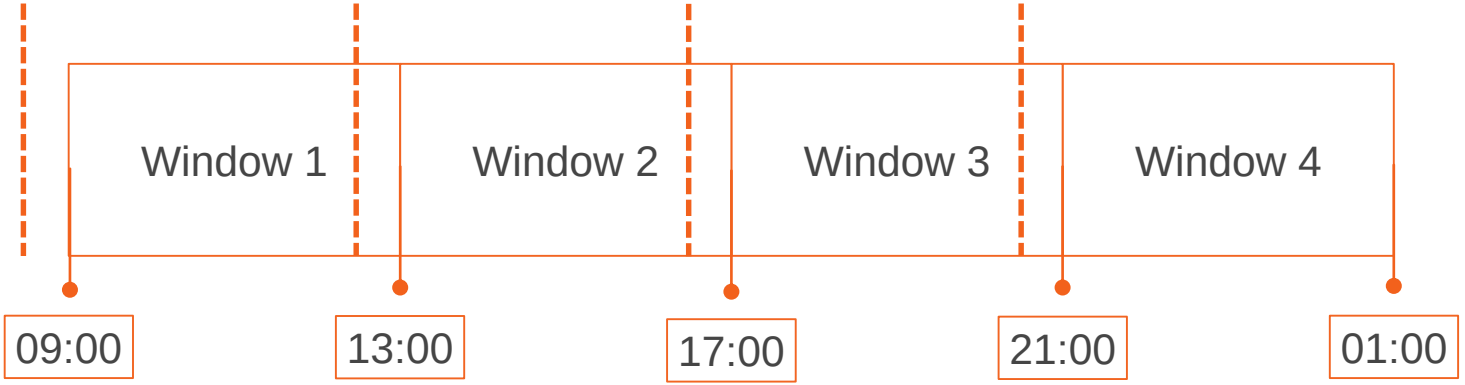


Gate Closure – 60 minutes prior to commencement of the EFA block

MW Fixed 0 or Contracted for each EFA block

Utilisation Price is up to the provider to declare – Prices can differ for each EFA block

Example of an Optional Bid** Post EBGL



Gate Closure – 60 minutes prior to commencement of the Optional Window

MW =>25 <= Prequalified MW
Utilisation Price is up to the provider to declare – Prices can differ for each window
Availability Price (£/MW/hr) can be declared – Prices can differ for each window

** Assumes provider had 4 hour optional windows – providers have the ability to choose their own window timings.

Transfer of Fast Reserve contracts – 31 Jan 20

Under Article 34 of the EBGL, NGESO is required to allow providers “to transfer their obligations to provide balancing capacity”.

The process for transfers will be:

- The provider with the Fast Reserve contract (Primary Provider) will agree the terms of the transfer with the receiving provider (Secondary Provider)
- The Primary Provider will then notify NGESO of the contracted unit, date and time of the transfer and the Secondary Provider
- The Secondary Provider will then confirm which of its unit will be taking on the contract
- NGESO will validate that the nominated unit has technical capabilities (see next slide) that are better than or equal to the Primary Providers unit
- Where the transfer is accepted, for the duration of the transfer, the Secondary Provider unit will be responsible for declaring availability, technical parameters etc in line with the original contract
- Payments for availability will continue to be made to the Primary Provider for both availability and utilisation.
    - The exception to this is where the Secondary Reserve Provider’s unit is a BMU, in which case utilisation payments will be paid as per the BSC for any Bid-Offer Acceptances issued by NGESO

Transfer of Fast Reserve contracts – 31 Jan 20

- The technical capabilities that NGESO will validate before accepting/rejecting a transfer request, are that the Secondary unit must for all have :
  - A capacity greater than or equal to the contracted MW
  - A response time/ramp up rate being faster than or equal to the contracted response time
  - A cease time/ramp down rate being faster than or equal to the contracted cease time
  - A recovery period (MZT) being less than or equal to the contracted recovery period
  - A minimum utilisation period/MNZT being less than or equal to the original unit
  - A maximum number of utilisations being greater than or equal to the original unit
  - A maximum energy utilisation (MWh) limit being greater than or equal to the original unit

- We will hold a separate session in January to talk through the transfer process in more detail

Contract change governance – 4 Apr 20

- Under EBGL, where changes are made to the Fast Reserve contract terms that relate to Article 18 terms and conditions, then NGESO must consult on these for at least 1 month and seek approval from Ofgem to implement any such changes.
- This process will be followed from the later of 4th April 2020 or once Ofgem's approval of the proposed terms and conditions related to balancing are unconditional.
- Ofgem will also be able to propose changes to terms that relate to Article 18 terms and conditions, though NGESO will carry out the administrative process (e.g. consultation, update contract terms etc).

P354 – Use of ABSVD for NBM unit – 1 Apr 20

- Currently, NBM units that provide STOR are not subject to imbalance, thereby creating a difference in treatment to BM units
- P354 was approved by Ofgem in June 2018 and it will be implemented from April 2020.
- The process for provision of MPAN/MSID information will be the same as for STOR (3.13.2 (d) – (h))
- We are working on a solution to facilitate the provision of relevant information between providers, NGESO and Elexon.

- We will hold a separate session before April to talk through the ABSVD process in more detail

Settlement changes

- Within the formula to calculate payment for energy (for both the firm and optional service) there is reference to the term QMn
- We are seeking to clarify how this is calculated, similar to how the instructed energy (highlighted in yellow below) is calculated
  Standardise optional availability payment rates to £/MW/hr as optional MW can vary

$$V_n = \min\left[\left(\left(\frac{Z}{60}\right) * [(Y - X - R) - 0.5 * (a + b)]\right), QM_n\right]$$

Housekeeping changes

- Following legal separation, all references within the Fast Reserve contract terms to National Grid will be changed to National Grid Electricity System Operator Limited (NGESO).
- The requirement for NGESO to nominate the settlement periods the contracted units to provide Fast Reserve will be removed.

Next steps

- As the EBGL requirements take effect prior to being able to fully conclude the OCP process, we are looking to agree these changes bilaterally with all Fast Reserve providers as Special Conditions in your Framework Agreement
- These changes will need to be agreed to prior to the Market Day of the January Tender i.e. 3rd Jan.
- These changes will be shared following this call
- We would seek to agree the same term across all providers to ensure consistency
- A separate webinar can be held to talk through the Framework Agreement changes.
- Alongside the Framework Agreement changes, we will be publishing an update to the Tender Assessment Principles that we will apply to tenders going forward

- The OCP is planned to be launched prior to Christmas, with the consultation period until mid-Jan
- We will then review comments, before outlining which changes we will be taking forward
- New contract terms will then be published by end of Feb.

Fast Reserve Assessment Principles

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New Assessment Principles

Step 1

- The VWAP (Volume Weighted Availability Price) in £/MWh is calculated for all tenders.

- We weight the VWAP to produce an AAP (Adjusted Availability Price) taking into account duration of tender and availability window as well as:

    - Utilisation restrictions such as periods of unavailability and MNZT.

    - Maximum utilisation volumes.

    - Location i.e. are the tendered units behind a constraint that is expected to be active?

Step 2

- Tenders are stacked in terms of lowest AAP. If there are tenders with the same AAP then other factors will be considered such as MZT, response times, ramp rates and performance to separate these tenders.

Step 3

- Where applicable, any possible over holding is also accounted for in the assessment.

Questions