

Report to Authority

Proposed Revisions to the
Balancing Principles Statement,
Balancing Services Adjustment Data Methodology
Statement,
Procurement Guidelines,
System Management Action Flagging Methodology
Statement

Following Industry Consultation

A Report by National Grid
In accordance with Standard Condition C16 of its
Electricity Transmission Licence

18th November 2013

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Executive Summary

National Grid has carried out a consultation (the C16 consultation) on proposed amendments to some of the documents maintained in accordance with Standard Condition C16 of the National Grid Electricity Transmission Licence, namely the:

- Balancing Principles Statement (BPS);
- Balancing Services Adjustment Data Methodology (BSAD) Statement;
- Procurement Guidelines (PG); and
- System Management Action Flagging Methodology Statement (SMAF)

(referred to collectively as the C16 Statements from this point forward).

The C16 consultation was undertaken in accordance with Standard Condition C16 of the National Grid Electricity Transmission Licence, in parallel with an industry consultation also conducted by National Grid in relation to the proposed introduction of two new balancing services¹. Proposed changes to the four C16 Statements referred to above in order to support the introduction of these additional balancing services were made in the C16 consultation document published on 11th October 2013². No changes were proposed to the ABSVD Methodology Statement (also maintained under Standard Condition C16) under the C16 consultation as no required changes were identified.

Industry responses to the C16 consultation were requested by 11th November 2013. Responses were received from:

- GDF Suez
- EDF Energy
- SSE
- UK Demand Response Association

This report provides details of the outcome of the C16 consultation process undertaken by National Grid.

Recommendation

Following industry consultation, National Grid now presents to the Authority for consideration revised versions of the C16 Statements supporting Options 1, 2 and 3 as described further in this document.

The Authority is invited either to approve the revised versions of the C16 Statements supporting one Option and reject the other two Options or to reject the revised versions of the C16 Statements associated with all three Options.

National Grid recommends that the Authority approves the revised versions of the C16 Statements associated with supporting the introduction of Option 1, namely the introduction of both the Demand Side Balancing Reserve (DSBR) and Supplemental Balancing Reserve (SBR) services.

¹ <http://www.nationalgrid.com/uk/Electricity/AdditionalMeasures/>

² <http://www2.nationalgrid.com/UK/Industry-information/Electricity-codes/Balancing-framework/C16-Consultations/>

The revised versions of the C16 Statements recommended for approval incorporate both the revisions originally proposed by National Grid in the C16 consultation and the changes to these revisions as a result of the C16 consultation. These revised and combined versions of the C16 Statements are included as Appendix F.

Should the Authority decide not to approve the revised versions of the C16 Statements associated with supporting the introduction of Option 1 then the Authority is invited to consider for approval either the revised versions of the C16 Statements supporting the introduction of Option 2 (DSBR only) at Appendix G or Option 3 (SBR only) at Appendix H.

Subject to any approval given by the Authority under Standard Condition C16, the proposed changes to the C16 Statements supporting the introduction of Option 1, Option 2 or Option 3 (as the case may be) will become effective from 1st January 2014.

If the Authority does not approve any of the revised versions of the C16 Statements associated with supporting the introduction of Option 1, 2 or 3 then the existing versions of the C16 Statements will remain in force and effect.

Introduction

In accordance with Standard Condition C16 (C16) of its Electricity Transmission Licence, National Grid has consulted with the industry to propose changes to its C16 Statements in order to incorporate two new balancing services.

The proposed new balancing services of Demand Side Balancing Reserve (DSBR) and Supplemental Balancing Reserve (SBR) were the subject of a separate consultation run by National Grid in parallel with the C16 consultation, and also published on 11th October 2013.³

The DSBR product is a quantity of demand reduction capability that would be procured to be available during peak times on non-holiday weekdays in the months of November to February inclusive. This may or may not attract a set-up fee at the preference of the service provider.

The DSBR service, provided by demand reduction (including behind-the-meter generation) or small embedded generation, and despatched outside the balancing mechanism, is intended to facilitate much wider participation in the provision of balancing services by the demand side than has previously been the case. As such the arrangements are intended to be straightforward to understand and implement, and to avoid onerous obligations which could otherwise represent a barrier to widespread participation.

Under the SBR product, National Grid would ideally procure a quantity of generation capability or, in principle, demand reduction capability, from plant that would not otherwise be available in the electricity market or the Balancing Mechanism during the period of the SBR contract.

The C16 consultation was published on 11th October 2013 requesting responses by 11th November 2013. Four responses were received from: GDF Suez; EDF Energy; SSE; and UK Demand Response Association. National Grid is required by Standard Condition C16 to submit a report to the Authority within seven days of the C16 consultation closing.

Attached in the Appendices to this document, as stated on the contents page, are;

- The C16 consultation document;
- The change marked C16 Statements as presented in the C16 consultation supporting the introduction of each of the three proposed Options 1, 2 and 3 (as described further in this document);
- The Industry responses to the C16 consultation; and
- The change marked C16 Statements supporting the introduction of each of the three proposed Options 1, 2 and 3 following the C16 consultation, updated with additional changes reflecting industry responses and identified clarification requirements.

Respondents were asked to select one of the three proposed options as their preference and only respond to the questions posed under their selected option.

³ <http://www.nationalgrid.com/NR/ronlyres/F3F35BA1-8FCA-4206-9234-85D59B2ADB66/62904/FinalProposalsConsultationDSBRsBR10thOctober2013Final1.pdf>

This report provides details of the outcome of the C16 consultation process undertaken by National Grid.

1 Option 1 – Introduction of DSBR and SBR

National Grid consulted with the industry on the following proposed changes to introduce both DSBR and SBR services into the relevant C16 statements.

1.1 Proposed changes to the BPS

Reference	Change
Title Page	Change to Effective Date Change to Version Number
Page 2	Insertion of a new version control entry to identify “revision to include Demand Side Balancing Reserve and Supplemental Balancing Reserve”
Page 12, Part B Sec 5 (e) Maximum Generation Service	Insertion of text “and any Demand Side Balancing Reserve (DSBR) and any available Supplemental Balancing Reserve (SBR) have been despatched.”
Page 13, Part B Sec 5 (e) Maximum Generation Service	Insertion of text “or Demand Side Balancing Reserve”
Page 16, Part C Sec 2 (a) (iv)	Insertion of subsection “DSBR availability and prices;”
Page 16, Part C Sec 4 (i)	Insertion of text “(excluding those from BM Units providing Supplemental Balancing reserve (SBR))”
Page 17, Part C Sec 4 (iii)	Addition of text “DSBR” Deletion of text “..services from external system operators”
Page 17, Part C Sec 4 (iv)	Addition of text “call off of SBR either through requiring particular physical notification submissions or through the Balancing Mechanism; Deletion of text “and”
Page 17, Part C Sec 4 (v)	Insertion of subsection “(v) call off of emergency assistance/instructions associated with external System Operators: and”
Page 17, Part C Sec 5	Addition of text “Supplemental Balancing Reserve Service would be called off as a last resort after all valid and feasible Bids and Offers have been accepted in the BM and any valid and feasible DSBR has been called off but, where

Reference	Change
	<p>possible, prior to any instruction of Emergency Actions and other Involuntary Reductions.</p> <p>However, under certain circumstances, it may be necessary to invoke the Supplemental Balancing Reserve service before all valid and feasible Bids and Offers have been accepted or before all valid and feasible DSBR action have been called off. These circumstances may include:</p> <ul style="list-style-type: none"> (i) where Supplemental Balancing Reserve receives a despatch instruction as part of a test; (ii) where Supplemental Balancing Reserve receives a warning instruction necessary to ensure the availability of the service in requisite timescales; (iii) where, due to its dynamics, Supplemental Balancing Reserve is despatched in advance of need to manage an anticipated shortfall event; (iv) where the acceptance of available Offers or call off of DSBR would lead to an erosion of frequency response and operational reserves below the required levels; (v) where the acceptance of relevant Offers or call off of DSBR would lead to the depletion of reactive reserves below the required levels; or (vi) where no other plant with suitable dynamics is available. <p>Valid and feasible Bid and Offers and DSBR actions are those Bids and Offers and DSBR actions which facilitate the delivery of energy or demand reduction within the relevant Settlement Period. For the avoidance of doubt, the decision to call off the Supplemental Balancing Reserve service will be taken based upon the prevailing system conditions on the transmission system. The price of other available actions offered through the BM or from DSBR will have no bearing upon the decision to instruct the Supplemental Balancing Reserve service.</p> <p>Information relating to the instruction of the Supplemental Balancing Reserve Service will be published on the BMRS as soon as reasonably practicable after it has been instructed.</p>
Page 18, Part C Sec 5	Addition of text – Continued
Page 19, Part C Sec 6	Formatting
Page 20, Part C Sec 8	Formatting
Page 21, Part C Sec 10	Formatting
Page 22, Part C Sec 10	Formatting

Reference	Change
Page 22, Part C Sec 10	<p>Addition of text: “Any SBR instruction prior to Gate Closure will also be accompanied by a PGB Transaction such that the energy imbalance of the relevant BSC Party reflects the purchase of this energy under the SBR contract.”</p>
Page 28, Part D Sec 3.2	<p>Amend the number of reserve categories from four to six</p>
Page 30, Part D Sec 3.2 (e)	<p>Insertion of new section (e) “(e) Demand Side Balancing Reserve DSBR is provided by demand reduction or behind-the-meter or embedded generation and despatched outside the balancing mechanism.</p> <p>No economic assessment is undertaken of tenders from DSBR providers who do not wish to be paid a set up fee for making the service available. However, only tenders with a utilisation cost less than the Value of Lost Load will be accepted. The quantity of DSBR from this category of service provider is therefore dependent upon the quantity of valid tenders put forward with a utilisation price below the Value of Lost Load.</p> <p>Where DSBR tenders are received from DSBR providers who do wish to be paid a set up fee, the quantity of DSBR procured is determined on an economic basis by reference to the Value of Lost Load, tender prices for DSBR and our assessment of expected quantity of service call-off. The economic assessment of these tenders requires an estimate of the reliability of the service. In the assessment of such DSBR tenders, the capacity of the DSBR included in a particular tender will be reduced by 25% in undertaking its economic assessment.</p> <p>National Grid also reserves the right to take into account network constraints in assessing the relative merits of various DSBR tenders.”</p>
Page 30, Part D Sec 3.2 (f)	<p>Insertion of new section (f) “(f) Supplemental Balancing Reserve</p> <p>Other than in the circumstances described in Paragraph 5 of Part C Supplemental Balancing Reserve is not called off prior to other available balancing. It is provided primarily by contracted generation (or potentially demand reduction capability).</p> <p>In assessing the requirement for SBR, we will have regard to the latest supply and demand outlook, the associated uncertainties, and the Government’s draft reliability standard, drawing on published information in Ofgem’s Capacity Assessment Reports, our Winter Outlook Report and Future Energy Scenarios, together with other relevant information relating to generation availability and trends in demand.</p>

Reference	Change
	<p>Where economic and efficient to do so, we will aim to procure a quantity of SBR to meet this requirement and will accept tenders to achieve this at least cost, taking into account: the tendered quantity and price; the declared reliability; expected costs of testing, warming and utilisation; together with the expected costs of validation, contracting, settlement and despatch.</p> <p>National Grid also reserves the right to take into account network constraints in assessing the relative merits of various SBR tenders.”</p>
Page 30	<p>Addition of a footnote “Or such other factor that we believe is reasonable in light of operational experience of the service.”</p>
Page 31, Part D Sec 3.2 (f)	Continuation of new section (f)
Page 31, Part D Sec 3.3 (viii)	<p>Insertion of new subsection “judgement of the levels of DSBR that may be delivered.”</p>
Page 33, Part E Sec 1 Step 2	Formatting
Page 33, Part E Sec 1 Step 4	<p>Addition of text “+ DSBR”</p>
Page 33, Part E Sec 1 Step 6	<p>Addition of text “.. and after adjusting for likely quantities of available DSBR.”</p>
Page 34, Part E Sec 1 Step 7	Expansion of formula to include “+ \sum DSBR
Page 34, Part E Sec1 Step 8	<p>Addition of text “We will also consider whether Supplemental Balancing Reserve is likely to be required and notify SBR providers accordingly.”</p>
Page 35, Part E Sec 2 Step 3	<p>Addition of text “If we consider that there is a realistic possibility of a margin shortfall after taking account of the potential response to a National Electricity Transmission System Warning – Inadequate System Margin (NISM) and other available Balancing Services, we will consider despatching SBR plant to make good the potential shortfall in relevant periods.”</p>

Table 1 – Proposed BPS changes

The complete industry responses are attached in full as Appendix E. A summary of responses is included below.

Please note all references in these questions refer to the original references in the consultation.

No	Questions	GDF Suez	EDF	SSE	UKDRA
1-1	Do you agree that the changes proposed to the BPS, shown in Table 1 have been implemented correctly to the BPS in Appendix A?	Y	Y	N/A	Y
1-2	Do you agree that the changes proposed to the BPS, shown in Table 1 and in Appendix A, should be made?	N	N	N/A	Y
1-3	Do you have any other comments in relation to the changes proposed to the BPS under Option 1?	N	Y	N/A	N

1.1.1 Industry Responses to the BPS Consultation Questions

Industry responses to the consultation questions are shown below, together with National Grid's view; only the consultation questions which provided rationale for responses are shown.

Consultation Q1-1 – Do you agree that the changes proposed to the BPS, shown in Table 1 have been implemented correctly to the BPS in Appendix A?

Industry Response:

The changes illustrated in Table 1 reflect the proposed changes in the BPS. The revised BPS could, however, benefit from using abbreviations defined earlier. For example, on p.17, instead of spelling out Balancing Mechanism, the abbreviation BM could be used. Similarly, on p.17, instead of spelling out Supplemental Balancing Reserve service, the abbreviation SBR could be used.

National Grid's View:

Abbreviations have been used where identified.

Consultation Q1-2 - Do you agree that the changes proposed to the BPS, shown in Table 1 and in Appendix A, should be made?

Industry Response:

DSBR – yes; SBR – no.

GDF SUEZ is responding to the Option1 package of questions. Whilst GDF SUEZ does not support the introduction of Supplemental Balancing Reserve (SBR), if National Grid does decide to proceed then we would like the SBR related responses to be considered.

National Grid's View:

We will take into consideration all responses provided.

Industry Response:

In general, we agree that the proposed changes are consistent with the consultation proposals and should be made.

One key issue that we have is the impact SBR could have on Maximum Generation services. The consultation states that the SBR would be used as a last resort but the proposed amendments to the BPS (p.12) states that Maximum Generation will be

despatched after SBR. In our view, it should be despatched ahead of SBR and the BPS should reflect this.

If the intention is to despatch SBR ahead of Maximum Generation, we are concerned that SBR would displace Maximum Generation which does not receive an availability fee. This issue has not been addressed (nor discussed) and we do not think the changes to the BPS should be made without proper recourse for Maximum Generation service providers.

National Grid’s View:

Use of SBR will be planned ahead of real time and used as a last resort ahead of any emergency instructions. Maximum Generation is not planned ahead of real time but used to address a short term operational emergency and as such, is despatched as an emergency instruction (CUSC 4.2.4.4). The order of despatch given in the BPS is therefore correct.

Consultation Q1-3 - Do you have any other comments in relation to the changes proposed to the BPS under Option 1?

Industry Response:

As mentioned above, we are concerned that SBR would displace Maximum Generation. This issue has not been addressed (nor discussed) and we do not think the changes to the BPS should be made without proper recourse for Maximum Generation service providers. More clarity regarding the hierarchy of despatch will be useful.

National Grid’s View:

Please see the National Grid comment above.

1.2 Proposed Changes to the BSAD

Reference	Change
Title Page	Change to Effective Date Change to Version Number
Page 3	Insertion of a version control entry to identify “revision to incorporate Demand Side Balancing Reserve and Supplemental Balancing Reserve”
Page 13, Part B Sec 3.1.1	Insertion of subsection “DSBR and Supplemental Balancing Reserve The set-up fees for Demand Side Balancing Reserve (DSBR) and capability payments for Supplemental Balancing Reserve will not feed into the calculation of BPA.

Table 2 – Proposed BSAD changes

The complete industry responses are attached in full as Appendix E. A summary of responses is included below.

Please note all references in these questions refer to the original appendices in the consultation.

No	Questions	GDF Suez	EDF	SSE	UKDRA
1-4	Do you agree that the changes proposed to the BSAD, shown in Table 2 have been implemented correctly to the BSAD in Appendix B?	Y	Y	N/A	Y
1-5	Do you agree that the changes proposed to the BSAD, shown in Table 2 and in Appendix B, should be made?	N	Y	N/A	Y
1-6	Do you have any other comments in relation to the changes proposed to the BSAD under Option 1?	Y	Y	N/A	N

1.2.1 Industry Responses to the BSAD Consultation Questions

Industry responses to the consultation questions are shown below, together with National Grid's view; only the consultation questions which provided rationale for responses are shown.

Consultation Q1-4 - Do you agree that the changes proposed to the BSAD, shown in Table 2 have been implemented correctly to the BSAD in Appendix B?

Industry Response:

The changes illustrated in Table 2 reflect the proposed changes in the BSAD.

National Grid's View:

Comment noted.

Consultation Q1-5 - Do you agree that the changes proposed to the BSAD, shown in Table 2 and in Appendix B, should be made?

Industry Response:

DSBR – yes; SBR – no.

GDF SUEZ is responding to the Option1 package of questions. Whilst GDF SUEZ does not support the introduction of Supplemental Balancing Reserve (SBR), if National Grid does decide to proceed then we would like the SBR related responses to be considered.

National Grid's View:

We will take into consideration all responses provided.

Industry Response:

In general, we agree that the proposed changes are consistent with the consultation proposals and should be made.

The BSAD states that the set-up fees for DSBR and capability payments for SBR will not feed in to the calculation of BPA. To be consistent with Ofgem's EBSCR proposals, we think this is right. However, Ofgem's proposals may not be fully adopted or implemented until 2015/2016 and it is not clear what NGET proposes to do in the interim period. In the short term, it may be necessary for these fees and

payments to feed in to the calculation of BPA. The BSAD will need to capture the interim arrangements before the EBSCR proposals come in to effect.

National Grid's View:

This is a policy decision and as such, does not relate to changes proposed to the C16 statements.

From a policy perspective however, we acknowledge the issue and propose that the process for capturing DSBR set-up fees and SBR capability payments within imbalance pricing should be addressed as part of the EBSCR. To the extent that this process may not be implemented until 2015, we propose to discuss with the Ofgem EBSCR team how the cost of the services could feed into imbalance prices if procured for winter 2014/2015 if these services are approved.

Consultation Q1-6 - Do you have any other comments in relation to the changes proposed to the BSAD under Option 1?

Industry Response:

National Grid acknowledges that the costs of SBR and DSBR should feed into cashout prices but is awaiting Ofgem's reform of the cashout arrangements to suggest how. For this reason, National Grid is not proposing to factor the costs of these services into the BPA.

Ofgem has indicated that they will make a decision on the type of reforms to the cashout arrangements by next Spring. After this, modifications will have to be raised. Due to the complexity of some of Ofgem's proposals and in particular the treatment of reserve option fees, it would seem very unlikely that the necessary modifications that would allow SBR and DSBR to feed into cashout will be in place in time for November 2014.

It is important that these costs do feature in cashout as without this, the market will not be able to see and respond to this scarcity signal. If Ofgem is not able to have the reforms in place by November 2014 then a workaround must be in place in the meantime. This could be achieved with an urgent BSC modification.

National Grid's View:

This is a policy matter. If the proposal changes are approved, we will discuss with the Ofgem EBSCR team how the DSBR/SBR costs could feed into imbalance prices ahead of the EBSCR proposals being implemented.

Industry Response:

We note that there is no mention of the treatment of utilisation fees in the BSAD.

National Grid's View:

Utilisation fees do not currently feed into the calculation of the BPA in the BSAD.

1.3 Proposed Changes to the Procurement Guidelines

Reference	Change
Title Page	Change to Effective Date Change to Version Number
Page 3	Insertion of a version control entry to identify "revision to incorporate changes for Supplemental Balancing Reserve and Demand Side Balancing Reserve"

Reference	Change
Page 11, Part B Sec 3&4	Formatting
Page 12, Part B Sec 4	Formatting
Page 15, Part C Sec 1 Other Services	<p>Deletion of text “and”</p> <p>Insertion of services</p> <ul style="list-style-type: none"> • Demand Side Balancing Reserve; and • Supplemental Balancing Reserve.
Page 20, Part C Sec 2.2 Other Services	<p>Addition of text “Demand Side Balancing Reserve and Supplemental Balancing Reserve are also examples of Other Services.</p> <p>Demand Side Balancing Reserve is provided by demand reduction or smaller generating units following instruction by NGET. The details of this service will be described in the detailed statements associated with its procurement (see Part D).</p> <p>Supplemental Balancing Reserve is a “last resort” reserve service which is procured from generation (or potentially demand reduction) in order to reduce the risk of requiring involuntary demand reduction to balance the system. The details of this service will be described in the detailed statements associated with its procurement (see Part D).”</p>
Page 21, Part C Sec 2.2 Other Services	Additional text continued
Page 23, Part C Sec 3 Demand Side Providers and Small Generators	Addition of service “Demand Side Balancing Reserve (DSBR)”
Page 28, Part D Table 1 Other Services	Addition of DSBR and SBR as Other Services, plus Means of Procurement and Timescales
Page 30, Part E Sec 5 Information Provision Summary	Formatting
Page 36, Part E Table 2 Balancing Services Information Provision Summary	Addition of DSBR and SBR as Balancing Services plus Volume Information, Price Information, Timescale, and Information Source

Table 3 – Proposed PG changes

The complete industry responses are attached in full as Appendix E. A summary of responses is included below.

Please note all references in these questions refer to the original appendices in the consultation.

No	Questions	GDF Suez	EDF	SSE	UKDRA
1-7	Do you agree that the changes proposed to the Procurement Guidelines, shown in Table 3 have been implemented correctly to the Procurement Guidelines in Appendix C?	N	Y	N/A	Y
1-8	Do you agree that the changes proposed to the Procurement Guidelines, shown in Table 3 and in Appendix C, should be made?	N	Y	N/A	Y
1-9	Do you have any other comments in relation to the changes proposed to the Procurement Guidelines under Option 1?	N/R*	N	N/A	N

* No response provided

1.3.1 Industry Responses to the Procurement Guidelines Consultation Questions

Industry responses to the consultation questions are shown below, together with National Grid's view; only the consultation questions which provided rationale for responses are shown.

Consultation Q1-7 - Do you agree that the changes proposed to the Procurement Guidelines, shown in Table 3 have been implemented correctly to the Procurement Guidelines in Appendix C?

Industry Response:

No - In the procurement guidelines it says that DSBR will be procured via a market tender and SBR through bilateral contracts. The consultation clearly states that SBR will be procured via a tender. The proposed changes to the Procurement Guidelines should be reviewed to ensure that this is clear.

The procurement guidelines also propose that the quantity of Supplemental Balancing Reserve and associated capability prices procured will be published and the quantity and utilisation price of any SBR despatched will be published.

Information should also be published as to which plant have got a tender and also which plant were unsuccessful (and therefore have to remain out of the market) as with this information the market can make an assessment of plant margins.

National Grid's View:

The PG table on Page 28 has been updated to reflect that SBR will be procured through bilateral contracts derived from market tenders.

We agree that additional tendering information should be published. Information on successful/unsuccessful tenders would be published as part of the tendering process at the ITT stage. This information would not be published however as part of the balancing services volume information referred to within Table 2 of the PG.

Industry Response:

The changes illustrated in Table 3 reflect the proposed changes in the PG.

National Grid's View:

Comment noted.

Consultation Q1-8 - Do you agree that the changes proposed to the Procurement Guidelines, shown in Table 3 and in Appendix C, should be made?**Industry Response:**

DSBR – yes; SBR – no.

GDF SUEZ is responding to the Option1 package of questions. Whilst GDF SUEZ does not support the introduction of Supplemental Balancing Reserve (SBR), if National Grid does decide to proceed then we would like the SBR related responses to be considered.

National Grid's View:

We will take into consideration all responses provided.

Industry Response:

In general, we agree that the proposed changes are consistent with the consultation proposals and should be made.

However, on p.28, for SBR, the means of procurement should state that it will be bilateral contracts derived from market tenders. Additionally, the timescales should explicitly state that it will be withdrawn on the first date the capacity mechanism comes into effect.

National Grid's View:

The PG table on Page 28 has been updated to reflect that SBR will be procured through bilateral contracts derived from market tenders.

Rather than have an explicit sunset clause, the need for these services will be reviewed in 2016 as to whether there is an ongoing need for the services, whether they are operating effectively or need to be amended, and whether further additionality provisions are required. They will be removed if they are no longer required.

Consultation Q1-9 - Do you have any other comments in relation to the changes proposed to the Procurement Guidelines under Option 1?

No industry comments were received to this question.

1.4 Proposed Changes to the SMAF

Reference	Change
Title Page	Change to Effective Date Change to Version Number
Page 2	Insertion of a version control entry to identify “revision to incorporate Supplemental Balancing Reserve and Demand Side Balancing Reserve”
Page 2	Update to hyperlink
Page 3	Update to hyperlink
Page 6, Part B1 Background to SO-Flagging Sec 4	Addition of section “any balancing action used to despatch the Supplemental Balancing Reserve service whether through or outside the Balancing Mechanism.”

Table 4 – Proposed SMAF changes

The complete industry responses are attached in full as Appendix E. A summary of responses is included below.

Please note all references in these questions refer to the original appendices in the consultation.

No	Questions	GDF Suez	EDF	SSE	UKDRA
1-10	Do you agree that the changes proposed to the SMAF, shown in Table 4 have been implemented correctly to the SMAF in Appendix D?	N	Y	N/A	Y
1-11	Do you agree that the changes proposed to the SMAF, shown in Table 4 and in Appendix D, should be made?	N/R	Y	N/A	Y
1-12	Do you have any other comments in relation to the changes proposed to the SMAF under Option 1?	N/R	Y	N/A	N

1.4.1 Industry Responses to the SMAF Consultation Questions

Industry responses to the consultation questions are shown below, together with National Grid’s view; only the consultation questions which provided rationale for responses are shown.

Consultation Q1-10 - Do you agree that the changes proposed to the SMAF, shown in Table 4 have been implemented correctly to the SMAF in Appendix D?

Industry Response:

No. GDF SUEZ does not agree that an SBR action should be automatically treated as a system management action.

Intuitively these actions will have been taken to correct a supply shortfall and not for system management reasons. If this clause is to remain in the text then additional words should be added at the end to say “that partially or wholly resolves a transmission constraint”.

National Grid’s View:

Flagging SBR actions as system management would be an expedient way of identifying such actions at the time of use. Flagging SBR actions in this way would avoid diluting imbalance prices as a result of low SBR utilisation prices. As such, we regard that this proposed approach as the most appropriate and expedient means of dealing with this issue.

Industry Response:

On the title page, the version date says 01.04.14. It should be 01.01.14. Apart from that, the changes are consistent with the consultation proposals and should be made.

National Grid’s View:

Effective date of the document has been changed.

Consultation Q1-11 - Do you agree that the changes proposed to the SMAF, shown in Table 4 and in Appendix D, should be made?

Industry Response:

With amendments highlighted above [Q1-10].

National Grid’s View:

Amendments highlighted in previous comments have been addressed.

Consultation Q1-12 - Do you have any other comments in relation to the changes proposed to the SMAF under Option 1?

Industry Response:

We note that there is no mention of the treatment of utilisation fees in the SMAF.

National Grid’s View:

The SMAF details which balancing services actions are flagged for removal from imbalance pricing and as such, does not need to make reference to particular elements of service such as utilisation fees.

1.4.2 Industry Responses to the Consultation Question asking for Additional Comments

For each proposed Option, an additional question was also posed asking for comments on the Options not selected.

No	Questions	GDF Suez	EDF	SSE	UKDRA
1-13	Although your preference was for Option 1, do you have any additional comments on Option 2 and /or Option 3 that you would like to make?	N/R	N	N/R	Y

Consultation Q1-13 - Although your preference was for Option 1, do you have any additional comments on Option 2 and /or Option 3 that you would like to make?

Industry Response:

Implementation of SBR without a successful DR opportunity alongside to address near-term security of supply would substantially disadvantage demand response. However, the DSBR as proposed is not a viable opportunity. We have a number of recommendations in respect of DSBR, many of which we believe to be essential to its success. We therefore urge National Grid to improve DSBR in the ways suggested and implement both schemes, rather than either moving forward with SBR alone or moving forward with a weak version of DSBR.

[Note that the UKDRA's position is that implementation of the DSR Transitional Arrangements coincident with the enduring Capacity Market would provide DSR a viable opportunity to address security of supply (and could be run in parallel with the DSBR), but we understand this consideration is outside the scope of this consultation.]

National Grid's View:

This is not an issue that refers to changes made as part of the C16 consultation. This issue shall be addressed as part of the main consultation process.

2 Option 2 – Introduction of DSBR only

National Grid consulted with the industry on the following proposed changes to introduce DSBR only into the relevant C16 statements.

2.1 Proposed Changes to the BPS

Reference	Change
Title Page	Change to Effective Date Change to Version Number
Page 2	Insertion of a new version control entry to identify "revision to include Demand Side Balancing Reserve"
Page 12, Part B Sec 5 (e) Maximum Generation Service	Insertion of text "and any Demand Side Balancing Reserve (DSBR) has been despatched."
Page 13, Part B Sec 5 (e) Maximum Generation Service	Insertion of text "or Demand Side Balancing Reserve"
Page 16, Part C Sec 2 (a) (iv)	Insertion of subsection

Reference	Change
	“DSBR availability and prices;”
Page 17, Part C Sec 4 (iii)	Addition of text “DSBR”
Page 17, Part C Sec 4 (iv)	Insertion of subsection “call off of emergency assistance/instructions associated with external System Operators; and”
Page 18, Part C Sec 6	Formatting
Page 19, Part C Sec 8	Formatting
Page 20, Part C Sec 10	Formatting
Page 21, Part C Sec 10	Formatting
Page 27, Part D Sec 3.2	Amend the number of reserve categories from four to five
Page 27, Part D Sec 3.2 (a)	Addition of text “DSBR”
Page 28, Part D Sec 3.2 (b)	Addition of text “or from DSBR”
Page 29, Part D Sec 3.2 (e)	<p>Insertion of new sections (e)</p> <p>“(e) Demand Side Balancing Reserve DSBR is provided by demand reduction or behind-the-meter or embedded generation and despatched outside the balancing mechanism.</p> <p>No economic assessment is undertaken of tenders from DSBR providers who do not wish to be paid a set up fee for making the service available. However, only tenders with a utilisation cost less than the Value of Lost Load will be accepted. The quantity of DSBR from this category of service provider is therefore dependent upon the quantity of valid tenders put forward with a utilisation price below the Value of Lost Load.</p> <p>Where DSBR tenders are received from DSBR providers who do wish to be paid a set up fee, the quantity of DSBR procured is determined on an economic basis by reference to the Value of Lost Load, tender prices for DSBR and our assessment of expected quantity of service call-off. The economic assessment of these tenders requires an estimate of the reliability of the service. In the assessment of such DSBR tenders, the capacity of the DSBR included in a particular tender will be reduced by 25% in undertaking its economic assessment.</p> <p>National Grid also reserves the right to take into account network constraints in assessing the relative merits of various DSBR tenders.”</p>

Reference	Change
Page 29	Addition of footnote "Or such other factor that we believe is reasonable in light of operational experience of the service."
Page 30, Part D Sec 3.3 (viii)	Insertion of new subsection "judgement of the levels of DSBR that may be delivered."
Page 32, Part E Sec 1 Step 2	Formatting
Page 32, Part E Sec 1 Step 4	Addition of text "+ DSBR"
Page 32, Part E Sec 1 Step 6	Addition of text ".. and after adjusting for likely quantities of available DSBR."
Page 33, Part E Sec 1 Step 7	Expansion of formula to include "+ \sum DSBR"

Table 5 – Proposed BPS changes under Option 2

The complete industry responses are attached in full as Appendix E. A summary of responses is included below.

Please note all references in these questions refer to the original references in the consultation.

No	Questions	GDF SUEZ	EDF	SSE	UKDRA
2-1	Do you agree that the changes proposed to the BPS, shown in Table 5 have been implemented correctly to the BPS in Appendix E?	N/R	N/R	N/R	N/A
2-2	Do you agree that the changes proposed to the BPS, shown in Table 5 and in Appendix E, should be made?	N/R	N/R	N/R	N/A
2-3	Do you have any other comments in relation to the changes proposed to the BPS under Option 2?	N/R	N/R	N/R	N/A

2.1.1 Industry Responses to the BPS Consultation Questions

There were no industry comments made to Questions 2-1 to 2-3.

2.2 Proposed Changes to the BSAD

Reference	Change
Title Page	Change to Effective Date Change to Version Number
Page 3	Insertion of a version control entry to identify “revision to incorporate Demand Side Balancing Reserve”
Page 13, Part B Sec 3.1.1	Insertion of subsection “DSBR The set-up fees for Demand Side Balancing Reserve (DSBR) will not feed into the calculation of BPA.

Table 6 – Proposed BSAD changes

The complete industry responses are attached in full as Appendix E. A summary of responses is included below.

Please note all references in these questions refer to the original appendices in the consultation.

No	Questions	GDF SUEZ	EDF	SSE	UKDRA
2-4	Do you agree that the changes proposed to the BSAD, shown in Table 6 have been implemented correctly to the BSAD in Appendix F?	N/R	N/R	N/R	N/A
2-5	Do you agree that the changes proposed to the BSAD, shown in Table 6 and in Appendix F, should be made?	N/R	N/R	N/R	N/A
2-6	Do you have any other comments in relation to the changes proposed to the BSAD under Option 2?	N/R	N/R	N/R	N/A

2.2.1 Industry Responses to the BSAD Consultation Questions

There were no industry comments made to Questions 2-4 to 2-6.

2.3 Proposed Changes to the Procurement Guidelines

Reference	Change
Title Page	Change to Effective Date Change to Version Number

Reference	Change
Page 3	Insertion of a version control entry to identify “revision to incorporate changes for Demand Side Balancing Reserve”
Page 11, Part B Sec 3&4	Formatting
Page 12, Part B Sec 4	Formatting
Page 15, Part C Sec 1 Other Services	Insertion of text “and” Insertion of service <ul style="list-style-type: none"> • Demand Side Balancing Reserve;
Page 20, Part C Sec 2.2 Other Services	Addition of text “Demand Side Balancing Reserve is also an example of Other Services. Demand Side Balancing Reserve is provided by demand reduction or smaller generating units following instruction by NGET. The details of this service will be described in the detailed statements associated with its procurement (see Part D).”
Page 23, Part C Sec 3 Demand Side Providers and Small Generators	Addition of service “Demand Side Balancing Reserve (DSBR)”
Page 28, Part D Table 1 Other Services	Addition of DSBR within Other Services, plus Means of Procurement and Timescales
Page 30, Part E Sec 5 Information Provision Summary	Formatting
Page 36, Part E Table 2 Balancing Services Information Provision Summary	Addition of DSBR as a Balancing Services plus Volume Information, Price Information, Timescale, and Information Source

Table 7 – Proposed PG changes

The complete industry responses are attached in full as Appendix E. A summary of responses is included below.

Please note all references in these questions refer to the original appendices in the consultation.

No	Questions	GDF SUEZ	EDF	SSE	UKDRA
2-7	Do you agree that the changes proposed to the Procurement Guidelines, shown in Table 7 have been implemented correctly to the Procurement Guidelines in Appendix G?	N/R	N/R	N/R	N/A

No	Questions	GDF SUEZ	EDF	SSE	UKDRA
2-8	Do you agree that the changes proposed to the Procurement Guidelines, shown in Table 7 and in Appendix G, should be made?	N/R	N/R	N/R	N/A
2-9	Do you have any other comments in relation to the changes proposed to the Procurement Guidelines under Option 2?	N/R	N/R	N/R	N/A

2.3.1 Industry Responses to the Procurement Guidelines Consultation Questions

There were no industry comments made to Questions 2-7 to 2-9.

2.4 Proposed Changes to the SMAF

No changes to the SMAF were proposed under Option 2.

2.4.1 Industry Responses to the Consultation Question asking for Additional Comments

For each proposed Option, an additional question was also posed asking for comments on the Options not selected.

No	Questions	GDF SUEZ	EDF	SSE	UKDRA
2-10	Although your preference was for Option 2, do you have any additional comments on Option 1 and /or Option 3 that you would like to make?	N/R	N/R	N/R	N/A

There were no industry comments made to Question 2-10.

3 Option 3 – Introduction of SBR only

National Grid consulted with the industry on the following proposed changes to introduce SBR only into the relevant C16 statements.

3.1 Proposed Changes to the BPS

Reference	Change
Title Page	Change to Effective Date Change to Version Number

Reference	Change
Page 2	Insertion of a new version control entry to identify “revision to include Supplemental Balancing Reserve”
Page 12, Part B Sec 5	Addition of text “and any available Supplemental Balancing Reserve (SBR) has been despatched.”
Page 16, Part C Sec 4 (i)	Addition of text “(excluding those from BM Units providing Supplemental Balancing Reserve (SBR))”
Page 16, Part C Sec 4 (iii)	Deletion of text “(including, for the avoidance of doubt, services from external system operators)”
Page 17, Part C Sec 4 (iv)	Addition of text “call off of SBR either through requiring particular physical notification submissions or through the Balancing Mechanism” Deletion of text “and”
Page 17, Part C Sec 4 (v)	Addition of subsection “call off of emergency assistance/instructions associated with external System Operators; and”
Page 17, Part C Sec 5	Addition of text “Supplemental Balancing Reserve Service would be called off as a last resort after all valid and feasible Bids and Offers have been accepted in the BM but, where possible, prior to any instruction of Emergency Actions or other Involuntary Reductions. However, under certain circumstances, it may be necessary to invoke the Supplemental Balancing Reserve service before all valid and feasible Bids and Offers have been accepted. These circumstances may include: (i) where Supplemental Balancing Reserve receives a despatch instruction as part of a test; (ii) where Supplemental Balancing Reserve receives a warning instruction necessary to ensure the availability of the service in requisite timescales; (iii) where, due to its dynamics, Supplemental Balancing Reserve is despatched in advance of need to manage an anticipated shortfall event; (iv) where the acceptance of available Offers would lead to an erosion of frequency response and operational reserves below the required levels; (v) where the acceptance of relevant Offers would lead to the depletion of reactive reserves below the required levels; or

Reference	Change
	<p>(vi) where no other plant with suitable dynamics is available.</p> <p>Valid and feasible Bid and Offers are those Bids and Offers which facilitate the delivery of energy or demand reduction within the relevant Settlement Period. For the avoidance of doubt, the decision to call off the Supplemental Balancing Reserve service will be taken based upon the prevailing system conditions on the transmission system. The price of other available actions offered through the BM will have no bearing upon the decision to instruct the Supplemental Balancing Reserve service.</p> <p>Information relating to the instruction of the Supplemental Balancing Reserve Service will be published on the BMRS as soon as reasonably practicable after it has been instructed.</p>
Page 19, Part C Sec 6	Formatting
Page 20, Part C Sec 8	Formatting
Page 21, Part C Sec 10	Formatting
Page 22, Part C Sec 10	<p>Addition of text</p> <p>“Any SBR instruction prior to Gate Closure will also be accompanied by a PGB Transaction such that the energy imbalance of the relevant BSC Party reflects the purchase of this energy under the SBR contract.”</p>
Page 28, Part D Sec 3.2	Amend the number of reserve categories from four to five
Page 30, Part D Sec 3.2 (e)	<p>Insertion of new section (e)</p> <p>(e) Supplemental Balancing Reserve</p> <p>Other than in the circumstances described in Paragraph 5 of Part C Supplemental Balancing Reserve is not called off prior to other available balancing services. It is provided primarily by contracted generation (or potentially demand reduction capability).</p> <p>In assessing the requirement for SBR, we will have regard to the latest supply and demand outlook, the associated uncertainties, and the Government’s draft reliability standard, drawing on published information in Ofgem’s Capacity Assessment Reports, our Winter Outlook Report and Future Energy Scenarios, together with other relevant information relating to generation availability and trends in demand.</p> <p>Where economic and efficient to do so, we will aim to procure a quantity of SBR to meet this requirement and will accept tenders to achieve this at least cost, taking into account: the tendered quantity and price; the declared reliability; expected costs of testing, warming and utilisation; together with the expected costs of</p>

Reference	Change
	validation, contracting, settlement and despatch. National Grid also reserves the right to take into account network constraints in assessing the relative merits of various SBR tenders.”
Page 32, Part E Sec 1 Step 2	Formatting
Page 33, Part E Sec1 Step 8	Addition of text “We will also consider whether Supplemental Balancing Reserve is likely to be required and notify SBR providers accordingly.”
Page 34, Part E Sec 2 Step 3	Addition of text “If we consider that there is a realistic possibility of a margin shortfall after taking account of the potential response to a National Electricity Transmission System Warning – Inadequate System Margin (NISM) and other available Balancing Services, we will consider despatching SBR plant to make good the potential shortfall in relevant periods.”

Table 8 – Proposed BPS changes

The complete industry responses are attached in full as Appendix E. A summary of responses is included below.

Please note all references in these questions refer to the original references in the consultation.

No	Questions	GDF SUEZ	EDF	SSE	UKDRA
3-1	Do you agree that the changes proposed to the BPS, shown in Table 8 have been implemented correctly to the BPS in Appendix H?	N/R	N/R	Y	N/A
3-2	Do you agree that the changes proposed to the BPS, shown in Table 8 and in Appendix H, should be made?	N/R	N/R	Y	N/A
3-3	Do you have any other comments in relation to the changes proposed to the BPS under Option 3?	N/R	N/R	Y	N/A

3.1.1 Industry Responses to the BPS Consultation Questions

Industry responses to the consultation questions are shown below, together with National Grid’s view; only the consultation questions which provided rationale for responses are shown.

Consultation Q3-1 - Do you agree that the changes proposed to the BPS, shown in Table 8 have been implemented correctly to the BPS in Appendix H?

Industry Response:

No, please see comments below.

Respondent's supporting comments and proposed test changes are included in boxed text overleaf for reference.

National Grid's View:

National Grid accepts your proposed text changes to **Page 13 Part B Sec 5 (e)** and **Page 31 Part D Sec 3.2** but not the proposed text changes to **Page 17 Part C Sec 5**.

Consultation Q3-2 - Do you agree that the changes proposed to the BPS, shown in Table 8 and in Appendix H, should be made?

Industry Response:

Not without account being taken of our comments below. In addition, the BPS will need to be subject to further review and consultation following the main consultation on the principles of DSBR and SBR.

National Grid's View:

Text changes have been made, as above and as indicated in section 4 below. Further review of changes to the BPS will need to be the subject of a separate consultation under Standard Condition C16.

Consultation Q3-3 - Do you have any other comments in relation to the changes proposed to the BPS under Option 3?

Industry Response:

No further comments than those below.

National Grid's View:

Comments raised are addressed above.

Supporting comments to the above responses from the same respondent are shown as boxed text below:

Balancing Principles Statement

PART B: GENERAL PRINCIPLES

Page 13 Part B Sec 5 (e) Maximum Generation Service

For the avoidance of doubt, valid and feasible Bid and Offers are those Bids and Offers which facilitate the delivery of energy within the relevant Settlement Period. Under certain exceptional circumstances, it may be necessary to invoke the Maximum Generation Service before all valid and feasible Bids and Offers or Demand Side Balancing Reserve or [any available Supplemental Balancing Reserve](#) have been accepted.

We have added the reference to SBR in the above.

Page 17 PART C: Sec 5 PRINCIPLES UNDERLYING BALANCING MEASURES

However, under certain circumstances, it may be necessary to invoke the Supplemental Balancing Reserve service before all valid and feasible Bids and Offers have been accepted or before all valid and feasible DSBR action have been called off. These circumstances may include:

(iv) where the acceptance of available Offers or call off of DSBR would lead to an erosion of frequency response and operational reserves below the required levels;

We do not agree that SBR should be used before Offers in this circumstance. Instead the Offers should be used first with the SBR held back to provide frequency response levels and operational reserves. In this way, the correct cost signal is being provided to the market and the SBR is only being used when all Offers have been taken.

Page 31 Part D Sec 3.2 Reserve

~~*(f) Supplemental Balancing Reserve*~~

~~*National Grid also reserves the right to take into account network constraints in assessing the relative merits of various SBR tenders.*~~

~~*(f) Supplemental Balancing Reserve*~~

~~*National Grid will not take into account network constraints in assessing the relative merits of various SBR tenders.*~~

The originally proposed wording is inconsistent with and a significant departure from both the main consultation document; which makes no reference to either location or network constraints with respect to the ability of generators to get an SBR contract; and also the Electricity Capacity Assessment carried out by Ofgem with regard to the level of capacity margin.

If National Grid wish to attempt to assess SBR tenders based on location and the potential for plant to be behind constraints, then the Ofgem capacity margin numbers on which the rationale for the SBR is based must similarly recognise the potential for these constraints. As it stands Ofgem's Electricity Capacity Assessment does not take into account transmission constraints when estimating future capacity margins. If it did this would highlight the current situation as being even worse than anticipated (and that more SBR plant is required?). Generation plant behind a network constraint is included in the Electricity Capacity Assessment of capacity margin (and on which basis the tender for SBR is justified) and therefore should also be included, on a like-for-like basis, in any tender by National Grid for SBR.

Given this we have proposed revised wording to make it clear that like Ofgem's Electricity Capacity Assessment, plant location and network constraints will not be taken into account when assessing SBR tender responses.

Finally, notwithstanding our comments that it should not be included, it is not clear that the statement "*take into account network constraints in assessing the relative merits of various SBR tenders*" should not be in the Procurement Guidelines since it is more to do with the assessment of tenders rather than the dispatch of plant.

National Grid's View:

Ref Page 17 Part C Sec 5:

Frequency Response services are procured separately. SBR is being purchased as a reserve service that will not be despatched for frequency response reasons.

Ref Page 31 Part D Sec 3.2:

We suggest a statement regarding taking into account constraints is not suitable for inclusion within the PG and as such, should remain where proposed within the BPS.

3.2 Proposed Changes to the BSAD

Reference	Change
Title Page	Change to Effective Date Change to Version Number
Page 3	Insertion of a version control entry to identify "revision to incorporate Supplemental Balancing Reserve"
Page 13, Part B Sec 3.1.1	Insertion of subsection "Supplemental Balancing Reserve Capability payments for Supplemental Balancing Reserve will not feed into the calculation of BPA."

Table 9 – Proposed BSAD changes

The complete industry responses are attached in full as Appendix E. A summary of responses is included below.

Please note all references in these questions refer to the original appendices in the consultation.

No	Questions	GDF SUEZ	EDF	SSE	UKDRA
3-4	Do you agree that the changes proposed to the BSAD, shown in Table 9 have been implemented correctly to the BSAD in Appendix J?	N/R	N/R	N/R	N/A
3-5	Do you agree that the changes proposed to the BSAD, shown in Table 9 and in Appendix J, should be made?	N/R	N/R	N/R	N/A
3-6	Do you have any other comments in relation to the changes proposed to the BSAD under Option 3?	N/R	N/R	N/R	N/A

3.2.1 Industry Responses to the BSAD Consultation Questions

No responses were received to Questions 3-4 to 3-6.

3.3 Proposed Changes to the Procurement Guidelines

Reference	Change
Title Page	Change to Effective Date Change to Version Number
Page 3	Insertion of a version control entry to identify “revision to incorporate changes for Supplemental Balancing Reserve”
Page 11, Part B Sec 3&4	Formatting
Page 12, Part B Sec 4	Formatting
Page 15, Part C Sec 1 Other Services	Deletion of text “and” Insertion of text “and” Insertion of service <ul style="list-style-type: none"> • Supplemental Balancing Reserve.
Page 20, Part C Sec 2.2 Other Services	Addition of text “Supplemental Balancing Reserve is also an example of Other Services.” Supplemental Balancing Reserve is a “last resort” reserve service which is procured from generation (or potentially demand reduction) in order to reduce the risk of requiring involuntary demand reduction to balance the system. The details of this service will be described in the detailed statements associated with its procurement (see Part D).”
Page 28, Part D Table 1 Other Services	Addition of SBR within Other Services, plus Means of Procurement and Timescales
Page 30, Part E Sec 5 Information Provision Summary	Formatting
Page 36, Part E Table 2 Balancing Services Information Provision Summary	Addition of SBR as a Balancing Services plus Volume Information, Price Information, and Information Source

Table 10 – Proposed PG changes

The complete industry responses are attached in full as Appendix E. A summary of responses is included below.

Please note all references in these questions refer to the original appendices in the consultation.

No	Questions	GDF SUEZ	EDF	SSE	UKDRA
3-7	Do you agree that the changes proposed to the Procurement Guidelines, shown in Table 10 have been implemented correctly to the Procurement Guidelines in Appendix K?	N/R	N/R	N/R	N/A
3-8	Do you agree that the changes proposed to the Procurement Guidelines, shown in Table 10 and in Appendix K, should be made?	N/R	N/R	N/R	N/A
3-9	Do you have any other comments in relation to the changes proposed to the Procurement Guidelines under Option 3?	N/R	N/R	N/R	N/A

3.3.1 Industry Responses to the Procurement Guidelines Consultation Questions

No responses were received to Questions 3-7 to 3-9.

3.4 Proposed Changes to the SMAF

Reference	Change
Title Page	Change to Effective Date Change to Version Number
Page 2	Insertion of a version control entry to identify "revision to incorporate Supplemental Balancing Reserve"
Page 2	Update to hyperlink
Page 3	Update to hyperlink
Page 6, Part B1 Background to SO-Flagging Sec 4	Addition of section "any balancing action used to despatch the Supplemental Balancing Reserve service whether through or outside the Balancing Mechanism."

Table 11 – Proposed SMAF changes

The complete industry responses are attached in full as Appendix E. A summary of responses is included below.

Please note all references in these questions refer to the original appendices in the consultation.

No	Questions	GDF SUEZ	EDF	SSE	UKDRA
3-10	Do you agree that the changes proposed to the SMAF, shown in Table 11 have been implemented correctly to the SMAF in Appendix L?	N/R	N/R	N/R	N/A
3-11	Do you agree that the changes proposed to the SMAF, shown in Table 11 and in Appendix L, should be made?	N/R	N/R	N/R	N/A
3-12	Do you have any other comments in relation to the changes proposed to the SMAF under Option 3?	N/R	N/R	N/R	N/A

3.4.1 Industry Responses to the SMAF Consultation Questions

No responses were received to Questions 3-10 to 3-12.

3.4.2 Industry Responses to the Consultation Question asking for Additional Comments

For each proposed Option, an additional question was also posed asking for comments on the Options not selected.

No	Questions	GDF SUEZ	EDF	SSE	UKDRA
3-13	Although your preference was for Option 3, do you have any additional comments on Option 1 and /or Option 2 that you would like to make?	N/R	N/R	N/R	N/A

No responses were received to Question 3-13.

4 Additional Comments

No additional comments to the consultation were received.

Following the consultation however, National Grid would like to make further changes for clarification purposes

Reference	Change
App A - BPS Page 17 Part C Sec 4 (iv) App H - BPS Page 17 Part C Sec 4 (iv)	Additional text shown in blue. Call off of SBR either through a despatch instruction requiring particular physical notification submissions or through the BM or any other such appropriate means.

National Grid Comment:

This clarification allows for alternative despatch arrangements if the process cannot be incorporated within current systems (e.g.: due to code freeze for the introduction of the new Electricity Balancing System).

Reference	Change
App A - BPS Page 17 Part C Sec 4 (vi) App E - BPS Page 17 Part C Sec 4 (v) App H - BPS Page 17 Part C Sec 4 (v)	Revised text shown in blue. instruction of Emergency Actions Instructions and other Involuntary Reductions.

National Grid Comment:

This is a housekeeping change to bring the correct terminology of Emergency Instruction to the text, as defined within the Grid Code.

Reference	Change
App A - BPS Page 17 Part C 5 App E - BPS Page 17 Part C 5	Addition of text shown in blue. DSBR would be called off in economic cost order after all valid and feasible Bids and Offers have been accepted in the BM, but where possible prior to the despatch of SBR.

National Grid Comment:

This clarification was made because DSBR attracts an up-front fee meaning it would be a distortion to despatch alongside the BM.

Reference	Change
App A - BPS Page 17 Part C 5 App H - BPS Page 18 Part C 5	Revision of text shown in blue. The SBR service would be called off as a last resort after all valid and feasible Bids and Offers have been accepted in the BM and any valid and feasible DSBR has been called off but, where possible, prior to any instruction of Emergency Instructions and other Involuntary Reductions

National Grid Comment:

This is a text update to bring the correct terminology of Emergency Instruction to the text, as defined within the Grid Code.

Reference	Change
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Reference	Change
App A - BPS Page 23 Part C 10 App A - BPS Page 22 Part C 10	Addition of text shown in blue. Any SBR instruction prior to Gate Closure will also be accompanied by a PGB Transaction an ECVN such that the energy imbalance of the relevant BSC Party reflects the purchase of this energy under the SBR contract.

National Grid Comment:

The PGB Transaction is being discontinued with the introduction of the new Electricity Balancing System. As such the National Grid trading team will notify trading volumes by ECVN.

Reference	Change
App A - BPS Page 32 Sec 3.2 (f) App H - BPS Page 31 Sec 3.2 (f)	Addition of text shown in blue. Where economic and efficient to do so, we We will aim to procure a quantity of SBR to meet this requirement having regard to the matters described above, on an economic basis by reference to the Value of Lost Load, and will accept tenders to achieve this at least cost, taking into account: the tendered quantity and price; the declared reliability; expected costs of testing, warming and utilisation; together with the expected costs of validation, contracting, settlement and despatch

National Grid Comment:

This statement was clarified to make clear that tenders could not be accepted if priced at more than the Value of Lost Load.

5 Proposed Recommendations

National Grid notes the responses given by the industry respondees to the proposed changes to the C16 Statements and has carefully considered each of the responses to the changes proposed by National Grid within the C16 consultation. National Grid has provided its views in relation to the responses received in the relevant sections above.

As a result of the industry responses, National Grid has, where appropriate, revised the changes to the C16 Statements originally proposed in the C16 consultation and these revised changes to the C16 Statements are attached as follows:

- Appendix F – Option 1 revised change marked C16 Statements
- Appendix G – Option 2 - revised change marked C16 Statements
- Appendix H – Option 3 - revised change marked C16 Statements

Following industry consultation, National Grid now presents to the Authority for consideration revised versions of the C16 Statements supporting Options 1, 2 and 3.

The Authority is invited either to approve the revised versions of the C16 Statements supporting one Option and reject the other two Options or to reject the revised versions of the C16 Statements associated with all three Options.

National Grid recommends that the Authority approves the revised versions of the C16 Statements associated with supporting the introduction of Option 1, namely the introduction of both the Demand Side Balancing Reserve (DSBR) and Supplemental Balancing Reserve (SBR) services.

The revised versions of the C16 Statements recommended for approval incorporate both the revisions originally proposed by National Grid in the C16 consultation and the changes to these revisions as a result of the C16 consultation. These revised and combined versions of the C16 Statements are included as Appendix F.

Should the Authority decide not to approve the revised versions of the C16 Statements associated with supporting the introduction of Option 1 then the Authority is invited to consider for approval either the revised versions of the C16 Statements supporting the introduction of Option 2 (DSBR only) at Appendix G or Option 3 (SBR only) at Appendix H.

Subject to any approval given by the Authority under Standard Condition C16, the proposed changes to the C16 Statements supporting the introduction of Option1, Option 2 or Option 3 (as the case may be) will become effective from 1st January 2014.

If the Authority does not approve any of the revised versions of the C16 Statements associated with supporting the introduction of Option1, 2 or 3 then the existing versions of the C16 Statements will remain in force and effect.

Appendix A - Consultation Document

The consultation document is included here with original appendices attached separately.

Appendix B – Option 1 – Combined Change Marked Documents

This combined file contains the consultation appendices A to D inclusive which presented changes to the following documents under Option 1, the introduction of both DSBR and SBR services:

- BPS
- BSAD
- PG
- SMAF

Appendix C – Option 2 – Combined Change Marked Documents

This combined file contains the consultation appendices E to G inclusive which presented changes to the following documents under Option 2, the introduction of the DSBR service only:

- BPS
- BSAD
- PG

Appendix D – Option 3 – Combined Change Marked Documents

This combined file contains the consultation appendices H to L inclusive which presented changes to the following documents under Option 3, the introduction of the SBR service only:

- BPS
- BSAD
- PG
- SMAF

Appendix E – Combined Industry Responses

National Grid invited responses to this consultation by **11 November 2013**. Four responses to the consultation were received, each of which can be found in full within this combined file.

Appendix F – Option 1 – Revised Change Marked Documents

This combined file contains the consultation appendices A to D inclusive which have been revised post consultation to take into account comments and amendments made.

Appendix G – Option 2 – Revised Change Marked Documents

This combined file contains the consultation appendices E to G inclusive which have been revised post consultation to take into account comments and amendments made.

Appendix H – Option 3 – Revised Change Marked Documents

This combined file contains the consultation appendices H to L inclusive which have been revised post consultation to take into account comments and amendments made.