

Report to Authority

Proposed revisions to the
Applicable Balancing Services Volume Data Methodology Statement
Balancing Services Adjustment Data Methodology Statement
Procurement Guidelines
System Management Action Flagging Methodology Statement
Balancing Principles Statement

Following Industry Consultation

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

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Executive Summary

In accordance with Standard Condition C16 of its Electricity Transmission Licence, National Grid has carried out an annual review¹ of the C16 Statements.

Proposed changes have been made to update the following documents:

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

National Grid proposed the above changes via an industry C16 consultation document published on 28th January 2016. Industry responses to the consultation were requested by 25th February 2016. Responses were received from:

- ENGIE
- E.ON
- Elexon
- EDF

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

Recommendation

In the industry C16 consultation, National Grid proposed changes to the statements to update the following:

- The Procurement Guidelines document (i) to ensure that the Commercial Ancillary Services can be provided by Authorised Electricity Operators² and not only by generators as currently stated in the document and (ii) to include DSBR and SBR in the “Information Provision Detail” section along with the other tendered services.
- The SMAF methodology to remove the requirements for NGET to provide the annual report on the accuracy of the flagging methodology.
- General contact details following internal organisational changes (from 1st October 2015) and the National Grid website link.

Following industry consultation, National Grid now presents to the Authority for consideration revised versions of the C16 Statements supporting:

- (a) the changes to the Procurement Guidelines document outlined above,
- (b) general changes as part of the review process, in particular housekeeping amendments to the contact details and the National Grid website link,
- (c) further changes to the Procurement Guidelines document according to the suggestions received in the industry consultation.

¹ Current versions of the C16 Statements can be found <http://www2.nationalgrid.com/uk/industry-information/electricity-codes/balancing-framework/transmission-license-c16-statements/>

² As per NGET Electricity Transmission Licence (v8.0, November 2015) an Authorised Electricity Operator “means any person (other than the licensee in its capacity as operator of the licensee’s transmission system or the national electricity transmission system) who is authorised to generate, participate in the transmission of, distribute, or supply electricity or participate in the operation of an interconnector and for the purposes of standard conditions C7 (Prohibition on discriminating between users) to C9 (Functions of the Authority) inclusive shall include any person who has made an application to be so authorised which application has not been refused and any person transferring electricity to or from the national electricity transmission system across any interconnector (or who has made an application for use of an interconnector which has not been refused)”.

However, we have decided not to remove the requirements for NGET to provide the annual report on the accuracy of the flagging methodology as a result of industry responses.

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.

The final revised versions of the C16 Statements recommended for approval are included as Appendices A, B, E, H and I (no revised versions of the ABSVD, BSAD and BPS have been included as there were no changes to these following industry consultation).

The Authority is invited to approve either all the proposed changes or one or more of them based on the assigned 'ID' reference number.

If the Authority does not approve these proposed changes to the C16 Statements, the existing versions will remain in place. Subject to approval by the Authority, the proposed changes will become effective from 1st April 2016.

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Introduction

In accordance with Standard Condition 16 (C16) of its Electricity Transmission Licence, National Grid is required to conduct an annual review of all licence statements and, if appropriate, to propose changes to these documents.

The purpose of the annual review and consultation is to ensure that each of the applicable documents remains current by seeking industry views on any proposed changes. Proposed changes can only become effective if approved by the Authority.

A consultation was published on 28th January 2016 requesting responses no later than 25th February 2016. The Consultation Document was written to consult on the proposed changes to update the following:

- The Procurement Guidelines document (i) to ensure that the Commercial Ancillary Services can be provided by Authorised Electricity Operators and not only by generators as currently stated in the document and (ii) to include DSBR and SBR in the “Information Provision Detail” section along with the other tendered services.
- The SMAF methodology to remove the requirements for NGET to provide the annual report on the accuracy of the flagging methodology.
- General contact details following internal organisational changes (from 1st October 2015) and the National Grid website link.

These are standalone changes and it is our intention that they are considered independently of each other.

Respondents were asked to provide comments and views on the proposed changes individually. Each proposed change was assigned an ‘ID’ reference which was provided in case respondents wish to comment on the suitability of specific changes.

Responses were received from:

- ENGIE
- E.ON
- Elexon
- EDF

Following the closure of the consultation period, National Grid is required to prepare and submit a post-consultation report to the Authority within seven days in accordance with Electricity Transmission Licence Standard Condition C16 paragraph (8) by which National Grid invites the Authority to approve either all the proposed changes or one or more of them based on the assigned ‘ID’ reference number.

This report provides details of the proposed change and consultation process undertaken by National Grid.

1 Industry responses to the C16 consultation

1.1 Consultation Questions

The Consultation Document was written to consult on the proposed changes to update the following:

- The Procurement Guidelines document (i) to ensure that the Commercial Ancillary Services can be provided by Authorised Electricity Operators and not only by generators as currently stated in the document and (ii) to include DSBR and SBR in the “Information Provision Detail” section along with the other tendered services.
- The SMAF methodology to remove the requirements for NGET to provide the annual report on the accuracy of the flagging methodology.
- General contact details following internal organisational changes (from 1st October 2015) and the National Grid website link.

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

No	Questions	ENGIE	E.ON	Elexon	EDF
1	Do you agree that the changes proposed to the ABSVD shown in Table 1 have been implemented correctly to the ABSVD in Appendix A? If not, please provide rationale.	N/A	Y	N/A	Y
2	Do you agree that the changes proposed to the ABSVD shown in Table 1 and in Appendix A, should be made? If not, please provide rationale.	N/A	Y	N/A	Y
3	Do you have any other comments in relation to the changes proposed to the ABSVD?	N/A	N	N/A	N
4	Do you agree that the changes proposed to the BSAD, shown in Table 2 have been implemented correctly to the Procurement Guidelines in Appendix B? If not, please provide rationale.	N/A	Y	N/A	Y
5	Do you agree that the changes proposed to the BSAD, shown in Table 2 and in Appendix B, should be made? If not, please provide rationale.	N/A	Y	N/A	Y
6	Do you have any other comments in relation to the changes proposed to the BSAD?	Y	N	Y	Y
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? If not, please provide rationale.	N/A	Y	N/A	Mostly yes, with the exception of ID 3.7.
8	Do you agree that the changes proposed to the Procurement Guidelines, shown in Table 3 and in Appendix C, should be made? If not, please provide rationale.	N/A	Y	N/A	Mostly yes, with the exception of ID 3.7.
9	Do you have any other comments in relation to the changes proposed to the Procurement Guidelines?	N/A	N	N/A	Y
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? If not, please provide rationale.	N/A	Y	N/A	Y

No	Questions	ENGIE	E.ON	Elexon	EDF
11	Do you agree that the changes proposed to the SMAF, shown in Table 4 and in Appendix D, should be made? If not, please provide rationale.	N/A	Y	N/A	Mostly yes, with the exception of ID 4.5.
12	Do you have any other comments in relation to the changes proposed to the SMAF?	N/A	N	Y	N
13	Do you agree that the changes proposed to the BPS, shown in Table 5 have been implemented correctly to the BPS in Appendix E? If not, please provide rationale.	N/A	Y	N/A	Y
14	Do you agree that the changes proposed to the BPS, shown in Table 5 and in Appendix E, should be made? If not, please provide rationale.	N/A	Y	N/A	Y
15	Do you have any other comments in relation to the changes proposed to the BPS?	N/A	N	N/A	N

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).

1.1.1 Changes to the BSAD

Consultation Question 6

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

Industry Response:

ENGIE

Yes.

ENGIE's comments on the 2016 C16 consultation relate to the data contained within the Balancing Services Adjustment Data (BSAD) submissions made by National Grid to the Balancing Mechanism Reporting System (BMRS).

Transparency of pre-gate closure BSAD trades

1. National Grid enters into bilateral trades in advance of gate closure. If these are struck before 17:00 day ahead they are notified on the BMRS through a BSAD submission at 17:00 D-1. After this, any further trades are notified on the BMRS just after Gate Closure. These BSAD submissions are used in the calculation of the indicative cashout price published 15 minutes after the end of the Settlement Period.

2. These bilateral trades can be for large volumes and be in the hundreds of pounds per MWh so might impact on the cashout price. This places the counterparty to the trade in an advantageous position; in advance of publication of BSAD trades on the BMRS, only it knows of the trade and that it may influence both the direction of the system and also the cashout price; the rest of the market is unaware of this information. In the interests of market transparency, pre gate closure trades undertaken by the SO should be notified on the BMRS as soon as they are struck.

Non BM STOR

3. The Transmission Company is required to report an estimate of BSAD as soon as reasonably practicable after Gate Closure, in accordance with BSC section Q6.3.1(a)(ii). Because the Transmission Company typically dispatches non-BM STOR after Gate Closure and reports BSAD very shortly after Gate Closure, any Non-BM STOR use is typically reported in BSAD to Settlement Administration Agent the next day.

4. This information on the use of non BM STOR is then incorporated in the revised imbalance cashout price for the II Settlement Run which takes place 5 working days (WD) later. This means that the BMRA's indicative system price does not include non-BM STOR actions taken after Gate Closure.

5. The BSAD methodology statement therefore has no explicit route for the inclusion of non BM STOR volumes and prices to be incorporated in the indicative cashout price calculation published 15 minutes after the end of the settlement period.

6. Once Non BM STOR is included in BSAD it can have a notable impact on the cashout price (since P305 was implemented, once this information is include the price calculation, the imbalance cashout

price has increased by up to £70/MWh between the indicative price and the price published in the II settlement run). On occasions it has also changed the system direction from long to short. To improve the accuracy of the indicative cashout price and provide better price signals for future settlement periods, ENGIE believes that this must be addressed and non BM STOR use included in the indicative cashout price.

7. There are some options for indicative cashout prices to include non BM STOR instructions. These are:

a) Delay the 'just after Gate Closure BSAD submission' to the end of the Settlement Period so that it can incorporate any non BM STOR instructions. Under this option, there would be a delay in notifying the market of BSAD trades struck by National Grid between the initial 17:00 D-1 BSAD submission and Gate Closure.

b) National Grid provides a further BSAD submission after Gate Closure that captures any further BSAD trades taken in the Balancing Mechanism.

c) National Grid could as suggested in paragraph 2 publish its pre gate closure BSAD trades as they are struck (benefitting market transparency) and delay the 'just after Gate Closure' submission so that it can incorporate estimates of non BM STOR instructions. The delay highlighted in (a) above would not then be an issue as the post Gate Closure submission would only contain BSAD trades taken after Gate Closure.

Demand Side Balancing Reserve (DSBR)

8. The BSAD Methodology Statement states that DSBR will be included in a post event resubmission of BSAD. The delay means that indicative cashout prices (published 15 minutes after the end of the settlement period) cannot reflect the use of this last resort balancing services and so do not capture in a timely fashion this scarcity signal.

9. ENGIE has raised a BSC modification that would place a requirement to provide DSBR dispatched volumes to central settlements in time for the indicative price calculation. Until this can be achieved, National Grid should publish how much DSBR has been instructed in each settlement period when it is called and BSC parties can make their own assessment of the impact. Currently, instructed volumes are only made public the day after DSBR is called. By then it is too late to respond to the information provided.

Elxon

Yes.

National Grid's consultation notes that whilst not on this occasion, it is considering future changes to the BSAD Methodology Statement that may require corresponding changes to the BSC.

ELEXON, like National Grid, is preparing to deliver a considerable programme of system changes over the next 12 months. Because of the scale of this work programme and associated risks, we urge National Grid to work closely with ELEXON to help identify in a timely manner any interdependencies between future changes to the BSAD Methodology Statement and the BSC. As a rule, even if National Grid does not know the exact nature of change, it should liaise with ELEXON's Change Assessment team (bsc.change@elxon.co.uk) to highlight the risk and help identify the extent of any BSC change necessary.

We also note that National Grid's consultation is running concurrent with issues raised with the BSC Panel by ENGIE about National Grid's reporting of BSAD to ELEXON. In particular, ENGIE has expressed concern that existing requirements and processes for reporting BSAD may not enable Indicative System Prices, calculated within 15 minutes of the end of a Settlement Period, to effectively reflect the costs of certain Balancing Services. ENGIE has proposed modifications to the BSC1 that seek to clarify National Grid's requirements to report BSAD (and in particular DSBR and Non-BM STOR) to enable a more accurate calculation of Indicative System Prices. Given that the BSAD Methodology Statement specifies in more detail than the BSC what Balancing Services constitute BSAD and when National Grid reports these services, we envisage that the BSAD Methodology Statement will need changing in parallel with any approved changes to the BSC. For example, the BSAD Methodology Statement might need changing to make it clearer what Balancing Services National Grid reports at the times specified in BSC Section Q 6.3. Please note that we are already discussing these Modification Proposals with National Grid's Alex Haffner.

Finally, consideration of the issue raised by ENGIE has increased interest in the detail of the BSAD Methodology Statement. We note that there may be other opportunities to improve the level of detail in the Statement to better define different Balancing Services and in particular specify how volumes and costs associated to these services should be calculated and reported. We would be happy to work with National Grid to share our thoughts. For example, it is unclear how National Grid determines the volume of Non-BM STOR to report. National Grid could make it explicit whether Non-BM STOR volumes are determined from the point at which the STOR provider starts ramping up (and therefore includes volumes for ramping) to the point the provider starts to ramp down? Or are Non-BM STOR volumes based on the point at which the provider reaches its MEL/exceeds SEL to the point when output falls below MEL or SEL?

EDF

Yes.

- BSC Modification Proposal P305 increases the sensitivity of imbalance prices to actions taken by NGET, and we strongly support initiatives for more timely reporting by NGET of all balancing actions it takes, including non-BM actions and DSBR, and inclusion of these actions in indicative imbalance prices immediately after each settlement period.
- We acknowledge there are technical issues in achieving this, but expect NGET to give this more priority, reflecting the significance it has for market participants trying to decide the most effective approach for forward trading and balancing, and the general EU thrust for timely transparency.
- We expect revisions to the BSAD Methodology Statement in future to achieve this. BSC Modification Proposals P333 and P335 (and related proposals which may be made) seek to address this issue, and we expect appropriate changes to the BSAD Methodology and execution, with or before delivery of these proposals.

National Grid's View

Three responses to this consultation expressed concerns around the 'Transparency of pre-gate closure BSAD trades' and 'Inclusion of DSBR and Non BM STOR in the cashout price'.

With regard to the former, this issue relates to the time at which forward contracts are submitted (e.g. if after the 17:00 deadline as set out in Section Q6.3.1(a)(i) of the BSC).

This is being looked into alongside the implementation of a new NGET trading system to ensure that we can publish the data in a timely manner and in a way that addresses the concerns raised.

At this stage we do not believe that amending the BSAD Methodology resolves the issue. However we note the close relation with the P335 BSC Modification and therefore, upon introduction of the NGET new trading system and/or approval of P335, changes may be appropriate in relation to the BSAD Methodology.

Regarding the Non BM STOR and DSBR inclusion in the cashout price, we note the interaction between the C16 review process and the ongoing BSC activity in this area (e.g. BSC Modifications P333 and P335 as well as the similar Change Proposal in relation to SBR). As a result of this interaction, we suggest that it is better to make any corresponding C16 changes following the conclusion of these BSC modifications and CP as part of a standalone C16 interim review later in the year rather than attempting to pre-determine the outcome now.

It is worth noting, as per the Ofgem statement released on 1st March 2016³, that there is uncertainty regarding the future of SBR and DSBR following proposed changes to the CM regime. This could mean that SBR and DSBR services would not be needed for the winter 2017/18 and will be in place for the winter 2016/17 only.

In relation to the Elexon response, we acknowledge the scale of the work programme and the associated risks and, noting the increasingly close relation between the BSC and C16, we will look to liaise better with Elexon to ensure that any potential BSC changes are identified and captured at the earliest possible stage.

Also we note that the level of detail in the BSAD Statement might be improved. With this regard, we welcome thoughts and suggestions and will work to see what additional value can be added as part of the wider C16 process review we are currently carrying out.

1.1.2 Changes to the Procurement Guidelines

Consultation Question 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? If not, please provide rationale.

Industry Response:

EDF

Mostly yes, with the exception of ID 3.7.

³https://www.ofgem.gov.uk/system/files/docs/2016/02/ofgem_open_letter_on_future_sbr_and_dsbr_given_proposal_to_run_a_ca_auction_for_2017_18_2.pdf

- ID 3.7 states: Insertion of text "... DSBR (after the event) and SBR (published on BMRS)"
- But the actual change on the PG is "DSBR (as required) and SBR (as required)".

National Grid's View

This was a typo in the Consultation document. The correct proposed change is the one included in the change marked version of the Procurement Guidelines document attached as Appendix C in the consultation ("...DSBR (as required) and SBR (as required)", Page 29-30 – PART E, Sec 3).

Consultation Question 8

Do you agree that the changes proposed to the Procurement Guidelines, shown in Table 3 and in Appendix C, should be made? If not, please provide rationale.

Industry Response:

EDF

Mostly yes, with the exception of ID 3.7.

In relation to ID 3.7:

- We believe the results of the tender should be published 'as required, but no later than 1 month after the tender' and 'the quantities and price of DSBR instructed will be available to the market immediately after the DSBR provider is instructed'.
- The accompanying information on Table 2, page 35 seems to suggest that National Grid will publish the precise quantity of DSBR (despatched and) delivered. However, we understood that National Grid was unable to provide the actual delivered quantity. Could National Grid confirm whether it is providing the actual quantity delivered?
- National Grid should also specify where exactly (not just "our website") the information is published.

National Grid's View

•All information is published in line with Invitation to Tender documentation on the DSBR website & the DSBR Procurement methodology. Validation of tenders is subject to receiving info from third party data collectors which takes time. National Grid then has bilateral discussions with providers if information we receive from the data collector doesn't match the tendered information. We run the assessment and then there is a further interaction with providers as to the contract volume (which may be less than tendered as a result of the validation process). As such, one month is not achievable and we do not publish exact timescales for this reason.

A message is reported on BM Reports when DSBR is instructed and we follow up with a spreadsheet on our website with quantities and price of DSBR instructed.

•The quantity of DSBR despatched is available on the website⁴. The actual quantity delivered is subject to NG receiving information from third party data collectors which is then interrogated by National Grid and the service providers. It remains our intention to publish the data once we are certain it is correct but have not stipulated timescales for doing so.

•We have a dedicated page for Contingency Balancing Reserve Services and here there is DSBR tender page & DSBR operational information page as well as other useful info. All tender documentation refers to the specific pages on our website at the link below:

<http://www2.nationalgrid.com/UK/Services/Balancing-services/System-security/Contingency-Balancing-Reserve/>

Consultation Question 9

Do you have any other comments in relation to the changes proposed to the Procurement Guidelines?

Industry Response:

EDF

Yes.

- On p.28, with reference to DSBR, it says "annual tender supplemented by ad hoc tenders as required".

⁴ <http://www2.nationalgrid.com/UK/Services/Balancing-services/System-security/Contingency-balancing-reserve/Operational-Information/>

- Similarly, for SBR, it says “as required to be effective between November and February of each winter season”.
- National Grid should clarify that both are interim services to be discontinued after the implementation of the Capacity Market.
- Both products are to be used between November and February – not just SBR – so the description should be consistent.

National Grid’s View

We agree with the suggestion to align the description of both the services so as to be consistent. Therefore we propose to change the text on p.28, with reference to the DSBR and SBR timescales, as follows:

“As required to be effective between November and February of each winter season until delivery of the Capacity Market”.

1.1.3 Changes to the SMAF

Consultation Question 11

Do you agree that the changes proposed to the SMAF, shown in Table 4 and in Appendix D, should be made? If not, please provide rationale.

Industry Response:

EDF

Mostly yes, with the exception of ID 4.5.

In relation to ID 4.5:

- We find the requirement for National Grid to produce a report each year regarding the accuracy of the flagging useful so do not agree the requirement should be removed.
- Therefore, we do not agree with the proposal to delete the text “In order to provide continued confidence to the industry, National Grid will report annually, as a minimum, on the accuracy of the flagging methodology.”

National Grid’s View

Based on the responses received regarding this point, we acknowledge the value of this report to Industry and therefore we will not remove the paragraph from the Statement as part of this review.

Consultation Question 12

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

Industry Response:

Elexon

Yes.

National Grid proposes to remove a requirement to produce an annual report covering the accuracy of SMAF. The purpose of the report is to provide assurance to market participants that National Grid accurately SO flags BOAs and minimises corrections to BOAs SO flag status, which can cause ELEXON to recalculate System Prices. The report estimates the level of accuracy that National Grid SO flagged BOAs and the potential impact on System Prices from erroneously flagging BOAs.

ELEXON has in the past contributed to National Grid’s assessment of the impact of erroneously flagging on System Prices. However we note that National Grid has not published the report on its website since the 2012/13 report and so it is unclear whether SMAF performance has improved, stayed the same or worsened.

In light of recent changes to Imbalance Pricing arrangements (that potentially increase the impact of errors on Parties), BSC Parties and ELEXON have increased their focus on the quality and timeliness of data reporting by National Grid. We believe that National Grid should resume its SMAF accuracy reporting to provide assurance to Parties that System Prices are calculated in a timely and accurate manner.

Also, ELEXON periodically reviews certain aspects of the Imbalance Pricing arrangements on behalf of the BSC Panel. This is to provide assurance to the Panel and BSC Parties and to ensure ELEXON update System Price calculation parameters where appropriate. We believe that there may be a case

for incorporating National Grid's SMAF Accuracy Report into this periodic review cycle. That is, its inclusion would enhance visibility and consideration of the report's findings and contribute toward providing assurance that System Prices are calculated in a timely and accurate manner.

National Grid's View

As stated above, based on the responses received regarding this point, we acknowledge the value of this report to Industry and therefore we will not remove the paragraph from the Statement as part of this review.

We will work to produce an up to date report in the next few months.

Also, we are comfortable with this report to be part of the periodic review cycle led by Elexon on behalf of the BSC Panel.

2 Proposed Changes to the ABSVD Methodology Statement

National Grid consulted the industry on the following proposed change to the ABSVD Methodology.

2.1 Proposed change to the ABSVD

A few housekeeping amendments were needed to reflect the changes in the internal organisational structure went live on 1st October 2015 and to update the National Grid website link.

Changes are detailed in Table 1 below.

Table 1 – Proposed changes to the ABSVD

ID	Purpose of Change	Reference	Change
1.1	Version control change	Title Page	Change to Effective Date Change to Version Number
1.2		Page 2 – Version control table	Update to version control table
1.3	Update NG website link	Page 2-3, Page 6	Deletion of the old National Grid website link and insertion of the up to date link
1.4	Update contact details	Page 3, Page 6	Deletion of text “Commercial Frameworks” and insertion of text “Market Change”

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

3 Proposed Changes to the BSAD Methodology Statement

National Grid consulted the industry on the following proposed change to the BSAD Methodology.

3.1 Proposed change to the BSAD

A few housekeeping amendments were needed to reflect the changes in the internal organisational structure went live on 1st October 2015 and to update the National Grid website link.

Changes are detailed in Table 2 below.

Table 2 – Proposed changes to the BSAD

ID	Purpose of Change	Reference	Change
2.1	Version control change	Title Page	Change to Effective Date Change to Version Number
2.2		Page 4 – Version control table	Update to version control table
2.3	Update NG website link	Page 4	Deletion of the old National Grid website link and insertion of the up to date link
2.4	Update contact	Page 4	Deletion of text “Commercial Frameworks” and insertion of text “Market Change”

ID	Purpose of Change	Reference	Change
	details		

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

4 Proposed Changes to the Procurement Guidelines

National Grid consulted the industry on the following proposed change to the Procurement Guidelines. Following consideration of the industry responses a few more changes have been made to the Statement and they are highlighted in yellow in the table below.

4.1 Proposed change to the Procurement Guidelines

In addition to the housekeeping amendments needed to reflect the changes in the internal organisational structure went live on 1st October 2015 and to update the National Grid website link, the Procurement Guidelines document has been updated:

- To ensure that the Commercial Ancillary Services can be provided by Authorised Electricity Operators and not only by generators as currently stated in the document. The existing wording (PART C, Section 1) states “*Commercial Ancillary Services. The following services, required from some generators and provided if agreement is reached [...]*”, however it would seem more appropriate to replace the term “generators” with “AEOs” as the latter is also previously used in the Procurement Guideline under the definition of “Ancillary Services” (PART A, Section 1).
- To include DSBR and SBR in the “Information Provision Detail” section along with the other tendered services.
- To align timescales for SBR and DSBR.
- To insert the National Grid website link.

Changes are detailed in Table 3 below.

Table 3 – Proposed changes to the Procurement Guidelines

ID	Purpose of Change	Reference	Change
3.1	Version control change	Title Page	Change to Effective Date Change to Version Number
3.2		Page 3 – Version control table	Update to version control table
3.3	Update NG website link	Page 3, Page 31	Deletion of the old National Grid website link and insertion of the up to date link
3.4	Update contact details	Page 4, Page 7, Page 25, Page 30-31	Deletion of text “Commercial Frameworks” and insertion of text “Market Change”
3.5	Include AEOs as providers of Balancing Services	Page 14 – PART C, Sec 1	Deletion of the text “generators” and insertion of the text “AEOs”
3.6	Text formatting	Page 22 – PART C, Sec 2.4	Formatting of text “Direct Arbitrage between different balancing instruments in order to yield a lower overall balancing cost. In order to comply with the Transmission Licence, this would only be valid if an immediate cost saving can be obtained by directly replacing one balancing instrument to fulfil a specific requirement with another which replaces the same

ID	Purpose of Change	Reference	Change
			requirement. An example of such a direct arbitrage could be to sell a 12-month contract and replace it with 2 consecutive 6-month contracts.”
3.7	Include DSBR and SBR in the “Information Provision Detail” section	Page 31 – PART E, Sec 3	Insertion of text “... DSBR (as required) and SBR (as required)”
3.8	Align timescales for DSBR and SBR	Page 28-29 – Table 1 BALANCING SERVICES SUMMARY TABLE	“As required to be effective between November and February of each winter season until delivery of the Capacity Market”
3.9	Insertion of the National Grid website link	Page 37 – TABLE 2: Balancing Services Information Provision Summary	http://www2.nationalgrid.com/UK/Services/Balancing-services/System-security/Contingency-balancing-reserve/Operational-Information/

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

5 Proposed Changes to the SMAF Methodology Statement

National Grid consulted the industry on the following proposed change to the SMAF Methodology. Following consideration of the industry responses we have decided to remove the proposed changed ID 4.5 (deletion in the table below).

5.1 Proposed change to the SMAF

In addition to the housekeeping amendments needed to reflect the changes in the internal organisational structure went live on 1st October 2015 and to update the National Grid website link, a further change had been proposed as part of the industry consultation to remove the provision of the annual report on the accuracy of the flagging methodology. Within the SMAF (PART C, Section 1) there is a requirement for NGET to produce a report each year regarding the accuracy of the flagging. This was brought in when the SO Flags were first introduced to give the market comfort that NGET were able to accurately carry out the flagging process. Now that this has been in place for a number of years and is well established, this requirement is requested to be dropped.

However, as a result of industry responses, we have decided not to remove the requirements for NGET to provide the annual report on the accuracy of the flagging methodology.

Changes are detailed in Table 4 below.

Table 4 – Proposed SMAF changes

ID	Purpose of Change	Reference	Change
4.1	Version control change	Title Page	Change to Effective Date Change to Version Number
4.2		Page 2 – Version control table	Update to version control table

ID	Purpose of Change	Reference	Change
4.3	Text formatting	Page 3	Text formatted
4.4	Update contact details	Page 4	Deletion of text “Commercial Frameworks” and insertion of text “Market Change”
4.5	Drop the requirement	Page 13 – PART C, Sec 4	Deletion of the text “In order to provide continued confidence to the industry, National Grid will report annually, as a minimum, on the accuracy of the flagging methodology.”

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

6 Proposed Changes to the BPS Statement

National Grid consulted the industry on the following proposed change to the BPS Methodology.

6.1 Proposed change to the BPS

A few housekeeping amendments were needed to reflect the changes in the internal organisational structure went live on 1st October 2015 and to update the National Grid website link.

Changes are detailed in Table 5 below.

Table 5 – Proposed changes to the BPS

ID	Purpose of Change	Reference	Change
5.1	Version control change	Title Page	Change to Effective Date Change to Version Number
5.2		Page 2 – Version control table	Update to version control table
5.3	Update NG website link	Page 2, Page 7	Deletion of the old National Grid website link and insertion of the up to date link
5.4	Update contact details	Page 2	Deletion of text “Commercial Frameworks” and insertion of text “Market Change”

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

7 Proposed Recommendations

National Grid notes the responses given by the Industry 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.

Following industry consultation, National Grid now presents to the Authority for consideration revised versions of the C16 Statements supporting: (i) changes to the Procurement Guidelines document, (ii) general changes as part of the review process, in particular housekeeping amendments to the contact details and the National Grid website link.

The Authority is invited either to approve either all the proposed changes or one or more of them based on the assigned 'ID' reference number.

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 versions of the C16 Statements are included as Appendices A, B, E, H and I.

If the Authority does not approve any of the proposed changes to the C16 Statements, the existing versions will remain in place. Subject to approval by the Authority, the proposed changes will become effective from 1st April 2016.

APPENDIX A - Change Marked ABSVD

Please see separate document.

APPENDIX B - Change Marked BSAD

Please see separate document.

APPENDIX C - Change Marked Procurement Guidelines

Please see separate document.

APPENDIX D - Change Marked SMAF

Please see separate document.

APPENDIX E - Change Marked BPS

Please see separate document.

APPENDIX F - Consultation Document

Please see separate document.

APPENDIX G - Industry Responses

Please see separate document.

APPENDIX H – Revised Change Marked Procurement Guidelines

Please see separate document.

APPENDIX I – Revised Change Marked SMAF

Please see separate document.