

Proposed Revisions to Balancing Principles Statement and Procurement Guidelines Following Annual Consultation

A Report by National Grid

In accordance with Condition C16 of
its electricity transmission licence

19 February 2009

Information Contact:

Shafqat Ali

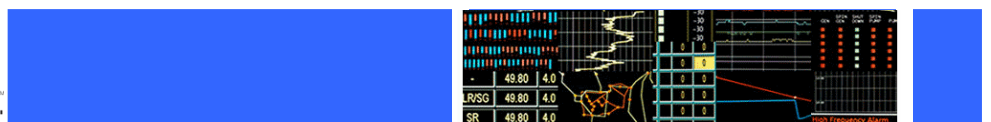
Phone: 01926 655980

Mobile: 07879 602814

E-mail: shafqat.r.ali@uk.ngrid.com

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Executive Summary

National Grid has carried out an annual review of the Balancing Principles Statement (BPS) and the Procurement Guidelines (PGs). This review has been conducted in accordance with Standard Condition C16 of National Grid Electricity Transmission licence.

As a result of the annual review, National Grid proposed changes to the BPS and the PGs which were published in an industry consultation document on 16 January 2009.

A key aspect of the proposed changes is National grid's proposal to write the BPS and the PGs in 'plain English'. This work has been carried out by an external organisation that specialises in converting technical documents into plain English.

Following a 28-day consultation period, the industry responses have been received by 13 February 2009.

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

Recommendation

Following industry consultation, National Grid recommends that the Authority approves the revised versions of the BPS and the PGs in Appendices G and H of this report; these versions incorporate both the technical changes and the 'plain English' changes, and include revisions following industry responses.

If the Authority does not approve the changes highlighted in Appendices G and H, National Grid recommends that the Authority approves the changes highlighted in Appendices C and D; these versions only incorporate technical changes.

Subject to the approval by the Authority by 20th March 2009, the proposed changes will become effective from 1st April 2009.



1 Introduction

In accordance with its licence obligations under Standard Condition C16 of the National Grid Electricity Transmission licence, National Grid has consulted with the industry on the proposed changes to the Balancing Principles Statement (BPS) and the Procurement Guidelines (PGs).

The consultation document can be found in Appendix A.

National Grid has consulted the industry on two broad types of proposed changes:

1. 'In-house' technical changes which mainly consist of house-keeping changes and points of clarification but also include some changes that reflect current practice. These are the type of changes that National Grid would normally propose as part of the annual review process. The 'in-house' technical changes proposed to the PGs and the BPS can be found in Appendices C and D respectively.
2. 'Plain English' changes which aim to improve the readability of the BPS and the PGs by writing them in a simpler and easier-to-read form. These changes have been suggested by an external organisation which specialises in converting technical documents into plain English documents. The 'plain English' changes proposed to the PGs and the BPS (including the 'in-house' technical changes) can be found in Appendices E and F respectively.

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

2 Industry Responses

Responses were received from two organisations:

- E.ON
- CIPS Energy Committee¹
- BOC Limited

¹ The Chartered Institute of Purchasing & Supply (CIPS) Energy Committee



National Grid is disappointed with the response rate given that the consultation document had been publicised widely within the industry (e.g. via Operational forum and Demand Side Working Group circulation lists). However, National Grid recognises that the industry may be preoccupied with major ongoing industry issues such as the Transmission Access Reform and Governance Review. National Grid will continue to encourage more industry engagement in its future consultations.

The individual responses can be found in Appendix B.

A high level summary of industry responses to the consultation questions is given in Table 1 below.

Table 1

No	Consultation Question	E.ON	CIPS	BOC
1	<i>Do you agree that the 'in-house' technical changes proposed to the PGs in Appendix C should be made?</i>	Y	Y	No response to specific questions but "applauds the move towards Plain English".
2	<i>Do you agree that the 'in-house' technical changes proposed to the BPS in Appendix D should be made?</i>	N		
3	<i>Do you agree that the 'plain English' changes proposed to the PGs in Appendix E (which include proposed 'in-house' technical changes) should be made?</i>	N	Y	
4	<i>Do you agree that the 'plain English' changes proposed to the BPS in Appendix F (which include proposed 'in-house' technical changes) should be made?</i>	N		
5	<i>Do you think that National Grid should extend the 'plain English' approach to other similar documents? If yes, which other documents would you like to see written in 'plain English'?</i>	N	Y	

The industry responses to these questions can be grouped into the following three categories:

1. 'In-house' technical changes (Q1 and Q2);
2. 'Plain English' changes, including the 'in-house' technical changes (Q3 and 4);



3. Extension of 'Plain English' changes to other similar documents (Q5).

Sections 1.1-1.3 summarise industry responses and National Grid's response to industry views.

2.1 'In-house' Technical Changes

Table 2 summarises the key points from the industry responses.

Table 2

E.ON Response	CIPS Response
<ul style="list-style-type: none"> ▪ Agree with the proposed changes to PGs; ▪ Duplication of provisions in the BPS 'provides helpful clarity' and hence this duplication should be retained. 	<ul style="list-style-type: none"> ▪ CIPS is 'in complete agreement with the house-keeping changes'; ▪ Important that procedural and policy documents are kept up to date and reflect current industry practices; ▪ National Grid should carry out bi-annual reviews but must be careful that the changes do not change the meaning or intent of the documents.

National Grid's View:

National Grid notes the support for 'in-house' technical changes which are of house-keeping nature.

With regard to the proposed removal of duplicate provisions in the BPS, National Grid explained in the consultation document that the duplicate BPS provisions reside more appropriately in other documents:

- PGs is the document which sets out the kinds of balancing services that National Grid procures (as stated in paragraph 3(a) of Condition C16) and provides detailed description of these balancing services;
- Types of Frequency Response are fully defined in the Grid Code.

National Grid considers that the PGs is concerned with what type of balancing services are procured whilst the BPS is concerned with how these balancing services are deployed. National Grid considers that this duplication causes ambiguity regarding the specific purpose of the PGs and the BPS.



National Grid concludes that the proposed removal of duplicate provisions will improve clarity regarding the purpose of the PGs and the BPS.

2.2 ‘Plain English’ Changes (including ‘in-house’ technical changes)

Table 3 summarises the key points from the industry responses.

Table 3

E.ON Response	CIPS Response	BOC
<ul style="list-style-type: none"> ▪ Support the purpose of using clearer language in documents that provide information to customers; ▪ Concerned that simpler language risks altering the original meaning e.g. <u>PGs</u> <ol style="list-style-type: none"> 1. Replacement of “Commercial Ancillary Services ... are agreed bilaterally” with “Commercial Ancillary Services ... are agreed by negotiation”². 2. Replacement of “Where we consider that no competition exists (such as the provision of a locational service)” with “If we consider that there is no competition”³; 	<ul style="list-style-type: none"> ▪ Welcomes National Grid’s decision to re-write PGs and BPS in plain English, providing that the re-write does not change the meaning of the content; ▪ Too much industry jargon / abbreviations are used in compiling procedural documents for the UK energy sector which makes it hard for the up and coming energy buyers to understand how the industry is structured, and, more importantly, how it works; ▪ Important that documents are written in good English and free from spelling errors. 	<ul style="list-style-type: none"> ▪ ‘Track changes’ in such a way that technical, commercial and financial changes are easily distinguishable from house-keeping and ‘plain English’ changes; ▪ The next step to ‘plain English’ version of the PGs and the BPS should be to reduce the length of these documents; concise documents are more likely to be read.

² PGs, Part C, section 2.1, paragraph 8

³ PGs, Part D, section 1, paragraph 8

⁴ BPS, Part A, section 1, paragraph 4

⁵ BPS, p11



E.ON Response	CIPS Response	BOC
<p><u>BPS</u></p> <p>3. Replacement of “a review of the BPS will be undertaken in accordance with C16 of the Transmission Licence” with “relevant information and reports will be provided to the Authority in accordance with C16 when undertaking the review”⁴;</p> <p>4. Typos: Replace “Electricity” with “Licence”⁵ and remove “Licence”⁶</p>		

National Grid’s View:

National Grid notes the support for use of clearer ‘plain English’ language in the PGs and the BPS and recognises concerns that this has the potential to impact the original meaning of the content of these documents.

Prior to the publication of the consultation document, National Grid thoroughly reviewed the ‘plain English’ suggestions made by an external organisation that specialises in converting technical documents into ‘plain English’. As a consequence of this rigorous review, not all the suggested changes have been incorporated in the PGs and the BPS. For example, the suggested changes that altered the defined terms (e.g. suggested replacement of the defined term ‘mandatory services’ with ‘compulsory services’) have not been incorporated.

Whilst National Grid acknowledges the potential risks of using simpler language, we believe that, on balance, easier-to-understand industry documents will overall be beneficial for the industry; for example, simpler

⁶ BPS, Part B, section 1, paragraph 1



industry documents may help existing and new services providers gain a better understanding of the type of services they may be able to offer, which would ultimately benefit the electricity market and the consumers.

With regard to the specific industry comments and suggestions (numbered 1-4 in Table 3), National Grid's views are summarised below:

PGs

1. National Grid agrees that the proposed replacement of "Commercial Ancillary Services ... are agreed bilaterally" with "Commercial Ancillary Services ... are agreed by negotiation" alters the original meaning and hence this proposed change should not be made. National Grid has accordingly revised the 'plain English' version of the PGs.
2. National Grid notes that the potential circumstances (e.g. locational service) under which competition may be limited are clearly stated at the beginning of the section 'bilateral contracts' Part D, in section 1, paragraph 5 of the PGs. Consequently, the reference to these potential circumstances was removed later in this section. However, as suggested by a respondent, retaining this reference may provide greater clarity, and National Grid has subsequently revised the 'plain English' version of the PGs.

BPS

3. National Grid has reviewed the original text "*We will review this Balancing Principles Statement, provide the Authority with relevant information in relation to such review and provide the Authority the relevant reports and statements in accordance with the relevant provisions of Standard Condition C16 of the Electricity Transmission Licence*" and the proposed change "*When we review this statement, we will give the Authority relevant information relating to our review and the relevant reports and statements in accordance with the relevant provisions of Standard Condition C16 of the Licence*" to replace. National Grid does not consider that the proposed change alters the intention or the meaning of this paragraph, and concludes that it is not necessary to remove this proposed change.
4. Typographical errors highlighted by a respondent have been incorporated in the revised version of the BPS.



The above changes to the proposed revisions to the PGs and the BPS can be found in Appendices G and H respectively.

2.3 Extension of ‘Plain English’ changes to other similar documents

Table 4 summarises the key points from the industry responses.

Table 4

E.ON Response	CIPS Response	BOC
<ul style="list-style-type: none"> ▪ Not productive use of National Grid’s time and resources 	<ul style="list-style-type: none"> ▪ CIPS recommends that National Grid should carry out similar reviews for all their documentation. 	<ul style="list-style-type: none"> ▪ Minimise costs by only undertaking ‘plain English’ changes when other required changes are substantive.

National Grid’s View:

National Grid acknowledges industry views summarised above.

As part of its annual consultation process, National Grid reviews the PGs and the BPS in order to ensure that these documents appropriately reflect the current practice for procurement and utilisation of the balancing services. During this process, National Grid also takes the opportunity to provide further clarity (e.g. via house-keeping changes) and ensure consistency between these documents. National Grid will continue to do this in future consultations.

With regard to the use of ‘plain English’, National Grid believes that writing documents in a simpler and easier-to-understand form is the right thing to do because this will overall be beneficial for the electricity market.

2.4 Industry Feedback on Consultation Document

No feedback was received on the consultation document.



3 Proposed Way Forward / Recommendations

National Grid has carefully considered the industry responses to the changes proposed by National Grid, and has provided its views at the end of each relevant subsection in section 3.

As a result of the industry responses, National Grid has, where appropriate, revised the proposed changes. These changes to the proposed revisions have been incorporated in PGs and the BPS shown in Appendices G and H respectively.

National Grid recommends that:

1. The Authority approves the proposed PGs and BPS changes in Appendices G and H respectively; these proposed changes incorporate both the 'in-house' technical changes and the 'plain English' changes;
2. If the Authority does not approve the proposed PGs and BPS changes in Appendices G and H, then the Authority approves proposed PGs and BPS changes in Appendices C and D respectively; these proposed changes only incorporate the 'in-house' technical changes.



Appendix A: Consultation Document

Please see a separate document



Appendix B: Industry Responses Received

- E.ON
- CIPS Energy Committee
- BOC limited



Respondent:	Paul Jones
Company Name:	E.ON UK plc
Does this response contain confidential information?	No

No	Question	Response (Y/N)	Rationale
1	<i>Do you agree that the 'in-house' technical changes proposed to the PGs in Appendix C should be made (section 3.1.1)?</i>	Y	There are no substantial changes proposed and we are happy for them to be made.
2	<i>Do you agree that the 'in-house' technical changes proposed to the BPS in Appendix D should be made (section 3.1.2)?</i>	N	Not entirely. Some elements have been removed to avoid duplication of provisions contained in other documents. However, duplicating those provisions in the BPS provides helpful clarity as to how the various documents interact. The sections that we believe should be retained are: Part B, section 4, paragraph 1. Part C, section 10, paragraphs 1 to 3. Part D, section 3.1, paragraph 1.
3	<i>Do you agree that the 'plain English' changes proposed to the PGs in Appendix E (which include proposed 'in-house' technical changes) should be made (section 3.2.1)?</i>	N	We understand and support the purpose of using clearer language particularly in documents that provide information to customers. However, the statements are technical in nature and the language often reflects that. Some of the changes that have been proposed appear somewhat superficial and we are concerned that paraphrasing some of the provisions in simpler language risks altering the original meaning or making it less clear. For instance, in Part D, section 1, paragraph 8 the phrase "Where we consider that no competition exists (such as the provision of a locational service)" is replaced with "If we consider that there is no competition". Apart from changing what appears to be a very clear statement for no apparent reason, a useful clarification that states the potential circumstances under which insufficient competition would be deemed to exist is removed. Elsewhere, in Part C, section 2.1,



No	Question	Response (Y/N)	Rationale
			<p>paragraph 8 the phrase "Commercial Ancillary Services....are agreed bilaterally" is replaced with "Commercial Ancillary Services....are agreed by negotiation". The first phrase is clear in that the agreement occurs bilaterally between National Grid and the party concerned whereas the second phrase could refer to a negotiation between a number of parties.</p>
4	<p><i>Do you agree that the 'plain English' changes proposed to the BPS in Appendix F (which include proposed 'in-house' technical changes) should be made (section 3.2.2)?</i></p>	N	<p>For similar reasons as given in response to question 3. For instance in Part A, section 1, paragraph 4 the wording has changed from stating that a review of the BPS will be undertaken in accordance with C16 of the Transmission Licence to simply stating that the relevant information and reports will be provided to the Authority in accordance with C16 when undertaking a review. Whilst we do not expect that the terms of the BPS can override National Grid's obligations under the licence, using the plain English version makes the provisions less precise and less clear.</p> <p>We also notice that there are a number of typos contained in the document such as the word "Electricity" being used instead of "Licence" on page 11 and that the word "Licence" should be removed before the phrase "not to discriminate" in Part B, section 1, paragraph 1.</p>
5	<p><i>Do you think that National Grid should extend the 'plain English' approach to other similar documents? If yes, which other documents would you like to see written in 'plain English' (section 3.2.2)?</i></p>	N	<p>For the reasons given above, we do not believe that it would be a productive use of National Grid's time or resources.</p>
6	<p><i>Do you have any other comments?</i></p>	N	



National Grid
Balancing Services

12 February 2009

Dear Sirs

Licence Condition 16 Annual Consultation – Procurement Guidelines and Balancing Principles Statement

In response to your consultation document the Chartered Institute of Purchasing and Supply's Energy Committee welcomes NG's decision to have the Balancing Principles Statement (BPS) and Procurement Guidelines (PG) rewritten in plain English, providing that the rewrite does not change the meaning of the content.

The Energy Committee is of the opinion that too much industry jargon/abbreviations are used in compiling procedural documents for the UK energy sector. The use of jargon/abbreviations make it hard for up and coming energy buyers to understand how the industry is structured and, more importantly, how it works.

It is important that procedural and policy documents are kept up to date and reflect current industry practices. Further, it is equally important that documents are written in good English, free from spelling errors.

Therefore, the Energy Committee is in complete agreement with the house-keeping changes and would urge NG to review all their documents bi-annually. Again, NG must be careful that the changes made do not change the meaning or intent of the document.

In addition the Energy Committee would recommend that NG carryout similar reviews to all their documentation.



The Chartered Institute of Purchasing and Supply is the leading body for the purchasing and supply chain profession which represents the interests of over 50,000 buyers in over 20 countries, 28,000 of which are located in the United Kingdom.

Yours Faithfully

Martin C. Rawlings
On behalf of CIPS Energy Committee



[email from BOC Limited]

Dear Shafqat,

Thank you for the opportunity to comment on the above, and please accept my apologies for missing last Friday's deadline.

BOC has no specific comments on the minor changes to the substance of the changes proposed.

BOC applauds the move towards Plain English in NG documents. You also asked for more general thoughts around this; ours are:

- 1 Re-writing in plain English clearly takes time, so in the interests of minimising costs (for NG and for those who wish to comment) they should only be undertaken when there are substantive changes to the document.
- 2 Technical/ Commercial/ Financial or other substantive changes need to be clearly identifiable from Housekeeping/Plain English improvements - the "track changes" facility in Word is a good way of showing changes easily, perhaps it would be best if two different user-names were used - one for the substantive changes, one for the presentational. This would make it easier for commenters to review the substantive changes without needing to pay too much attention to the rest, hence reducing the opportunity to "slip in" unpopular technical /financial revisions, and improving the response rate for comments.
- 3 Plain English so far appears to be re-writing Passive clauses in the Active, and reducing jargon and TLAs. This is great, but only so far as it goes; the next step is to reduce the length of these documents; a concise document is more likely to be read!

Kind regards

Christopher Webb

Commercial Manager - Utilities

DL +44 1709 842218 | Mob +44 7774 448426
BOC Limited | Operations Centre | Bawtry Road | Brinsworth | Rotherham S60 5NT

www.linde.com | chris.webb@boc.com

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Appendix C: Marked-up Procurement Guidelines for Proposed 'In-house' Technical Changes

Please see a separate document



Appendix D: Marked-up Balancing Principles Statement for Proposed 'In-house' Technical Changes

Please see a separate document



Appendix E: Marked-up Procurement Guidelines for Proposed 'In-house' Technical and 'plain English' Changes

Please see a separate document



Appendix F: Marked-up Balancing Principles Statement for Proposed 'In-house' Technical and 'plain English' Changes

Please see a separate document



Appendix G: Marked-up Procurement Guidelines for Proposed 'In-house' Technical and 'plain English' Changes, Including Post-Consultation Revisions

Please see a separate document



Appendix H: Marked-up Balancing Principles Statement for Proposed 'In-house' Technical and 'plain English' Changes, Including Post-Consultation Revisions

Please see a separate document