

Industry Consultation

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

Incorporation of Demand Side Balancing Reserve and Supplemental
Balancing Reserve as Balancing Services.

In accordance with Standard Condition C16 (C16) of its Electricity Transmission Licence, should National Grid consider that a modification should be made to the statements to more accurately reflect its procurement and use of balancing services, a review of the statements shall be undertaken with changes proposed as necessary.

Executive Summary

In parallel with Ofgem's published Open Letter of 27 June 2013 seeking views on the need for additional measures to address concerns over narrowing plant margins and security of supply, National Grid published a consultation asking for industry views on a proposal to introduce two new balancing services; Demand Side Balancing Reserve (DSBR) and Supplemental Balancing Reserve (SBR).

As contemplated by section 6 (Next Steps) of our 27 June consultation document, this consultation proposes changes to each of the following C16 Statements to introduce the DSBR and SBR products as balancing services:

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

The proposed changes to the C16 Statements are presented as three separate Options for respondents to choose from and comment on, and take the form of:

Option 1 – The introduction of the DSBR and the SBR services together;
Option 2 – The introduction of the DSBR service only; and
Option 3 – The introduction of the SBR service only.

Three sets of change-marked C16 Statements are provided showing changes to the C16 Statements under each of the Options 1, 2, and 3 given above and are included as appendices to this consultation document.

We have also taken the opportunity to correct small formatting issues discovered within some of the existing C16 Statements.

No changes are proposed to the Applicable Balancing Services Volume Data Methodology Statement (ABSVD) under this consultation.

No changes were proposed to the System Management Action Flagging Methodology Statement (SMAF) under Option 2 – the introduction of the DSBR service only.

National Grid welcomes industry views on the proposed changes, and invites views on any other aspects of the documents for further consideration.

Responses are required by **11th November 2013**. Details on how to make a response can be found in Section 12.

Following receipt of responses to this consultation, National Grid will prepare and submit a report to the Authority by **18th November 2013**. This consultation, industry responses and the consultation report will all be published at the link below:

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

The current suite of C16 statements can be found at the following link:

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

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1 Introduction

In accordance with Standard Condition C16 (C16) of its Electricity Transmission Licence, whenever National Grid considers that a modification should be made to the C16 Licence Statements to more accurately reflect the content thereof, National Grid should review the statements and promptly seek to establish revised statements approved by the Authority.

The purpose of this consultation is to inform BSC parties of proposed changes to the C16 statements and allow them to make representations accordingly.

2 Background to the Proposed Changes

On 27th June 2013, Ofgem published an open letter seeking views on the need for additional measures to address concerns over narrowing plant margins and an uncertain mid-decade security of supply outlook. In light of this, National Grid, working with DECC and Ofgem, explored the development and procurement of two new balancing services, “Demand Side Balancing Reserve” (or “DSBR”) and “Supplemental Balancing Reserve” (or “SBR”) as additional tools to support National Grid as System Operator in balancing the system in the face of such narrowing margins.

An industry consultation was published by National Grid on 27th June 2013 inviting the industry to comment on the proposed new services, followed by an industry workshop on 17th July 2013 to allow attendees to provide initial views on the proposals¹. National Grid published its Final Proposals Consultation on these products on 11th October 2013. This document can be found at:

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

3 Demand Side Balancing Reserve (DSBR)

In its Final Proposals Consultation document National Grid proposes two DSBR products. For the first, “Product One”, a quantity of demand reduction capability would be procured to be available during peak times on non-holiday weekdays in the months of November to February inclusive. A set-up payment of £10/kW per annum would be made in addition to utilisation payments for service delivery, which would be at a rate selected from a menu of rates ranging from £1,000/MWh to £15,000/MWh. The service would be called off in order of economic precedence with other balancing services, and therefore called relatively infrequently.

The second DSBR product, “Product Two”, is identical to Product One except that it would not involve a set-up payment. All valid Product Two tenders would be accepted without the need for economic assessment for utilisation payments less than the Value of Lost Load (VoLL), with payments being entirely dependent on the amount of utilisation.

In each case, the service may be offered by consumers (or their agents who may be, but do not have to be, their supplier) able to reduce demand (or increase “behind-the-meter” generation) or small embedded generation at sites which are half-hourly metered in central settlement.

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

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

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.

4 Supplemental Balancing Reserve (SBR)

Under the SBR product, National Grid would procure a quantity of generation or, in principle, demand reduction capability, from providers that have declared to National Grid that the plant providing the service would not otherwise be available in the electricity market or for the provision of other balancing services during the period of the SBR contract. SBR providers would be prohibited in participating in the electricity market or providing other balancing services during the period of the SBR contract.

Supplemental Balancing Reserve would only be despatched, irrespective of utilisation price, as a last resort. Thus, to the extent that dynamics and other technical considerations allow, we would despatch it only after all other relevant balancing services (including DSBR) had been exhausted and emergency actions would otherwise be required. Supplemental Balancing Reserve would be available whenever required by National Grid, as System Operator, within availability periods between 6am and 8pm on non-holiday weekdays in November to February inclusive.

National Grid would pay providers a capability fee (less any non-delivery charges), utilisation fees and, if necessary, warming costs. Non delivery charges will apply if actual reliability is less than the declared reliability.

5 The Consultation and Option Preferences

This Consultation Document has been written to consult on the proposed changes as three separate options as follows:

- Option 1 – C16 statements include changes to support the inclusion of both Demand Side Balancing Reserve and Supplemental Balancing Reserve.
- Option 2 - C16 statements include changes to support the inclusion of the Demand Side Balancing Reserve service only.
- Option 3 – C16 statements include changes to support the inclusion of the Supplemental Balancing Reserve service only.

Respondents are asked to select one of the proposed Options only as their response to the consultation.

For a consultation preference for Option 1

- Please answer questions 1-1 to 1-13 only

For a consultation preference for Option 2

- Please answer questions 2-1 to 2-10 only

For a consultation preference for Option 3

- Please answer questions 3-1 to 3-13 only

A Response Proforma is attached as Appendix M.

Note:

For reasons of clarity, the letter “I” has been omitted when identifying Appendices.

6 Option 1 changes – DSBR and SBR

Proposed changes to the BPS

The BPS incorporates changes to include Demand Side Balancing Reserve and Supplemental Balancing Reserve. Changes addressing both services are listed in Table 1 below.

The opportunity has also been taken to correct formatting issues within the previous version of the document.

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 possible, prior to any instruction of Emergency Actions and other Involuntary Reductions. However, under certain circumstances, it may be necessary to

Reference	Change
	<p>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> <p>(i) where Supplemental Balancing Reserve receives a despatch instruction as part of a test;</p> <p>(ii) where Supplemental Balancing Reserve receives a warning instruction necessary to ensure the availability of the service in requisite timescales;</p> <p>(iii) where, due to its dynamics, Supplemental Balancing Reserve is despatched in advance of need to manage an anticipated shortfall event;</p> <p>(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;</p> <p>(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</p> <p>(vi) where no other plant with suitable dynamics is available.</p> <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
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	Amend the number of reserve categories from four to six
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</p>

Reference	Change
	<p>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> <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 “¹ 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

Reference	Change
Page 33, Part E Sec 1 Step 4	Addition of text "+ DSBR"
Page 33, Part E Sec 1 Step 6	Addition of text ".. and after adjusting for likely quantities of available DSBR."
Page 34, Part E Sec 1 Step 7	Expansion of formula to include "+ \sum DSBR"
Page 34, 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 35, 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 1 – Proposed BPS changes under Option 1

The proposed changes detailed above are shown in a changed marked version of the BPS as Appendix A.

Consultation Question 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?

Consultation Question 1-2

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

Consultation Question 1-3

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

Proposed changes to the BSAD

The BSAD has been revised to incorporate Demand Side Balancing Reserve and Supplemental Balancing Reserve. Changes are listed in Table 2 below.

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"

Reference	Change
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 under Option 1

The proposed changes detailed above are shown in a changed marked version of the BSAD as Appendix B.

Consultation Question 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?

Consultation Question 1-5

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

Consultation Question 1-6

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

Proposed changes to the Procurement Guidelines (PG)

The PG has been revised to incorporate Demand Side Balancing Reserve and Supplemental Balancing Reserve. Changes are listed in Table 3 below.

Some formatting issues have also been corrected.

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”
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 services <ul style="list-style-type: none"> • Demand Side Balancing Reserve; and • Supplemental Balancing Reserve.
Page 20, Part C Sec 2.2 Other Services	Addition of text “Demand Side Balancing Reserve and Supplemental Balancing Reserve are also examples 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).

Reference	Change
	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 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 under Option 1

The proposed changes detailed above are shown in a changed marked version of the PG as Appendix C.

Consultation Question 1-7

Do you agree that the changes proposed to the PG, shown in Table 3 have been implemented correctly to the PG in Appendix C?

Consultation Question 1-8

Do you agree that the changes proposed to the PG, shown in Table 3 and in Appendix C, should be made?

Consultation Question 1-9

Do you have any other comments in relation to the changes proposed to the PG under Option 1?

Proposed changes to the SMAF

The SMAF has been revised to incorporate Demand Side Balancing Reserve and Supplemental Balancing Reserve along with hyperlink updates. Changes are listed in Table 4 below.

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-	Addition of section

Reference	Change
Flagging Sec 4	“any balancing action used to despatch the Supplemental Balancing Reserve service whether through or outside the Balancing Mechanism.”

Table 4 – Proposed SMAF changes under Option 1

The proposed changes detailed above are shown in a changed marked version of the SMAF as Appendix D.

Consultation Question 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?

Consultation Question 1-11

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

Consultation Question 1-12

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

Consultation Question 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?

7 Option 2 changes – DSBR only

Proposed changes to the BPS

The BPS incorporates changes to include Demand Side Balancing Reserve only. Changes are listed in Table 5 below.

The opportunity has also been taken to correct formatting issues within the previous version of the document.

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 “DSBR availability and prices;”
Page 17, Part C Sec 4 (iii)	Addition of text “DSBR”

Reference	Change
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)	Insertion of new sections (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. 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. 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. National Grid also reserves the right to take into account network constraints in assessing the relative merits of various DSBR tenders.”
Page 29	Addition of footnote “ ¹ 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”

Reference	Change
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 proposed changes detailed above are shown in a changed marked version of the BPS as Appendix E.

Consultation Question 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?

Consultation Question 2-2

Do you agree that the changes proposed to the BPS, shown in Table 5 and in Appendix E, should be made?

Consultation Question 2-3

Do you have any other comments in relation to the changes proposed to the BPS under Option 2?

Proposed changes to the BSAD

The BSAD has been revised to incorporate Demand Side Balancing Reserve. Changes are listed in Table 6 below.

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 under Option 2

The proposed changes detailed above are shown in a changed marked version of the BSAD as Appendix F.

Consultation Question 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?

Consultation Question 2-5

Do you agree that the changes proposed to the BSAD, shown in Table 6 and in Appendix F, should be made?

Consultation Question 2-6

Do you have any other comments in relation to the changes proposed to the BSAD under Option 2?

Proposed changes to the Procurement Guidelines (PG)

The PG has been revised to incorporate Demand Side Balancing Reserve. Changes are listed in Table 7 below.

Some formatting issues have also been corrected.

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 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 under Option 2

The proposed changes detailed above are shown in a changed marked version of the PG as Appendix G.

Consultation Question 2-7

Do you agree that the changes proposed to the PG, shown in Table 7 have been implemented correctly to the PG in Appendix G?

Consultation Question 2-8

Do you agree that the changes proposed to the PG, shown in Table 7 and in Appendix G, should be made?

Consultation Question 2-9

Do you have any other comments in relation to the changes proposed to the PG under Option 2?

Consultation Question 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?

8 Option 3 changes – SBR only

Proposed changes to the BPS

The BPS incorporates changes to include Supplemental Balancing Reserve. Changes are listed in Table 8 below.

The opportunity has also been taken to correct formatting issues within the previous version of the document.

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 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

Reference	Change
	<p>valid and feasible Bids and Offers have been accepted. These circumstances may include:</p> <p>(i) where Supplemental Balancing Reserve receives a despatch instruction as part of a test;</p> <p>(ii) where Supplemental Balancing Reserve receives a warning instruction necessary to ensure the availability of the service in requisite timescales;</p> <p>(iii) where, due to its dynamics, Supplemental Balancing Reserve is despatched in advance of need to manage an anticipated shortfall event;</p> <p>(iv) where the acceptance of available Offers would lead to an erosion of frequency response and operational reserves below the required levels;</p> <p>(v) where the acceptance of relevant Offers would lead to the depletion of reactive reserves below the required levels; or</p> <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</p>

Reference	Change
	<p>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 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 32, Part E Sec 1 Step 2	Formatting
Page 33, Part E Sec1 Step 8	<p>Addition of text</p> <p>“We will also consider whether Supplemental Balancing Reserve is likely to be required and notify SBR providers accordingly.”</p>
Page 34, Part E Sec 2 Step 3	<p>Addition of text</p> <p>“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 8 – Proposed BPS changes under Option 3

The proposed changes detailed above are shown in a changed marked version of the BPS as Appendix H.

Consultation Question 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?

Consultation Question 3-2

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

Consultation Question 3-3

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

Proposed changes to the BSAD

The BSAD has been revised to incorporate Supplemental Balancing Reserve. Changes are listed in Table 9 below.

Reference	Change
Title Page	<p>Change to Effective Date</p> <p>Change to Version Number</p>

Reference	Change
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 “ <u>Supplemental Balancing Reserve</u> Capability payments for Supplemental Balancing Reserve will not feed into the calculation of BPA.”

Table 9 – Proposed BSAD changes under Option 3

The proposed changes detailed above are shown in a changed marked version of the BSAD as Appendix J.

Consultation Question 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?

Consultation Question 3-5

Do you agree that the changes proposed to the BSAD, shown in Table 9 and in Appendix J, should be made?

Consultation Question 3-6

Do you have any other comments in relation to the changes proposed to the BSAD under Option 3?

Proposed changes to the Procurement Guidelines (PG)

The PG has been revised to incorporate Supplemental Balancing Reserve. Changes are listed in Table 10 below.

Some formatting issues have also been corrected.

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

Reference	Change
	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 under Option 3

The proposed changes detailed above are shown in a changed marked version of the PG as Appendix K.

Consultation Question 3-7

Do you agree that the changes proposed to the PG, shown in Table 10 have been implemented correctly to the PG in Appendix K?

Consultation Question 3-8

Do you agree that the changes proposed to the PG, shown in Table 10 and in Appendix K, should be made?

Consultation Question 3-9

Do you have any other comments in relation to the changes proposed to the PG under Option 3?

Proposed changes to the SMAF

The SMAF has been revised to incorporate Supplemental Balancing Reserve along with hyperlink updates. Changes are listed in Table 11 below.

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 under Option 3

The proposed changes detailed above are shown in a changed marked version of the SMAF as Appendix L.

Consultation Question 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?

Consultation Question 3-11

Do you agree that the changes proposed to the SMAF, shown in Table 11 and in Appendix L, should be made?

Consultation Question 3-12

Do you have any other comments in relation to the changes proposed to the SMAF under Option 3?

Consultation Question 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?

9 Consultation Questions – Option 1

The consultation questions detailed here are also summarised within a response proforma as Appendix M.

Consultation Question 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?

Consultation Question 1-2

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

Consultation Question 1-3

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

Consultation Question 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?

Consultation Question 1-5

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

Consultation Question 1-6

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

Consultation Question 1-7

Do you agree that the changes proposed to the PG, shown in Table 3 have been implemented correctly to the PG in Appendix C?

Consultation Question 1-8

Do you agree that the changes proposed to the PG, shown in Table 3 and in Appendix C, should be made?

Consultation Question 1-9

Do you have any other comments in relation to the changes proposed to the PG under Option 1?

Consultation Question 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?

Consultation Question 1-11

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

Consultation Question 1-12

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

Consultation Question 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?

10 Consultation Questions – Option 2

Consultation Question 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?

Consultation Question 2-2

Do you agree that the changes proposed to the BPS, shown in Table 5 and in Appendix E, should be made?

Consultation Question 2-3

Do you have any other comments in relation to the changes proposed to the BPS under Option 2?

Consultation Question 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?

Consultation Question 2-5

Do you agree that the changes proposed to the BSAD, shown in Table 6 and in Appendix F, should be made?

Consultation Question 2-6

Do you have any other comments in relation to the changes proposed to the BSAD under Option 2?

Consultation Question 2-7

Do you agree that the changes proposed to the PG, shown in Table 7 have been implemented correctly to the PG in Appendix G?

Consultation Question 2-8

Do you agree that the changes proposed to the PG, shown in Table 7 and in Appendix G, should be made?

Consultation Question 2-9

Do you have any other comments in relation to the changes proposed to the PG under Option 2?

Consultation Question 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?

11 Consultation Questions – Option 3

Consultation Question 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?

Consultation Question 3-2

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

Consultation Question 3-3

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

Consultation Question 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?

Consultation Question 3-5

Do you agree that the changes proposed to the BSAD, shown in Table 9 and in Appendix J, should be made?

Consultation Question 3-6

Do you have any other comments in relation to the changes proposed to the BSAD under Option 3?

Consultation Question 3-7

Do you agree that the changes proposed to the PG, shown in Table 10 have been implemented correctly to the PG in Appendix K?

Consultation Question 3-8

Do you agree that the changes proposed to the PG, shown in Table 10 and in Appendix K, should be made?

Consultation Question 3-9

Do you have any other comments in relation to the changes proposed to the PG under Option 3?

Consultation Question 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?

Consultation Question 3-11

Do you agree that the changes proposed to the SMAF, shown in Table 11 and in Appendix L, should be made?

Consultation Question 3-12

Do you have any other comments in relation to the changes proposed to the SMAF under Option 3?

Consultation Question 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?

12 Responding

Respondents should select a preference for one of the proposed Options 1, 2, or 3 and answer the applicable questions, according to the instructions given in Section 5 “The Consultation and Option Preferences”.

Responses should be submitted by replying to the consultation questions within the response proforma, attached as Appendix M and e-mailing the completed proforma to balancingservices@nationalgrid.com

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

The consultation period will be for 30 calendar days.

Responses are required by **11th November 2013**. Following the consultation, a report will be produced and submitted to the Authority within seven days of the consultation close. Due to the timescales for the Authority report, it may not be possible to accept late consultation responses.

It is envisaged that, unless directed otherwise by the Authority, the implementation date for the revised C16 Statements will be **1st January 2014**.

13 Next Steps

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

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

The current versions of the subject documents referred to in this report can be found at the following link:

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

Appendix A - Option 1 - BPS

Please see separate document.

Appendix B - Option 1 - BSAD

Please see separate document.

Appendix C - Option 1 - PG

Please see separate document.

Appendix D - Option 1 - SMAF

Please see separate document.

Appendix E - Option 2 - BPS

Please see separate document.

Appendix F - Option 2 - BSAD

Please see separate document.

Appendix G - Option 2 - PG

Please see separate document.

Appendix H - Option 3 - BPS

Please see separate document.

Appendix J - Option 3 - BSAD

Please see separate document.

Appendix K - Option 3 - PG

Please see separate document.

Appendix L - Option 3 - SMAF

Please see separate document.

Appendix M - Response Proforma

Please see separate document.