

Proposed changes to the BSAD methodology statements, and the introduction of the SMAF methodology statement

Industry Consultation

7th September 2009

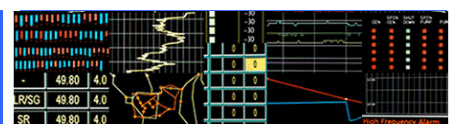
Responses requested by 4th October 2009

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CONTENTS

1 EXECUTIVE SUMMARY	4
2 PURPOSE OF THE CONSULTATION	7
2.1 BACKGROUND - BSC MODIFICATION P217A.....	7
2.2 BACKGROUND - REVIEW OF BALANCING SERVICES.....	7
3 PROPOSED CHANGES	8
3.1 BSC MODIFICATION P217A RESULTANT CHANGES	8
3.1.1 <i>Balancing Services Adjustment Data Methodology Statement</i>	8
3.1.2 <i>System Management Action Flagging Methodology Statement</i>	9
3.2 REVIEW OF CONSISTENCY OF BALANCING SERVICES INCLUDED WITHIN CASH OUT	11
3.2.1 <i>Balancing Services Adjustment Data Methodology Statement</i>	11
3.2.2 <i>System Management Action Flagging Methodology Statement</i>	11
3.2.3 <i>Emergency Deenergisation Instruction Volumes</i>	11
3.2.4 <i>Commercial Intertrip Volumes</i>	12
4 PROPOSED IMPLEMENTATION DATE	13
5 CONSULTATION RESPONSES	13
5.1 SUMMARY OF CONSULTATION QUESTIONS.....	14
5.2 HOW TO RESPOND	14
5.3 DEADLINE FOR RESPONSES.....	14
5.4 HELP WITH QUERIES	14
6 NEXT STEPS	15
7 APPENDIX A	16
SUMMARY OF PROPOSED BSAD CHANGES FROM BSC MODIFICATION P217A	16
8 APPENDIX B MARKED-UP BSAD FOR PROPOSED BSC MODIFICATION P217A	18
9 APPENDIX C SMAF METHODOLOGY STATEMENT – BSC MODIFICATION P217A RELATED	19
10 APPENDIX D SUMMARY OF PROPOSED BSAD CHANGES FROM BSC MODIFICATION P217A AND NATIONAL GRID'S REVIEW OF BALANCING SERVICES	20
11 APPENDIX E MARKED-UP BSAD FOR PROPOSED BSC MODIFICATION P217A AND NATIONAL GRID'S REVIEW OF BALANCING SERVICES CHANGES	22
12 APPENDIX F SUMMARY OF PROPOSED SMAF CHANGES FROM NATIONAL GRID'S REVIEW OF BALANCE SERVICES	23
13 APPENDIX G MARKED-UP SMAF FOR PROPOSED CHANGES FROM NATIONAL GRID'S REVIEW OF BALANCING SERVICES	24
14 APPENDIX H CONSULTATION QUESTIONS	25
15 APPENDIX I FEEDBACK	27





1 Executive Summary

Purpose of this document

The purpose of this document is to consult the industry on changes to the Balancing Services Adjustment Data (BSAD) methodology statement and on the introduction of the System Management Actions Flagging (SMAF) methodology statement.

There are two drivers for the changes proposed within this consultation. Firstly, consequential changes from the approval of BSC modification P217A; Revised Tagging Process and Calculation of Cash Out Prices. This modification alters the calculation of the main electricity imbalance price, and changes the Balancing Service Adjustment Data and the Bid Offer Data provided by National Grid to the Settlement Administration Agenda. Secondly, National Grid has reviewed the consistency of balancing services included within cash out and is proposing amendments.

It is important to note that this consultation contains two versions of the SMAF and BSAD methodology statements. The first versions contain proposed changes directly related to the P217A, while the second versions include these changes plus the proposed changes resulting from National Grid's review. Also, both versions of the BSAD methodology statement contain housekeeping changes, which given the changes resulting P217A, National Grid believes will improve the quality of the document.

This consultation seeks industry views on the SMAF methodology statement and the proposed changes to the BSAD methodology statements.

Consultation Process

The SMAF methodology statements and the proposed changes to BSAD methodology statements are attached within the Appendices of this document. The consultation document is available on National Grid's website and can be accessed by using the following link: <http://www.nationalgrid.com/uk/Electricity/Balancing/consultations/>.



Following receipt of responses to this consultation, National Grid will prepare and submit a report (in accordance with Licence Condition C16 paragraph 8) to the Authority. The industry responses and the consultation report will be published on the above link.

The current version of the BSAD methodology statement can be found at the following link:

<http://www.nationalgrid.com/uk/Electricity/Balancing/transmissionlicensestatements/>

Consultation Timescales

In accordance with Licence Condition C16, the consultation period will be 28 days. Therefore the consultation timetable is as follows:

Consultation published	7 th September 2009
Closing date for responses	4 th October 2009
Consultation Report to the Authority	9 th October 2009
Anticipated Authority decision by	5 th November 2009
Implementation	5 th November 2009
(Subject to Authority approval)	

How to respond

The consultation questions are summarised in a proforma in Appendix H. Please complete the proforma and send your responses to balancingservices@uk.ngrid.com by 7th October 2009.

Enquiries

If you wish to discuss any aspect of this document, please contact Neil Rowley by emailing neil.rowley@uk.ngrid.com or telephoning 01926 653392.

Document Structure

The remainder of this document is structured as follows:

- ❖ Purpose of the consultation



- ❖ Proposed changes
- ❖ Proposed implementation date
- ❖ Consultation responses
- ❖ Next steps
- ❖ Appendices
 - A. Summary of proposed BSAD changes from BSC modification P217A
 - B. Marked-up BSAD for proposed BSC modification P217A changes
 - C. SMAF methodology statement – BSC modification P217A related
 - D. Summary of proposed BSAD changes from BSC modification P217A and National Grid's review of balancing services
 - E. Marked-up BSAD for proposed BSC modification P217A and National Grid's review of balancing services changes
 - F. Summary of proposed SMAF changes from National Grid's review of balancing services
 - G. Marked-up SMAF for proposed changes from National Grid's review of balancing services
 - H. Consultation Questions
 - I. Feedback



2 Purpose of the Consultation

This section gives a background to the consultation and outlines the key change drivers.

2.1 Background - BSC modification P217A

The authority on the 16th October 2008 approved BSC modification P217A; Revised Tagging Process and Calculation of Cash Out Prices. This change to the main electricity imbalance price calculation is to be implemented on the 5th November 2009.

The modification alters the data provided by National Grid through the Balancing Service Adjustment Data (BSAD) to be taken into account in determining the imbalance price(s). Therefore, in accordance with our licence obligations under Standard Condition C16, National Grid is required to carry out a review of the Balancing Service Adjustment Data (BSAD) methodology statement.

In addition, through BSC modification P217A, National Grid is required to determine which balancing services should be 'SO-Flagged'. In other words, determine balancing services taken for reasons beyond energy balancing. As such National Grid has developed the System Management Action Flagging (SMAF) methodology statement to set out how this will be done¹.

More information on BSC modification P217A can be found on the following link from Elexon's website;

<http://www.elexon.co.uk/changeimplementation/ModificationProcess/ModificationDocumentation/modProposalView.aspx?propID=237>

2.2 Background - review of balancing services

¹ Ofgem are consulting on a change to the Transmission Licence to obligate National Grid to have in existence the SMAF methodology statement



National Grid has reviewed the consistency of balancing services included within cash out. Two balancing services that are not currently included within the imbalance price calculation have been identified; Commercial Intertrip and Emergency Deenergisation Instructions. National Grid is proposing the inclusion of these services within BSAD and the SMAF methodology statements.

3 Proposed Changes

This section summarises the changes proposed by National Grid to the BSAD methodology statement. The main sections of the SMAF methodology statement are also summarised

Section 3.1 outlines the resultant changes to BSAD from BSC modification P217A. The main sections of the SMAF methodology statement are also summarised. Section 3.2 outlines changes resulting from National Grid's review of balancing services.

3.1 BSC Modification P217A resultant changes

3.1.1 Balancing Services Adjustment Data methodology statement

The changes resulting from BSC modification P217A to the BSAD methodology statement are summarised in the table contained in Appendix A. The table describes the general changes; the detailed changes can be viewed within the change-marked version of BSAD contained in Appendix B.

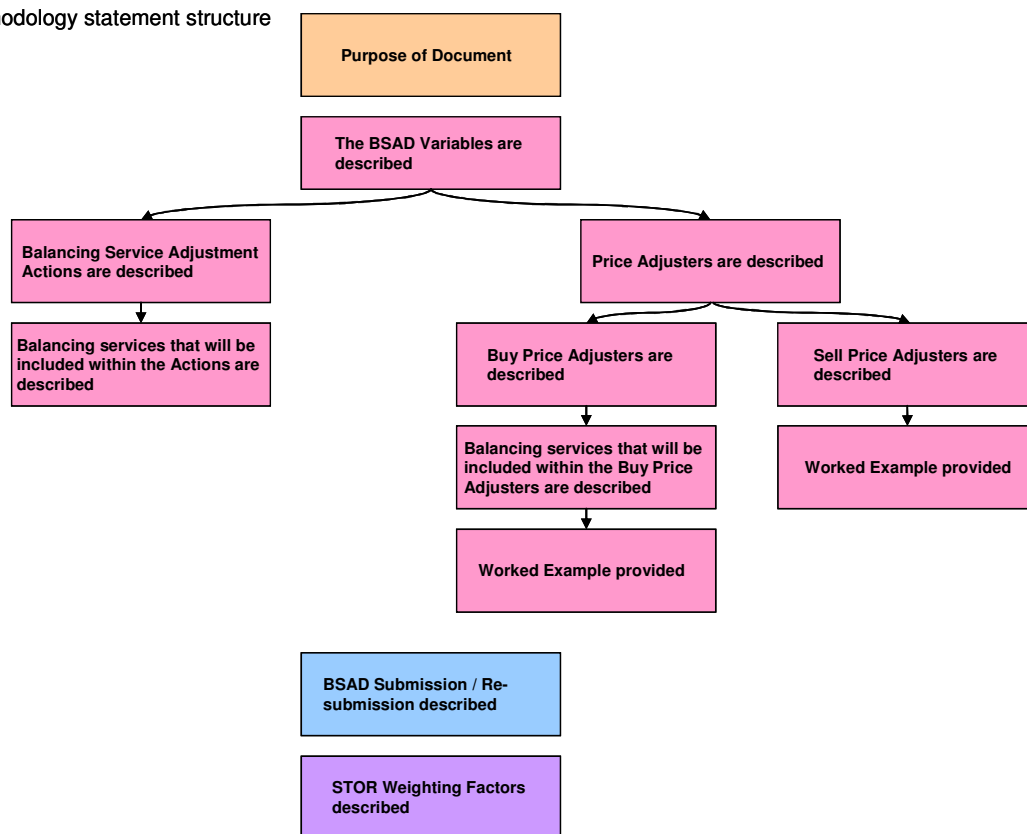
The changes from BSC modification P217A to the BSAD variables provided by National Grid have necessitated a structural change to the BSAD methodology statement. The comments column in the table in Appendix A illustrates where this has been the case. Also, in Appendix B the changed-marked BSAD shows the change by the strikethrough red text within Part B and C. It should be noted that black text used in the new structure within Part B and C denotes no change in content from the previous version. In addition, any changes which are not directly from P217A are highlighted in underlined green text, where directly from P217A; underlined blue text has been used. The main reasons for the structural changes are as follows;



- ❖ The BSAD variables have significantly changed (except Buy Price and Sell Price Adjusters)
- ❖ Disaggregating the BSAD variables means the Principles and Worked Examples section within Part C is no longer required (except for the Buy Price and Sell Price Adjusters).

The new structure is conceptually shown in the diagram below;

BSAD methodology statement structure



National Grid believes the new structure is logical given the changes to the BSAD variables and further to this, should provide greater transparency to the industry.

Consultation Question 1²
Do you agree that the changes proposed to the BSAD methodology statement in Appendix B resulting from modification P217A should be made?

3.1.2 System Management Action Flagging Methodology Statement

² All consultation questions are summarised in Appendix G.



The SMAF methodology statement is a new document setting out our approach to 'SO-Flagging'. The SMAF methodology statement is contained within Appendix C. A brief summary of the sections contained within the methodology statement is provided below.

Part A: Introduction

This section describes the purpose of the document.

Part B: Flagging

2. SO Flagged

This section describes the obligation on National Grid to SO-Flag and the criteria which National Grid will use to flag System Management Actions.

3. The balancing services that will be SO-Flagged

This section describes the balancing services subject to a determination of whether they were taken for System Management reasons.

4. Forward trades and Bid Offer Acceptances

This section describes the distinction between how National Grid will flag balancing services taken in the forward market and Bid Offer Acceptance taken in the Balancing Mechanism.

5. Flagging methodology accuracy

This section describes the general accuracy of the flagging solution, post event correction and accuracy reporting to the industry.

6. Failure of Balancing Mechanism System and backup

This section describes circumstances under which the general level of accuracy could be reduced.

7. Modifications to the methodology statement

This section describes the circumstances when National Grid will review the methodology statement.

Part D: Transmission Constraints

8. Definition of transmission constraint

Transmission constraints are defined here.



9. Transmission constraint management process

The process which National Grid uses to manage transmission constraint is outlined here.

Consultation Question 2

Do you agree that the SMAF methodology statement proposed in Appendix C should be implemented?

3.2 Review of consistency of balancing services included within cash out

3.2.1 Balancing Services Adjustment Data Methodology Statement

The changes resulting from National Grid's review of balancing services, together with the changes resulting from BSC Modification P217A (as discussed in 3.1.1), to the BSAD methodology statement are summarised in Appendix D. There is also a change-marked version in Appendix E. In summary, National Grid is proposing the inclusion of Emergency Deenergisation Instructions and Commercial Intertrips, the rationale for which is provided in sections 3.2.3 and 3.2.4.

3.2.2 System Management Action Flagging Methodology Statement

The changes resulting from National Grid's review of balancing services to the SMAF methodology statement are summarised in Appendix F. There is also a change marked version in Appendix G. In summary, National Grid is proposing the inclusion of Emergency Deenergisation Instructions and Commercial Intertrips, the rationale for which is provided in sections 3.2.3 and 3.2.4.

3.2.3 Emergency Deenergisation Instruction Volumes



CUSC Amendment Proposal 144 (CAP144): Emergency Instructions to emergency de-energise, approved by the authority on the 13th June 2008 changed the treatment of Emergency Deenergisation Instructions from a pay-as-bid mechanism to an administered payment under the CUSC. Further details on this modification can be found on the National Grid website at the following link;

http://www.nationalgrid.com/uk/Electricity/Codes/systemcode/amendments/amendment_archive/

The modification, by no longer treating Emergency Deenergisation Instructions as Bid Offer Acceptances, removed the link (that previously existed) between Emergency Deenergisation Instructions and cash out. This issue was considered at the time of the modification, and is summarised by Ofgem in their approval letter (dated 13th June 2008), which stated that, 'Ofgem supports the view of the majority of respondents that the 'lost' volume (up to the wall) should be included in the calculation of cash out prices as an 'unpriced' volume as this will reduce the risk of Emergency Instructions, taken for system reasons, affecting the Net Imbalance Volume and potentially distorting the energy imbalance price'.

National Grid agrees with this position as we consider it important to account for this energy within the determination of the length of the system (the Net Imbalance Volume). In so doing, this will help ensure that the correct imbalance price (System Buy Price and System Sell Price) is selected as the main and reverse price and thereby predicating one of the principles of the dual cash out mechanism – parties out of balance that are supporting the System Operator (e.g. party is short when the market is long) should be 'cash out' at market value.

Therefore, National Grid is proposing the inclusion of Emergency Deenergisation Instruction volumes (up to the wall) within the BSAD methodology statement as an unpriced volume.

Consultation Question 3

Do you agree that Emergency Deenergisation Instruction volumes should be included within the BSAD and SMAF methodology statement as contained within Appendices E and G?

3.2.4 Commercial Intertrip Volumes



Volumes associated with the firing of Commercial Intertrips are not presently included within the BSAD methodology statement.

However, it is National Grid's view that such volumes should be included within the determination of the system length (Net imbalance Volume), similar to other services that quickly remove energy from the system (System to Generator Operational Intertripping and the proposed inclusion of Emergency Deenergisation Instructions). Including Commercial Intertrip volumes will avoid potential distortions in the imbalance price calculation, for example, by avoiding situations where the 'lost' energy replacement actions have been considered by cash out but the Commercial Intertrip volume has not been. This could lead to circumstances where the main imbalance price might be overstated.

Consequently National Grid is proposing that energy volumes associated with the firing of Commercial Intertrips should be included within the BSAD and SMAF methodology statements. National Grid is proposing that Commercial Intertrips should be treated as a System Management Action as this balancing service is only used for transmission constraints. Furthermore, as these services are not contracted on a £/MWh basis any use of this service will be processed as an unpriced volume.

Consultation Question 4

Do you agree that Commercial Intertrip volumes should be included within the BSAD and SMAF methodology statement as contained within Appendices E and G?

4 Proposed Implementation Date

Subject to Ofgem approval of the proposed changes by 5th November 2009, it is National Grid's intention to implement the proposed changes on 5th November 2009.

5 Consultation Responses



5.1 Summary of Consultation Questions

The consultation questions are summarised in Appendix H. The proforma in appendix H can be used to respond to the consultation questions, as described in section 5.2.

Appendix I contains a short questionnaire seeking industry feedback on this consultation document.

5.2 How to Respond

Responses should be submitted by replying to the consultation questions in Appendix H and e-mailing the completed proforma to balancingservices@uk.ngrid.com.

The completed feedback questionnaire can also be e-mailed to balancingservices@uk.ngrid.com.

If you do not wish any elements of your response to be made publicly available, please mark these as confidential.

5.3 Deadline for Responses

The consultation period for this consultation is 28 days from the date of publication (7th September 2009) of this document. Therefore responses are required **by 4th October 2009**.

5.4 Help with Queries

If you have queries regarding any aspect of this consultation, please contact:

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6 Next Steps

Following receipt of responses to this consultation, National Grid will prepare and submit a report (in accordance with Electricity Transmission Licence Standard Condition C16 paragraph 8) to the Authority. The consultation document, consultation report, and all responses, will be published on National Grid's website:

www.nationalgrid.com/uk/Electricity/Balancing/consultations/.

7 Appendix A

Summary of proposed BSAD changes from BSC modification P217A

Current BSAD Section	New BSAD Section	Change	Comment
Part B, section 1.1	Part B section 2	Insert new description of BSAD variables	The description of the current variables is no longer applicable
N/A	Part B, section 3	Insert description of the Balancing Service Adjustment Actions	Further detail on how energy procured is supplied through BSAD
Part B, section 1.2	Part B, section 3.1	This section only contains balancing services that may be included within the Balancing Service Adjustment Actions	This provides a more logical structure
N/A	Part B, section 3.1	Under forward contracts, a description and worked example of the one condition in which multiple balancing services could aggregate into a single Balancing Service Adjustment Action	Provided for transparency
		Insert a description of system to generator operational intertripping as unpriced volume	Service not contracted on a £/MWh basis
N/A	Part B, section 4	Insert a description of the price adjusters	This provides a more logical structure
Part C, section 1	Part B, section 4.1	Description of the Buy Price Adjuster (BPA)	This provides a more logical structure
		Insert a new complete algebraic description of BPA	Provided for greater transparency
Part B, section 1.2	Part B section 4.1.1	This section only contains balancing services that may be included with BPA	This provides a more logical structure
N/A		Insert a statement describing when BM StartUp will not feed into BPA	Provided for greater transparency
Part C, section 2	Part B, section 4.1.2	Worked example of the BPA	This provides a more logical structure
N/A		Insert new BPA example	Provided for greater transparency
Part C, section	Part B, section	Description of the Sell Price Adjuster (SPA)	This provides a more logical structure



1	4.2	Insert a new complete algebraic description of SPA	Provided for greater transparency
Part C, section 2	Part B, section 4.2.1	Worked example of SPA	This provides a more logical structure
N/A		Insert new SPA example	Provided for greater transparency
Part B, section 1.3	Part C, section 5	Description of BSAD provision	This provides a more logical structure
		Insert new BSAD variables	As required under the BSC
Part B, section 1.4	Part C, section 6	Basis of BSAD	This provides a more logical structure
Part B, section 1.5	Part C, section 7	Re-submission of BSAD	This provides a more logical structure
Part D	Appendix A	Removal of b) i,	The use of data for the first year calculation is no longer applicable.



8 Appendix B

Marked-up BSAD for proposed BSC modification P217A Changes

Please see a separate document



9 Appendix C
SMAF methodology statement – BSC
modification P217A related

Please see a separate document

10 Appendix D

Summary of proposed BSAD changes from BSC modification P217A and National Grid's review of balancing services

Current BSAD Section	New BSAD Section	Change	Comment
Part B, section 1.1	Part B section 2	Insert new description of BSAD variables	The description of the current variables is no longer applicable
N/A	Part B, section 3	Insert description of the Balancing Service Adjustment Actions	Further detail on how energy procured is supplied through BSAD
Part B, section 1.2	Part B, section 3.1	This section only contains balancing services that may be included within the Balancing Service Adjustment Actions	This provides a more logical structure
N/A	Part B, section 3.1	Under forward contracts, a description and worked example of the one condition in which multiple balancing services could aggregate into a single Balancing Service Adjustment Action	Provided for transparency
		Insert a description of the inclusion of emergency deenergisation instruction volumes	Proposed from National Grid's review
		Insert a description of system to generator operational intertripping as unpriced volume	Service not contracted on a £/MWh basis
		Insert a description of the inclusion of commercial intertrip volumes	Proposed from National Grid's review
N/A	Part B, section 4	Insert a description of the price adjusters	This provides a more logical structure
Part C, section 1	Part B, section 4.1	Description of the Buy Price Adjuster (BPA)	This provides a more logical structure
		Insert a new complete algebraic description of BPA	Provided for greater transparency
Part B, section 1.2	Part B section 4.1.1	This section only contains balancing services that may be included with BPA	This provides a more logical structure
N/A		Insert a statement describing when BM StartUp will not feed into BPA	Provided for greater transparency



Part C, section 2	Part B, section 4.1.2	Worked example of the BPA	This provides a more logical structure
N/A		Insert new BPA example	Provided for greater transparency
Part C, section 1	Part B, section 4.2	Description of the Sell Price Adjuster (SPA)	This provides a more logical structure
		Insert a new complete algebraic description of SPA	Provided for greater transparency
Part C, section 2	Part B, section 4.2.1	Worked example of SPA	This provides a more logical structure
N/A		Insert new SPA example	Provided for greater transparency
Part B, section 1.3	Part C, section 5	Description of BSAD provision	This provides a more logical structure
		Insert new BSAD variables	As required under the BSC
		Insert additional balancing services	Proposed from National Grid's review
Part B, section 1.4	Part C, section 6	Basis of BSAD	This provides a more logical structure
Part B, section 1.5	Part C, section 7	Re-submission of BSAD	This provides a more logical structure
		Insert additional balancing services	Proposed from National Grid's review
Part D	Appendix A	Removal of b) i,	The use of data for the first year calculation is no longer applicable.
		Insert a description of where National Grid may use data from the proceeding 2 years	Proposed from National Grid's review



11 Appendix E
Marked-up BSAD for proposed BSC
modification P217A and National Grid's
review of balancing services changes

Please see a separate document



12 Appendix F

Summary of proposed SMAF changes from National Grid's review of balance services

SMAF Section	Change	Comment
Part B, section 3	Insert Emergency Deenergisation Instructions	Proposed from National Grid's review
	Insert Commercial Intertrip	Proposed from National Grid's review



13 Appendix G
Marked-up SMAF for proposed changes
from National Grid's review of balancing
services

Please see a separate document

14 Appendix H

Consultation Questions

National Grid invites responses to this consultation by 4th October 2009. The responses to specific consultation questions (summarised below) or any other aspect of this consultation can be provided by completing the following proforma.

Please return the completed proforma to balancingservices@uk.ngrid.com.

Respondent:	
Company Name:	
Does this response contain confidential information?	

No	Question	Response (Y/N)	Rationale
1	<i>Do you agree that the changes proposed to the BSAD methodology statement in Appendix B resulting from modification P217A should be made?</i>		
2	<i>Do you agree that the SMAF methodology statement proposed in Appendix C should be implemented?</i>		
3	<i>Do you agree that Emergency Deenergisation Instruction volumes should be included within the BSAD and SMAF methodology statement as contained within Appendices E and G?</i>		
4	<i>Do you agree that Commercial Intertrip volumes should be included within the BSAD and SMAF methodology statement as</i>		



No	Question	Response (Y/N)	Rationale
	<i>contained within Appendices E and G?</i>		
5	<i>Do you have any other comments?</i>		



15 Appendix I Feedback

National Grid would welcome any feedback on this consultation document or any other aspect of the consultation process.

Please complete the form by ticking the appropriate boxes and providing additional comments where appropriate. Please return the completed form to balancingservices@uk.ngrid.com.

Respondent:	
Company Name:	
Does this feedback contain confidential information?	

(1) very poor (2) poor (3) average (4) good (5) very good (6) excellent		1	2	3	4	5	6
(a)	How would you rate the consultation document overall?						
(b)	How well was the document structured?						
(c)	How clear were the contents of the document?						
(d)	How appropriate were the consultation questions?						

Which parts of the document did you find most useful?

Which parts of the document did you find least useful?

Please provide any additional comments that may assist future consultations.