

Fast Reserve (FR) Development

Outline Change Proposal (OCP-01)

National Grid Proposal Decisions

26th October 2012

nationalgrid

THE POWER OF ACTION

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Section 1

Outline Change Proposals – Timeframe

Outline Change Proposal's (OCP-01)

- 1 National Grid published the Outline Change Proposal document (OCP-01) on **28th September 2012**. This OCP-01 document detailed a number of changes to the Fast Reserve service being proposed by National Grid. The OCP-01 document requested responses from Fast Reserve service providers, via a series of questions related to each proposed service change, to provide feedback for National Grid's consideration.

Responses to OCP-01

- 2 Fast Reserve Providers were requested to return responses to OCP-01 back to National Grid, within 10 Business Days (**12th October 2012**), the timeframe for which is specified under Standard Contract Term (SCT) Clause 1.2.4. National Grid then compiled the responses for consideration.
- 3 National Grid received a total of five responses to OCP-01 from the industry.

Withdrawal, Modification and Implementation of OCP-01

- 4 As outlined in SCT Clause 1.2.5, National Grid, having given regard to comments submitted by Fast Reserve Providers, may decide to withdraw, modify or implement any or all of the Outline Change Proposals. The decision must be notified 20 Business Days following the original notification of the Outline Change Proposals (**26th October 2012**), if not they will be deemed to have been withdrawn.
- 5 The purpose of this document is to outline each Outline Change Proposal question; the responses received and also notify National Grid's intentions with regards to withdrawal, modification or implementation following consideration of the written comments submitted by Fast Reserve Providers.

Detailed Change Proposals

- 6 Following publication of this document, National Grid will now formulate a Detailed Change Proposal for those Outline Change Proposals it has decided to implement. The Detailed Change Proposals shall be notified by National Grid to Fast Reserve Providers in writing by **Friday, 23rd November** and shall specify a Final Implementation Date.

Section 2

OCP-01 – Amendment Process

National Grid's Proposal – Question 1

- 7 Do you consider that the response time permitted for Providers to respond to an OCP should be increased from the current 10 Business Days, to 20 Business Days? If not, could you recommend a more appropriate timescale?

Responses to OCP-01 – Question 1

- 8 All five respondents agreed that National Grid should increase the response time for an OCP from 10 to 20 Business Days.

Question 1 – Decision

- 9 National Grid has decided to implement this proposal.

National Grid's Proposal – Question 2

- 10 Do you consider that a period of 20 Business Days following receipt of responses to an OCP from Providers is an appropriate timescale for National Grid to give due consideration to these responses and notify of its intention to either withdraw or modify the proposals, or implement them via the publication of a DCP? If not, could you recommend a more appropriate timescale?

Responses to OCP-01 – Question 2

- 11 All five respondents agreed that National Grid should increase the decision time over whether to withdraw, modify or implement the OCP, from 10 to 20 Business Days.
- 12 Of the five respondents, one noted they considered the lack of a further process, allowing consideration by a body other than National Grid, a weakness in the change system.
- 13 One respondent noted that it was important to achieve parity for both service providers and the system operator.

Question 2 – Decision

14 National Grid has decided to implement the proposal.

National Grid's Proposal – Question 3

15 Do you consider that an increased period of 20 Business Days would be more appropriate than the current timescales in the interests of arriving at a mutually beneficial negotiation of Special Condition(s) or contract prices? If not, could you recommend a more suitable timescale?

Responses to OCP-01 – Question 3

16 All five respondents agreed that National Grid should increase to 20 Business Days, there were no alternative suggestions.

Question 3 – Decision

17 National Grid has decided to implement this proposal.

National Grid's Proposal – Question 4

18 Do you believe that the proposed change to introduce a process allowing changes to be made to the SCT's following agreement from all parties, without conducting the full review process, will make the SCT's and Fast Reserve Service more flexible to future changes? Are you supportive of such a proposal?

Responses to OCP-01 – Question 4

19 Four out of the five respondents were supportive of the proposal to introduce a method for implementing changes without a full review process, if agreement was obtained from all parties to ensure fairness.

20 One respondent disagreed, preferring to follow the current process thereby ensuring any proposal be put in front of all parties, not just Fast Reserve Providers.

Question 4 – Decision

21 Given that the majority support the proposal National Grid intends to implement the proposal. National Grid will request consent to a change from all parties (a Party being anyone who has signed a Framework Agreement) following comment and review.

Section 3

OCP-01 – Tender Dates

National Grid's Proposal – Question 5

- 22 Do you consider the new proposed tender dates to be an appropriate change? If not, could you recommend a more suitable timescale?

Responses to OCP-01 – Question 5

- 23 All five respondents agreed that National Grid should align the tender dates so that all tenders would be received on the same Business Day, in this case Business Day 1 of the month.
- 24 One respondent, whilst agreeing that streamlining tenders is logical, commented that it would be more beneficial to move the tender date to later in the calendar month, rather than forwards to give tendering parties more time to determine their view of alternative market options.

Question 5 – Decision

- 25 Given the majority support for the proposal and the desire to keep monthly tendered services aligned, National Grid has decided to implement this proposal. National Grid will however, continue to keep the tender date under review and assess the benefit of moving the tender date to later in the month.

Section 4

OCP-01 – Tender Sheets

National Grid's Proposal – Question 6

- 26 Do you consider the generally updating of tender sheets, tender guidance and the introduction of the above specifically outlined proposed changes will give the tendering Party and National Grid more flexibility around the monthly service tender? If not, what could you recommend what changes would provide more flexibility?

Responses to OCP-01 – Question 6

- 27 All five respondents expressed support for the proposal to amend the tender sheets and provide more flexibility around the monthly service tenders.
- 28 One respondent noted “it is essential that National Grid place appropriate weighting to tenders that focus on periods of higher requirement of Fast Reserve” whilst another noted “the introduction of part-tender and tendered-hours acceptance facilities are a welcome revision as it facilitates flexibility”.

Question 6 – Decision

- 29 National Grid intends to implement this proposed change.

Section 5

OCP-01 – Optional Prices

National Grid's Proposal – Question 7

- 30 Do you consider the proposal of introducing a facsimile process for amending the Optional Fast Reserve Service price an improvement and preferable to the current system where amendment of the entire Fast Reserve Framework Agreement is required?

Responses to OCP-01 – Question 7

- 31 Three of the respondents expressed support for the proposal with, another respondent making no comment and the final respondent does not offer Optional Fast Reserve.
- 32 One of the respondent commented that email should be used and that National Grid should look to remove faxes from all methods of communication.
- 33 Another respondent stated they welcome the revision “as it provides an improvement and achieves consistency with other ancillary services”.
- 34 A further respondent commented the change “is good and would give some flexibility” and added they would like the process to be quicker “allowing up to 1 Week for sign off and inclusion by Grid does not feel quick enough” and suggesting “the ability to re-submit the optional price on a daily basis would increase options to National Grid”

Question 7 – Decision

- 35 National Grid notes the comments made with regard to the proposed process for amending Optional Prices. Given the general support for the proposal National Grid intends to implement the proposal. National Grid also intends to further review the process following implementation and consider during a future Fast Reserve service review, whether it can be improved with regards to both communication method and timing.

National Grid's Proposal – Question 8

- 36 Would you support the inclusion of each Provider's current Optional Fast Reserve Service prices as part of the template for the monthly Fast Reserve Market Report to

make the Optional Market both more open and fluid? If not, what alternative process would you suggest?

Responses to OCP-01 – Question 8

- 37 Two of the respondents agreed with the proposal, whilst one respondent made no comment and two respondents disagreed with the proposal. Comments are outlined in the following paragraphs.
- 38 One of the respondents who disagreed responded as follows “No we do not support this. We don’t believe that any unit specific information should be publically available (For FR or FFR). Naming individual units that provide key system services provides no additional market information but does potentially pose a security issues hence no black start stations are named. Optional price should not be published unless they affect the acceptance or rejection of a tender.”
- 39 The other respondent who disagreed with the proposal commented “We do not support the need to report the Optional Price in the market report. It would not influence the market if this were reported nor make it more fluid”.
- 40 Whilst one of the supporting respondents stated “Yes, we strongly support this revision. It would better meet National Grid’s licence obligations through improving the promotion of competition”.

Question 8 – Decision

- 41 National Grid believes that highlighting the prices for the Optional Service will provide a better understanding of the market position for Fast Reserve Providers and other industry participants. National Grid intends to implement this proposal however, given the feedback received from respondents National Grid will consult further with the industry before publishing the Optional Prices.

Section 6

OCP-01 – SCT Revisions

National Grid's Proposal – Question 9

- 42 Do you accept the proposed legislative changes outlined in this document? Do you believe other changes that have not been outlined here should be considered for inclusion?

Responses to OCP-01

- 43 Four of the respondents agreed in principle with the all of the legislative changes being proposed.
- 44 One respondent agreed with the changes surrounding the 'Definitions' and 'the Bribery Act 2010' however, they did not agree with the approach to European Legislation. They noted the development of the European Network Codes and hoped to see the implementation of changes in due course but want these to be "clearly flagged up in terms of the specific changes to the (GB) Fast Reserve commercial arrangements at that time rather than being undertaken (in advance) via the wording shown in paragraph 49 of the consultation document" the reasoning for this was they may no longer wish to provide the service in the same way as currently "if the terms and conditions and / or associated risks in providing Fast Reserve materially change at that time".
- 45 One of the respondents requested the clauses mirror those of other Balancing Services SCT's such as STOR.
- 46 One respondent highlighted that "regardless of whether the precise wording is introduced to the SCT's or not, all parties are required to comply with legislative obligations including the Bribery Act and European legislation as these take precedence over the SCT's."

Question 9 – Decision

- 47 National Grid confirms that it attempts to keep the Standard Contract Terms wording for clauses similar across balancing services, where possible.
- 48 Following responses to OCP-01 National Grid has decided to implement the proposals regarding "Definitions" and "the Bribery Act, 2010" and withdraw the European Legislation proposal for Clause 6.2.3(d) for further consideration.

Section 7

OCP-01 – Other Issues

National Grid's Proposal – Question 10

- 49 Would you support an amendment to the Fast Reserve SCT's to position the service ensuring that any option to tender electronically could be quickly implemented, should that become a possibility?

Responses to OCP-01

- 50 Four of the respondents agreed with the proposed amendment of the Fast Reserve SCT's to ensure the wording of the document contemplated the ability to tender electronically should a system become available in future.
- 51 One respondent did not agree with this change and expressed the view that electronic tenders would "provide a significant additional complexity and risk to the tenderers" and that "the approval process and submission process for none routine tenders will be complex".
- 52 In response, National Grid notes this proposed change is only designed to ensure an electronic system could be offered to Fast Reserve Providers should a suitable system become available, the paper-based tender option would remain and consultation with providers over such a system would also be offered by National Grid.

Question 10 – Decision

- 53 Following the responses received National Grid has decided to implement the contractual wording changes necessary to ensure the SCT's reflect the possibility of tendering electronically. National Grid notes that any actual move to an e-tender would be subject to further consultation.

National Grid's Proposal – Question 11

- 54 Do you support the inclusion of a suite of template documents with brief guidance notes on use of each template facsimile and inclusion of word format on the National Grid website?

Responses to OCP-01

- 55 Four of the respondents agreed that National Grid should include a suite of template documents with guidance notes and word copies on the National Grid website, whilst one respondent made no comment.

Question 11 – Decision

- 56 Following these responses National Grid proposes to implement the Outline Change Proposal as described.