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Sent by email to:

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Dear Milly,

GC0166 Workgroup Consultation: Introducing new Balancing Mechanism Parameters for Limited Duration Assets

We appreciate the opportunity to contribute to the National Energy System Operator (NESO) consultation on GC0166 – the Grid Code modification proposal which aims to introduce new dynamic parameters for limited duration assets.

We support the objective of the modification to enhance the utilisation of Energy Storage Modules in the Balancing Mechanism. Improved utilisation of battery storage assets is essential for achieving the ambitious Clean Power 2030 target at lower costs. Batteries are recognised by both NESO and the Government as a key asset for reaching the 2030 target and improved utilisation would support their business case. Improved utilisation of low-carbon flexibility is also essential for reducing the costs of constraint management and the carbon footprint of the Balancing Mechanism.

GC0166, however, is only part of a comprehensive set of improvements that are required to bring a step change in the utilisation of batteries for balancing and constraint management.

We appreciate the recent efforts by NESO to improve skip rates and have observed some notable improvements. However, more work is required, particularly in relation to the utilisation of batteries for constraint management. In our view, moving constraint management to the Open Balancing Platform should be prioritised and the timeline for that should be brought forward. Importantly, this would help to reduce further skip rates with respect to the utilisation of batteries for constraint management.

Furthermore, work on the development of constraint management markets also needs to be prioritised, as this would enable improved locational and operational signals for low-carbon flexibility. Operational efficiency can be further enhanced with improved forecasting of constraints and more transparency around that, which would help market participants to prepare assets in line with improved information on system needs.

With respect to the specific proposal at hand, we are generally supportive of the initiative. However, we have some comment, as outlined below.

Maximum Delivery Offer/Maximum Delivery Bid (MDO/MDB) and the question of firmness

In principle, we agree that the new parameters can help bring some improvement to the utilisation of batteries compared to the current combination of MIL/MEL declarations and the '30 min' rule.

While we understand where NESO is coming from when insisting on firmness, we have some reservations as to whether the concept is really fit for this context and whether NESO's expectations can be realistically met.

We agree that if we are instructed via a BOA and we commit, we need to be able to fulfil that instruction – accepted BOAs must be deliverable.

Regarding the exception scenarios which would allow for MDO/MDB to be redeclared within the BM Window:

- *(1) A technical fault with the BMU:* Perhaps some further clarification of what 'technical fault' could mean would be beneficial.
- *(2) If NESO issues a BOA:* We agree with that.
- *(3) If a frequency event occurs so that the BMU depletes all the energy it has reserved for an Ancillary Service:* Similar to the fourth exception below, there are some commercial dimensions here in the case of partial frequency activation, which may need to be examined further. The requirement for 'all the energy' to be depleted would also require double book-keeping to monitor when all the energy was depleted and when that was not the case.
- *(4) If it has a non-zero PN after the BM Window changes:* We agree that Final Physical Notifications (FPNs) need to be respected. This is why having the possibility to redeclare MDO/MDB within the BM Window in response to a changed FPN in SP4 makes sense and we agree with it. However, NESO needs to be clear that this undermines the concept of firmness, as it allows for multiple changes within the BM Window.

More broadly, while we understand NESO's reasoning for insisting on firmness, given that a BM Window consists of 3 settlement periods and is therefore constantly shifting, it is fundamentally difficult to understand the concept of firmness in this context. Potentially, opportunities for simplifying the durations for which one needs to submit firm parameters can be explored as an alternative, as that would help to improve the transparency on how firmness is applied.

In relation to the time resolution for MDO/MDB parameters and the number of submissions, could NESO confirm the 1 minute granularity? We understand that NESO would prefer to use the 'to' and 'from' Fields instead of ramps, but for lower granularity we would need ramps.

Lastly, with respect to the behaviour of MIL/MEL as described in Annex 6 - Calculating MDO and MDB, Worked examples, case 4 (page 6): the example suggests that NESO will implicitly reduce MIL/MEL by the volume of DC/DM/DR an asset needs to deliver. Instead, we think that market participants should handle this themselves, so that the MIL/MEL values that they submit are the actual power values that NESO may activate them for without any kind of further processing on NESO's end. This will ensure more transparency.

Future State of Energy and the required asset-based model

Further clarification is required as to how NESO will be using this information, as we have reservations about the usefulness of providing Future State of Energy (FSOE) and an asset-specific

model. Planning for battery storage assets is complex and we think this is best left to the parties optimising those assets.

Yours faithfully,

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