

**Monthly Balancing Services
Summary 2020/21**
December 2020

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1

Overview

Introduction

What are “Balancing Services”?

Electricity can't be stored in large quantities, so we need to find ways to match supply with demand. That's part of National Grid's role. We call it “balancing”, and we do it minute by minute.

We sometimes use balancing for other reasons, too, such as a sudden surge in demand during a televised sporting event, or if a power station suddenly stops generating because of a technical problem.

To help us with balancing, we buy in (procure) services from suppliers. These are “balancing services”. We use them to keep the transmission system (or “grid”) running in an efficient, economical and coordinated way. And that means everyone can get a steady flow of electricity.

For more detail about balancing, have a look at www.nationalgrideso.com, and then Balancing services.

Why do we need this report?

We publish many statements and market reports about how we procure and use balancing services. You'll find these on our web site at www.nationalgrideso.com, under Balancing Services, then [C16 statements and consultations](#).

We also want to give more details about the balancing actions we're taking. That's why we produce a monthly summary in the form of this report, so everyone can see what's what.

What's in the report?

This report shows the costs associated with balancing the system in order to keep electricity flowing steadily in December 2020.

The report presents balancing costs in these main sections:

- services we've procured through the Balancing Mechanism.
- services we've procured through trading.
- services we've procured through ancillary services.
- services we've procured through SO-to-SO transactions.

The report also presents information on all the balancing services supplied to National Grid. It uses charts and tables to show:

- which balancing services we've used in the month
- the volume for each service, month by month in megawatt hours (MWh) unless otherwise stated.
- the cost for each service, month by month in pounds sterling (£ million) usually to two decimal places.

We base the information on data we had when we published the report, to give an idea of what we've done in the month. We sometimes get updated information later on. If that happens, we don't publish a revised version for the month. But we do update the charts and tables to show the latest information when we publish the report for the following month.

Balancing Costs categories included in this report

We use market arrangements or bilateral contracts to manage:

- Energy Imbalance
- Operating Reserve
- STOR
- Constraints
- Negative Reserve
- Fast Reserve
- Response
- Other Reserve
- Reactive
- Black Start
- Other

You can read more about our procurement guidelines on our web site at www.nationalgrideso.com, under Balancing Services, then [C16 statements and consultations](#).

What are “Balancing Mechanism” (BM) and “non-Balancing Mechanism” (NBM) providers?

Because electricity cannot be stored, it needs to be generated at the time of demand. One of the tools National Grid uses to achieve the balancing act between electricity supply and demand at just the right time is called “balancing mechanism” (BM). It is the buying and selling of energy by National Grid Electricity Control Centre.

When an electricity generator, such as a power station or large wind farm, connects to the grid, we register it as a “balancing mechanism unit” (BMU). A BMU is used as a unit of trade in the BM, and is the smallest grouping of plant or equipment that we can meter separately; therefore, a single generator might register as more than one BMU. Suppliers with BMUs are referred to as BM Suppliers.

When National Grid predicts that there will be a discrepancy between the amount of electricity produced and that which will be in demand during a certain time period, we may accept a ‘bid’ or ‘offer’ from a BMU to either increase or decrease generation (or demand).

In some instances, National Grid also uses balancing services supplied by companies not registered as BMUs. Those suppliers tend to be smaller generators, for example small wind farm with two or three turbines or a small conventional-fired unit. We call those suppliers “non-balancing mechanism” (non-BM) suppliers, and traditionally it has not been possible to change their output or usage within the BM timescales.

What we don't include in the report

There are some details that we can't publish here because:

- Contracts with suppliers of balancing services include confidentiality agreements.
- Data about some types of balancing services aren't always available every month.
- We have removed the BSUoS forecast from the MBSS and created a separate BSUoS report which is published on our website. The benefit of doing this is that we can publish the BSUoS outturn and forecast sooner. The See Market Operations and Data, Forecast Volumes and Cost, Monthly BSUoS Forecast.

Information on bid and offer acceptances is in our Balancing Principles Statement at www.nationalgrideso.com, under Balancing Services, then [C16 statements and consultations](#). More information is available from the Balancing Mechanism Reporting Service (BMRS) at www.bmreports.com.



2

Balancing Costs Summary

Overview of Balancing Costs

This section provides an overview of balancing costs we have incurred in .

The total spent to balance the system for the month is £166.60 m. This is the total cost charged to generators and suppliers through BSUoS. You can find a copy of our monthly BSUoS report on our website at nationalgrideso.com. Look under Balancing data, [Forecast volumes and costs](#). The figures in this report may differ to those in the BSUoS report due to updated data since the publication of the BSUoS report.

The cost is broken down to £109.88 m spent in the Balancing Mechanism, £19.77 m spent on Trades, £39.47 m spent on Ancillary Services, -£0.65 m spent on SO-to-SO transactions, and -£1.88 m for system losses, non-delivery, and reconciliation costs.

Total balancing costs (£m)

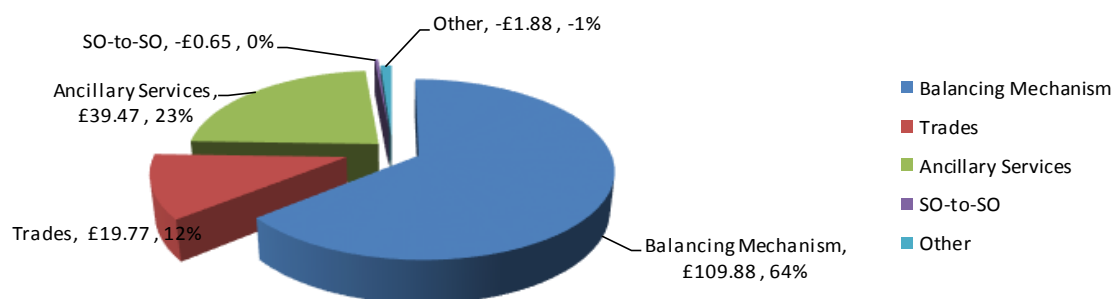


Figure 1

Total Balancing Services

The following graph shows the total balancing expenditure of £166.60 m for the month broken down by balancing cost category in pounds sterling (£ million).

Total balancing cost by category

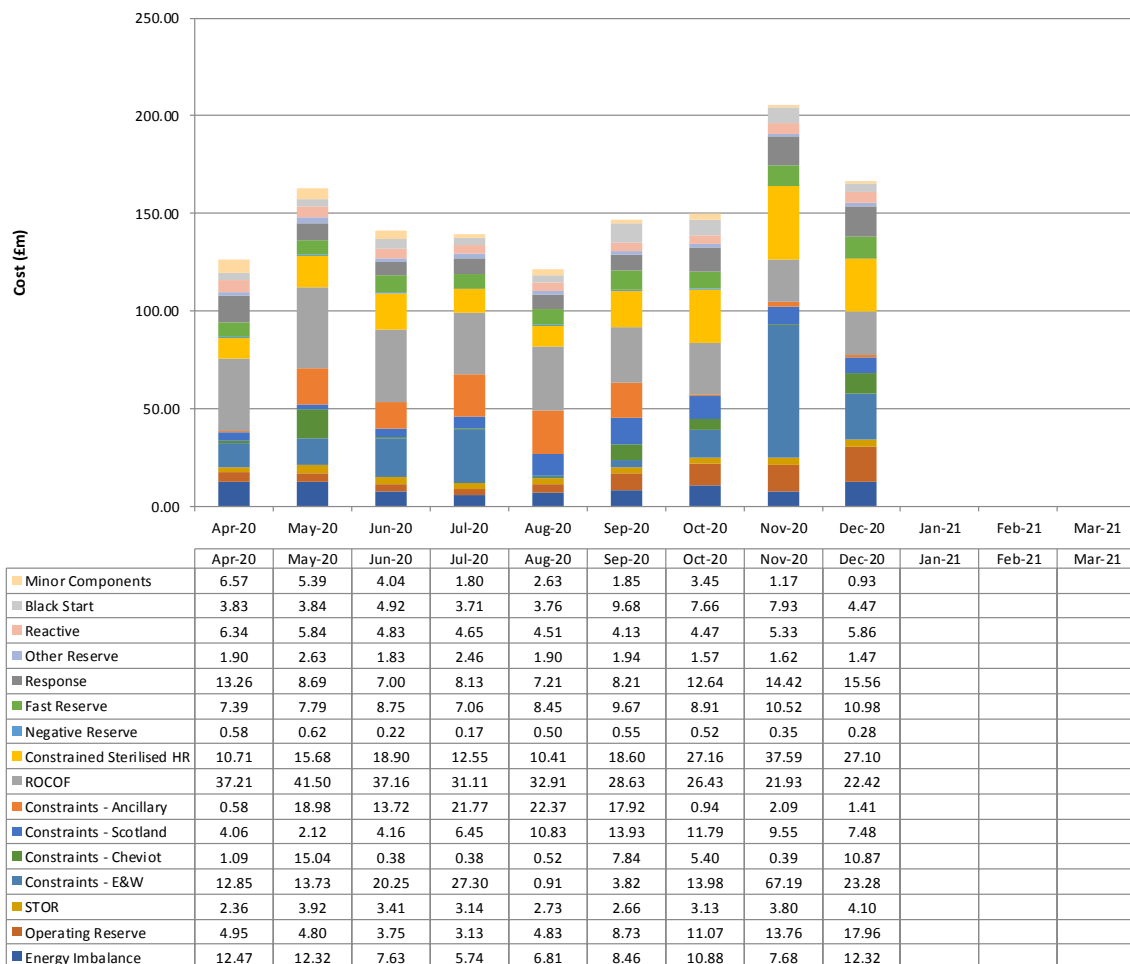


Figure 2

The following graph shows the total balancing volume for the month, broken down by balancing categories. For a more cohesive view of all the volumes utilised, please refer to individual balancing categories in Section 3.

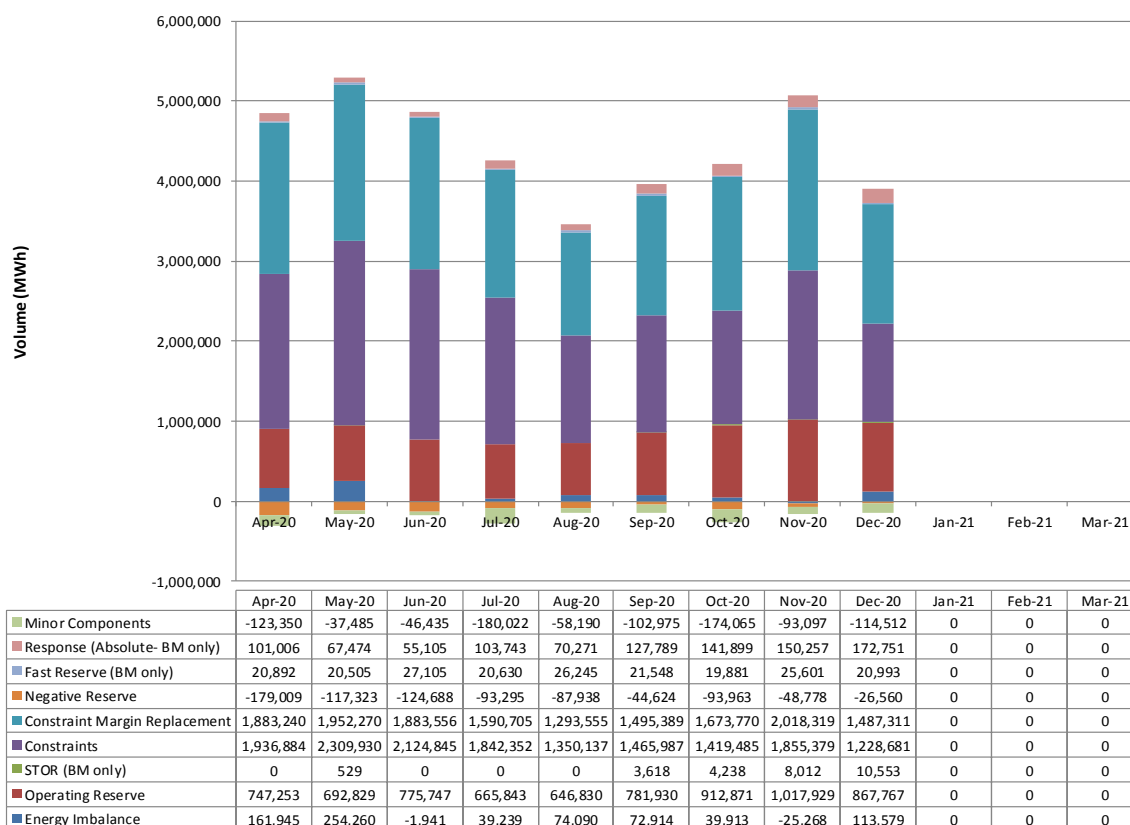


Figure 3

Balancing Mechanism

This section provides a summary of costs incurred in the Balancing Mechanism for the reporting month. Total cost for the month was £109.88 m. The chart and table show the costs incurred in, and the volume used for each balancing category. For detail of the actions taken in the BM see Elexon's BMRS website www.bmreports.com.

Total balancing cost by category, in pounds sterling (£m)

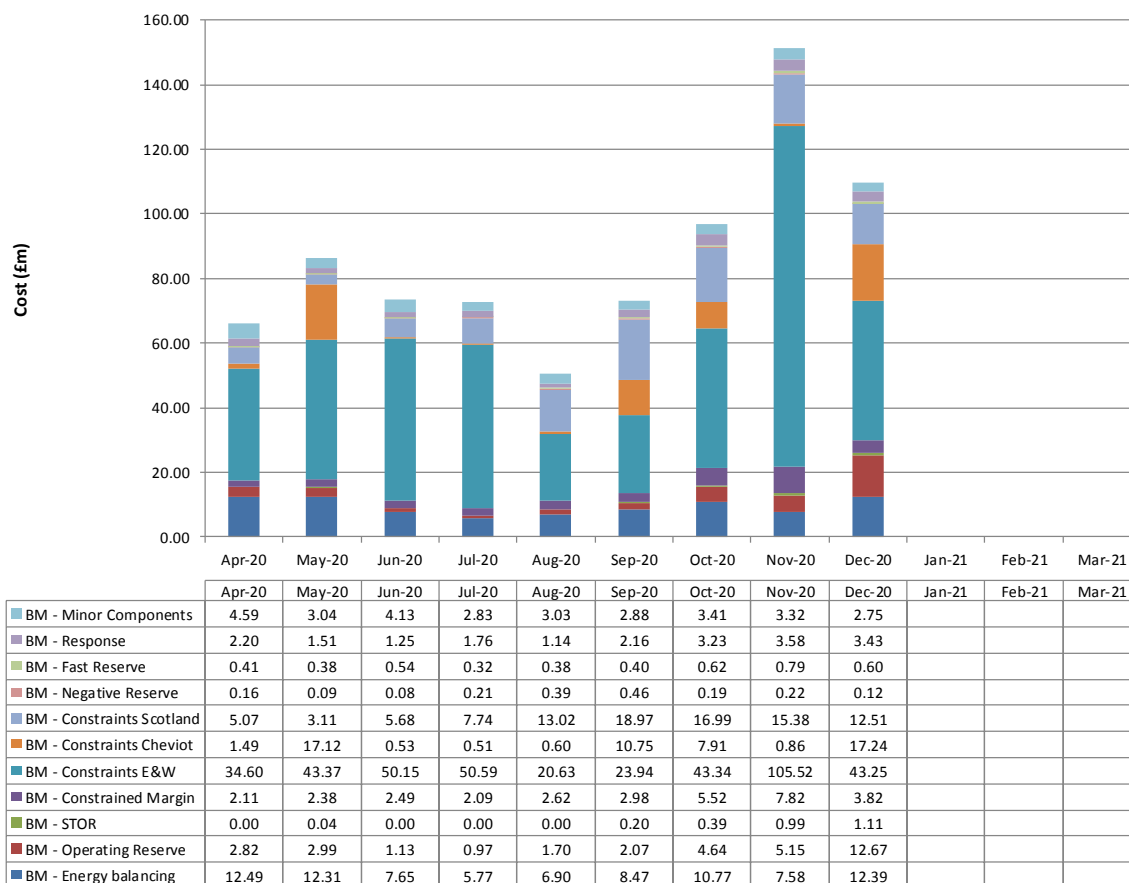


Figure 4

The graph below provides the summary of the volumes utilised in the Balancing Mechanism for the reporting month.

Balancing Mechanism volume, in megawatt hours MWh

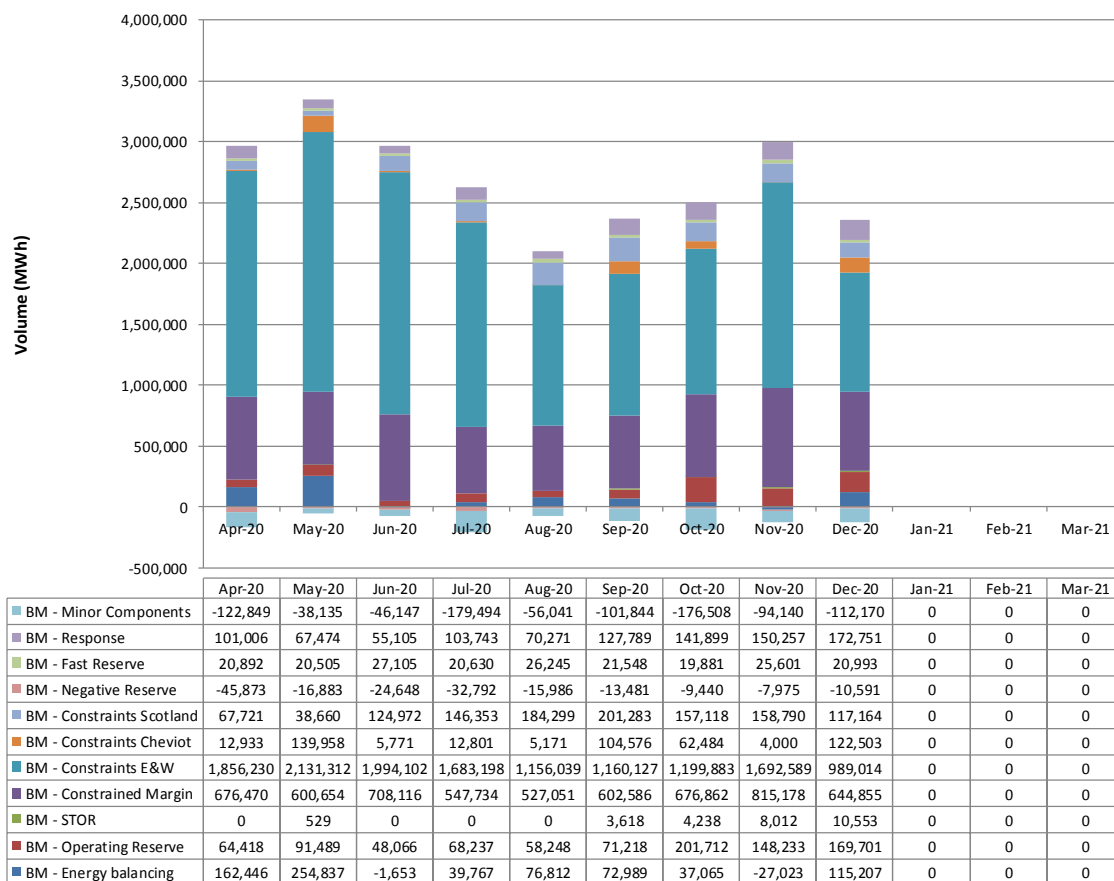


Figure 5

For Figure 5 and Figure 3, the volumes represented are defined below:

Category	Volume Definition	Comment
Energy Balancing	Net Volume	Positive and Negative volumes
Operating Reserve	Gross Volume	Positive volumes only
STOR	Absolute Volume	Positive and Negative volumes
Constrained Margin	Gross Volume	Positive volumes only
Constraints (all regions)	Absolute Volume	Positive and Negative volumes
Negative Reserve	Gross Volume	Negative volumes only
Fast Reserve	Net Volume	Positive and Negative volumes
Response	Absolute Volume	Positive and Negative volumes
Other	Net Volume	Positive and Negative volumes

Trading

This section includes information about forward trading, including non-locational and BMU-specific trading and pre-gate BMU transactions (PGBT).

We use three categories of trading:

- forward trading – negotiated bilateral contracts, which can be tailored to suit the parties' needs
- power exchanges – electronic trade-matching systems, where participants enter the prices at which they're prepared to buy or sell electricity
- energy balancing contracts – agreements for services that help us balance the system; we use these mainly when a power plant stops working or produces less energy than expected.

You'll find more detail on our website at nationalgrideso.com. Look under Balancing services, and then [Trading](#).

Forward Trading

We sometimes buy or sell electricity (in advance of the balancing mechanism process), called "forward trading". It helps us balance the system and manage system issues ahead of real time.

The total cost of forward trading was: £19.77 m

The absolute volume of forward trades: 519,052 MWh

Forward trading cost, in pounds sterling (£m)

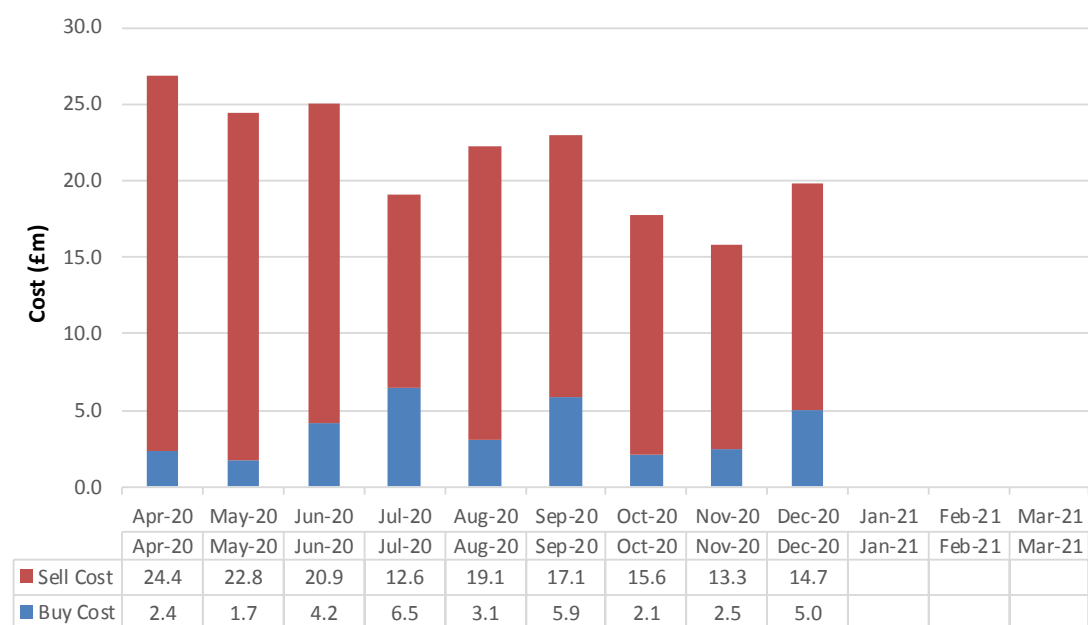


Figure 6

Forward trading volumes, in megawatt hours (MWh)

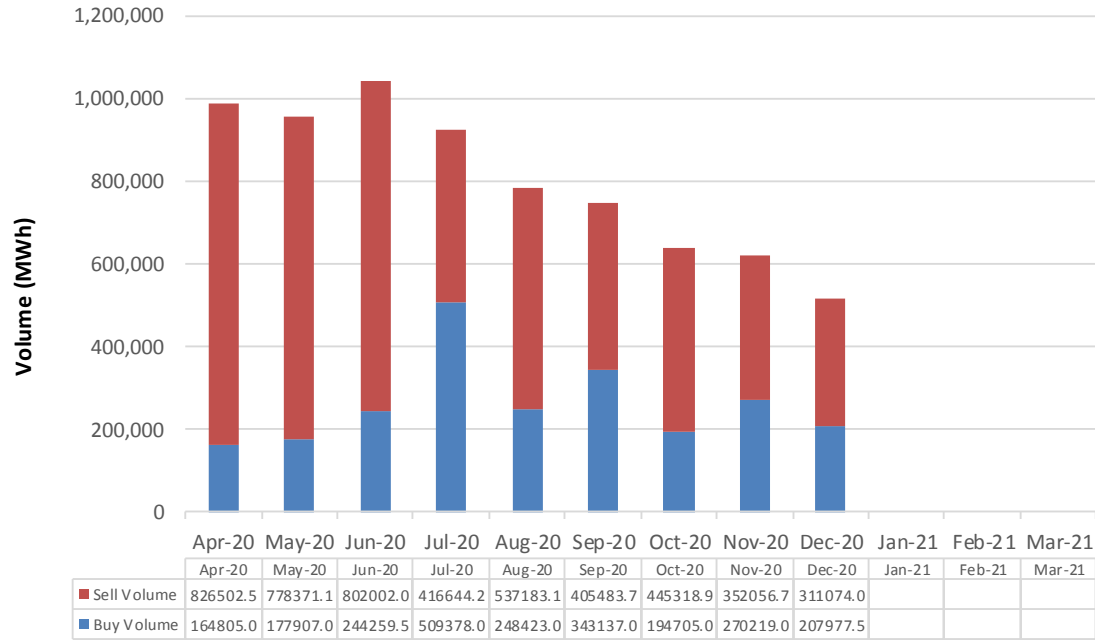


Figure 7

Ancillary Services

We sometimes enter into extra contracts with suppliers to help us manage electricity grid issues. We call these “Ancillary Services” sometime abbreviated to AS. The total amount we spent on Ancillary Services in was £39.47 m.

A guide to the Ancillary Services we procure can be found on our website at www.nationalgrideso.com. Look under Balancing services, [Balancing Services overview](#).

Summary of Ancillary Services cost, in pounds sterling (£m)

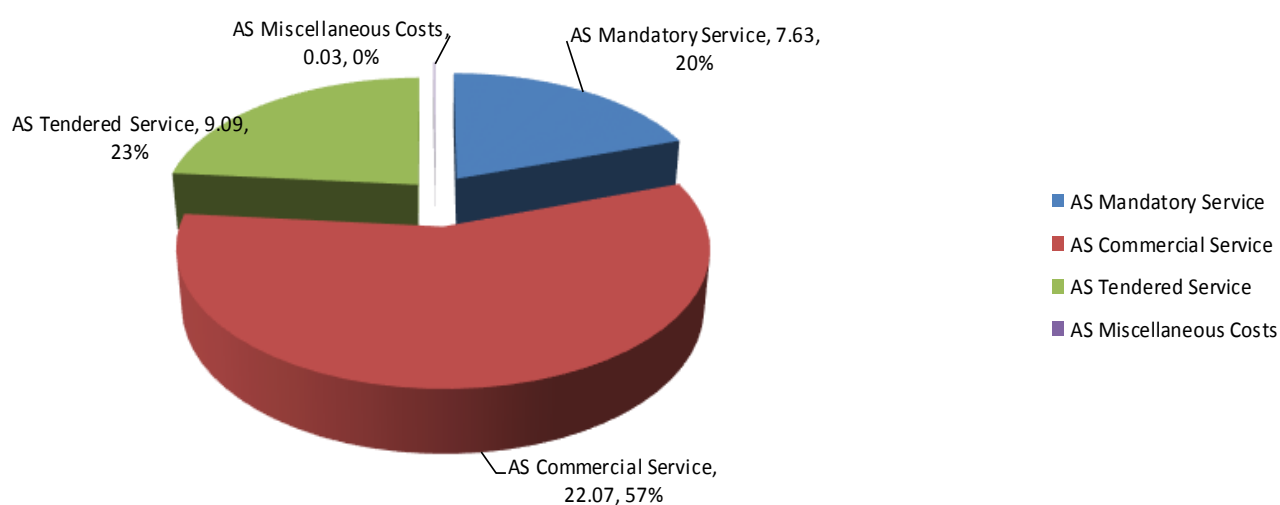


Figure 8

The chart divides the costs into “mandatory”, “commercial”, and “tendered” service types. Tendered costs are attributed to our tendered services frameworks, for example Firm Frequency Response, Fast Reserve and STOR. Mandatory costs are for Ancillary Services that participants are required to provide under the Grid Code, or as part of their connection agreement, for example reactive power, and some types of generator intertrip. Commercial services cover Ancillary Service contracts that are not part of our tendered services frameworks, for example black start costs, and demand turn-up services.

Summary of Ancillary Services costs, in pounds sterling (£m)

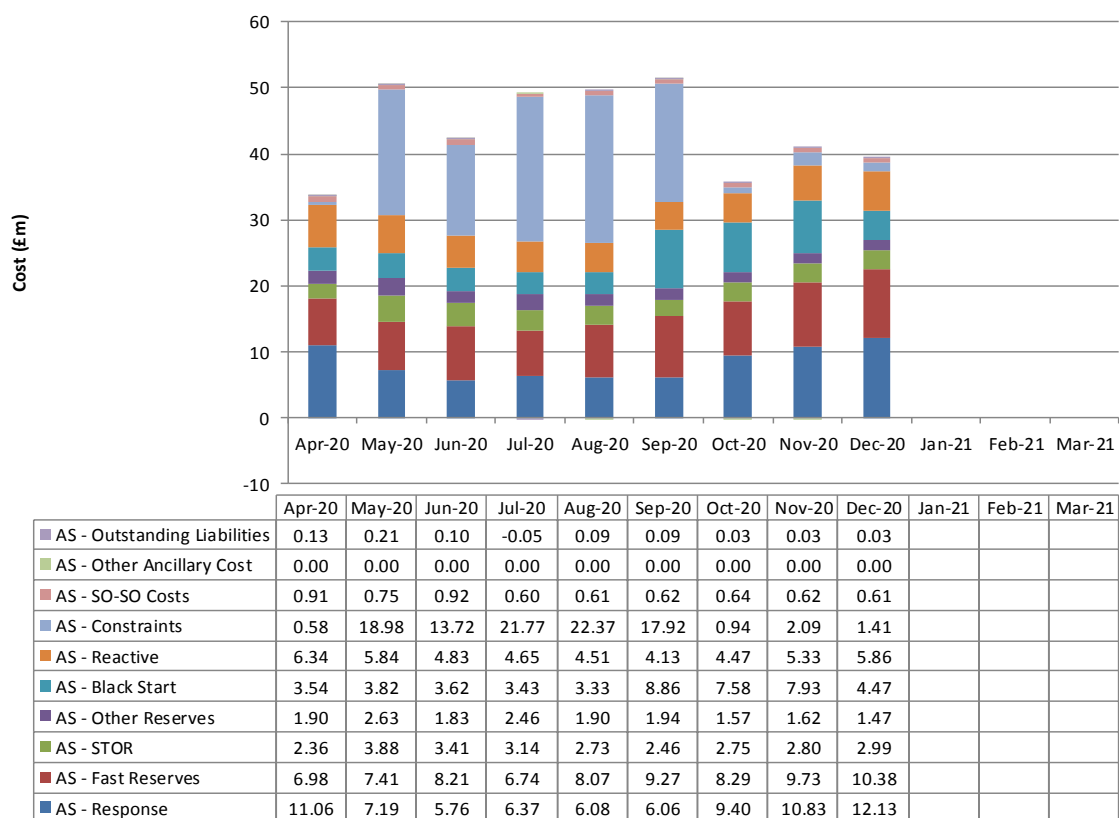


Figure 9

The left-hand column shows the type of service we are providing the costs for. You'll find explanations of these on our website at nationalgrideso.com. Look under [Balancing services](#).

Ancillary Services from non-BM providers

As referenced previously, there are a number of participants that are not registered to participate in the BM but can provide Ancillary Services. Costs associated with these providers include availability (or contract) costs and utilisation costs and are reported within the Ancillary Services cost categories.

Non-BM participants currently provide the following services:

- Frequency Response
- Short-term Operating Reserve (STOR)
- Fast Reserve
- Demand Turn-Up (part of Other Reserve)

'AS – Miscellaneous' costs relate to other Ancillary costs, such as liabilities, currency adjustments and costs associated with trading.

Ancillary Services from Non-BM and BM providers, £ million

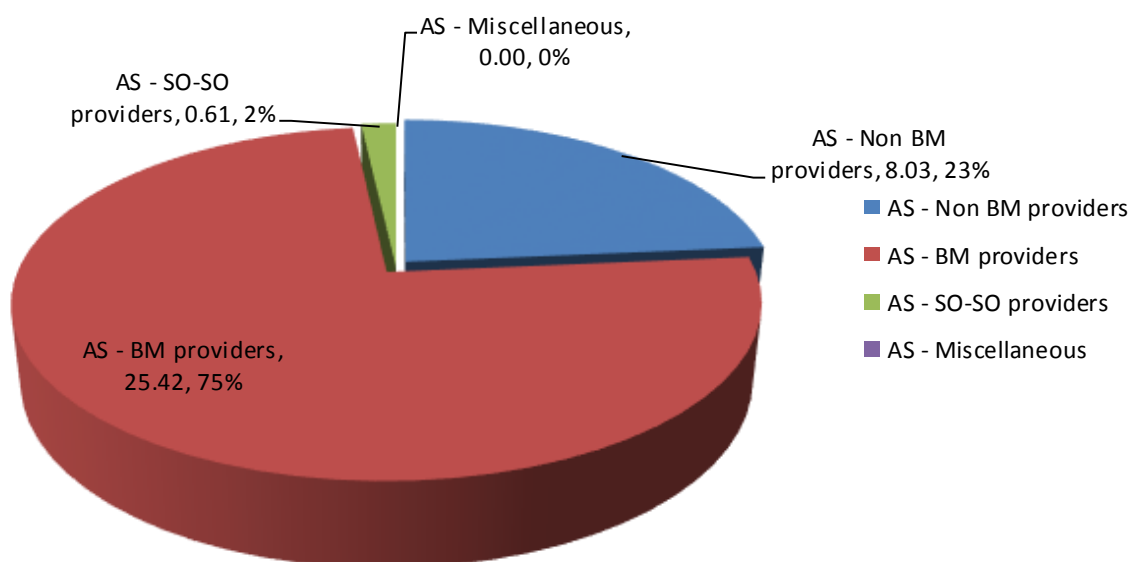


Figure 10

There's more detail about the services from by non-BM providers on our website at www.nationalgrideso.com. Look under Balancing services, then [Demand Side Response](#).

Ancillary Services costs from non-BM providers, in pounds sterling (£m)

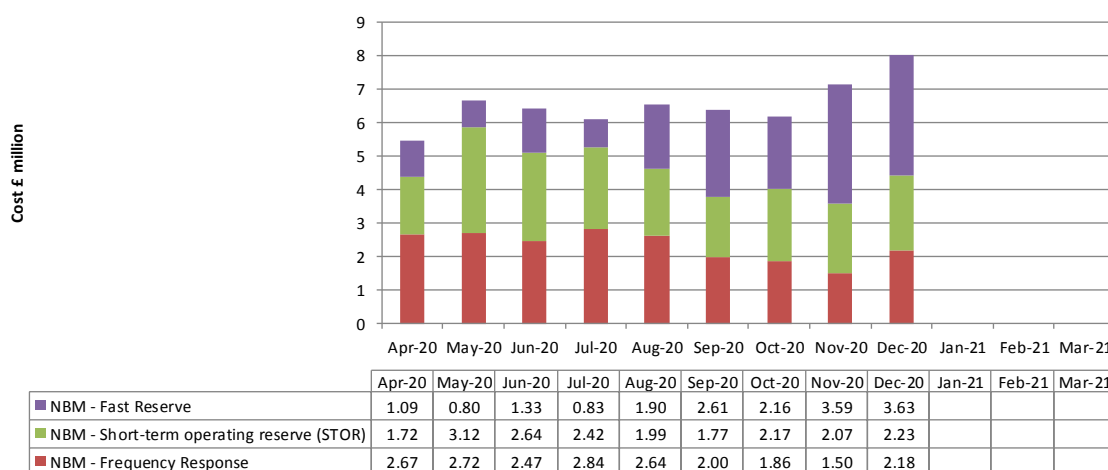


Figure 11

SO-SO Services

SO-SO services are provided by other System Operators, the costs will be negative if we receive any revenue for providing balancing services to other System Operators.

The total amount we spent on SO-SO services in the month was -£0.04 m.

BM and Ancillary Services costs from SO-SO providers, in pounds sterling (£m)

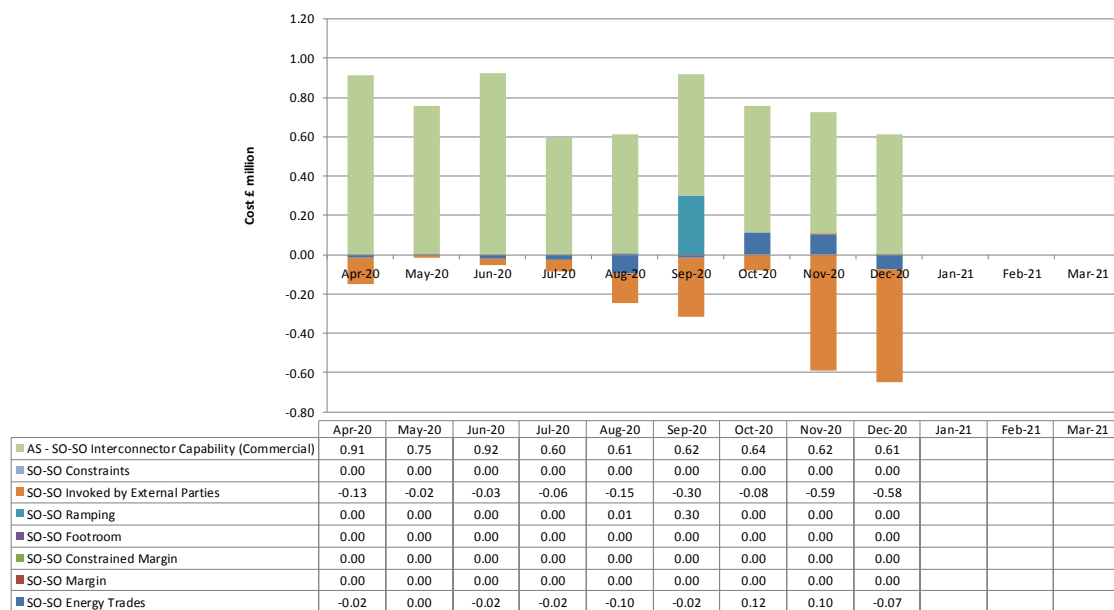


Figure 12

3

Balancing Costs Detail



Balancing Categories

Energy Imbalance

Definition

Energy imbalance is the difference between the amount of energy generated in real time, the amount of energy consumed during that same time, and the amount of energy sold ahead of the generation time for that specific time period. The monthly energy imbalance cost can be negative or positive depending whether the market was predominantly long or short. For further information on energy imbalance see the Elexon website at www.elexon.co.uk/operations-settlement/.

Energy Imbalance Volume and Expenditure

Energy Imbalance, in pounds sterling (£m)

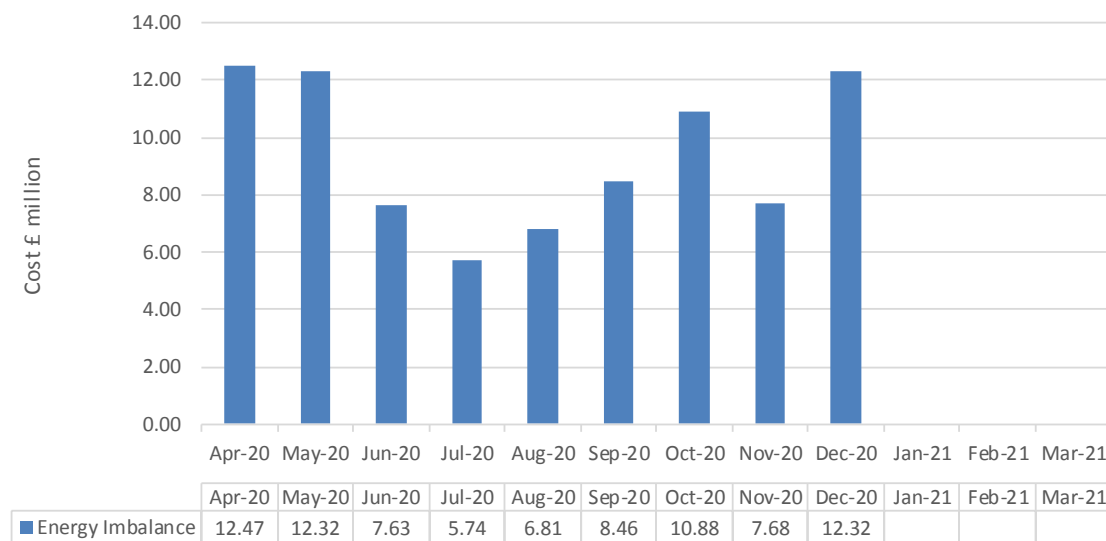


Figure 13

Energy Imbalance volume, in megawatt hours (MWh)

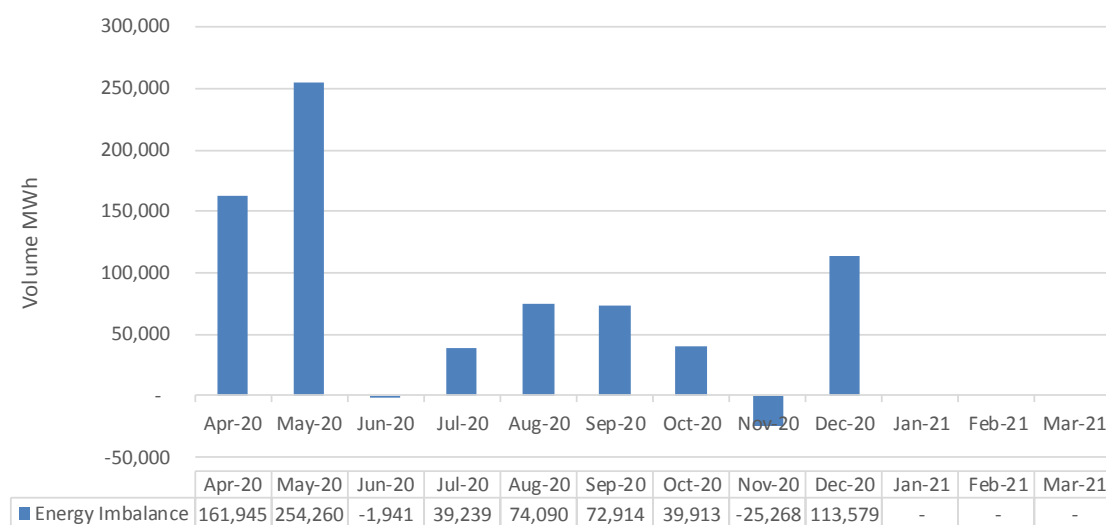


Figure 14

Operating Reserve

Definition

This section covers Positive Reserve that is managed in the BM, through trades, or SO-SO services. Positive Reserve is required to operate the transmission system securely and provides the reserve energy required to meet the demand when there are shortfalls, due to demand changes or generation breakdowns.

Operating Reserve Volume and Expenditure

The charts show the cost of managing Operating Reserve across the BM, trading and SO-SO services. Constrained Operating Reserve is the additional cost of maintaining sufficient reserve levels caused by system constraints. For example, the option to maintain Operating Reserve on generation in one part of the network might be removed because of a system constraint that limits the energy that can be exported from that area. This reduces the reserve options available and potentially increases the cost.

Operating Reserve, in pounds sterling (£m)

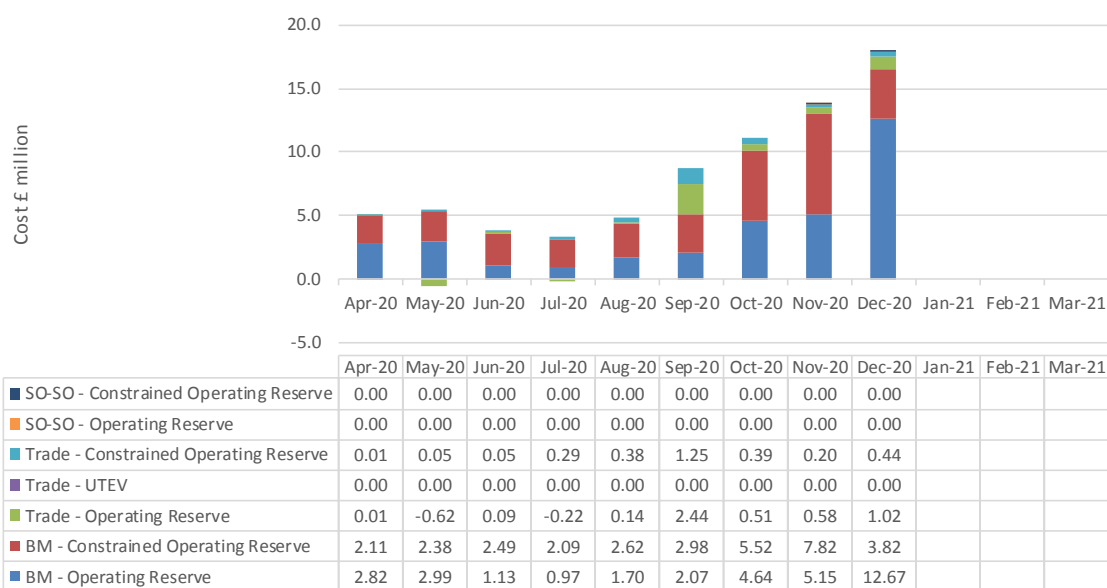


Figure 15

Positive Reserve volume, in megawatt hours MWh

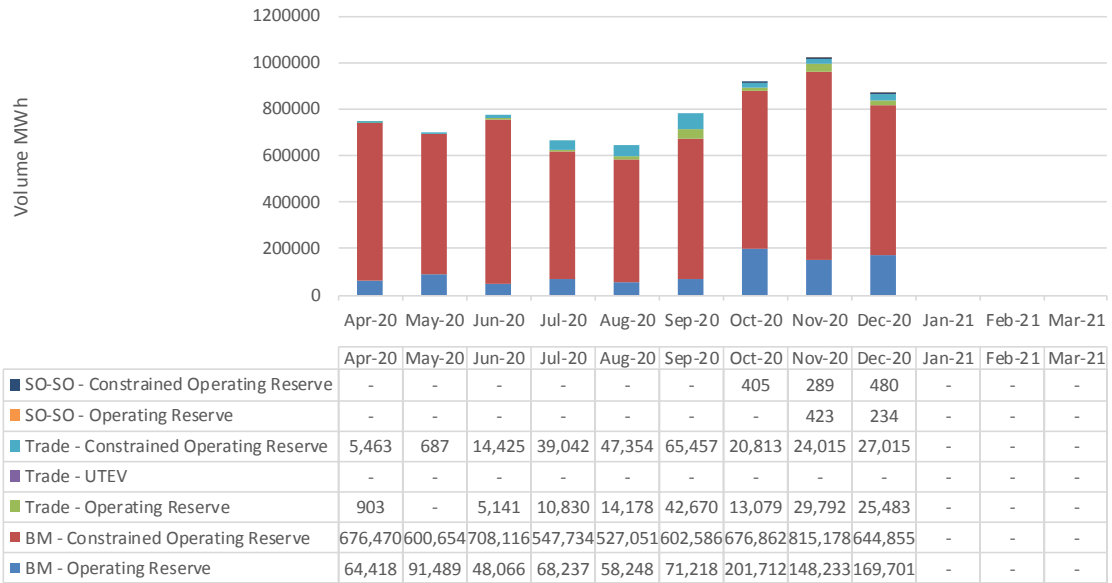


Figure 16

STOR

Definition

Short-term Operating Reserve (STOR) allows us to have extra power in reserve for when we need it. It helps us meet extra demand at certain times of the day or if there's an unexpected drop in generation.

The requirement for STOR is dependent upon the demand profile at any time. The STOR year starts in May, and is split into six seasons, which specify the Availability Windows where STOR is required each day.

National Grid aims to procure a minimum of 1800MW of STOR per year (subject to economics). Forecasting demand is getting more difficult due to the growth of intermittent wind and solar generation. STOR is therefore being increasingly used to ensure that imbalances on the system can be managed

You can find more detail about STOR, and the timetable for future tenders, on our web site at www.nationalgrideso.com. Look under Balancing services, and then [Reserve services](#).

Paying for STOR

We procure short-term operating reserve (STOR) through competitive tendering three times a year. To make sure we have enough STOR available through the year, we procure suppliers that are both BM and no-BM participants.

We make two kinds of payments to suppliers:

- availability payments – these are what we pay to suppliers to be available to supply STOR to us at certain times. Both BM and non-BM participants are paid for availability.
- utilisation payments – we pay non-BM participants these for using the STOR service.

We don't make utilisation payments for BM STOR as an ancillary service; we pay for that through the BM bids and offers process. But we've included it in this report so we can show the total amount we've spent on STOR.

STOR Volume and Expenditure

The current reporting month falls in Season 14.5 of 2020/21. This season was available for tenders in tender rounds 11 to 12 for long term tenders and tender rounds 34 to 39. A total of 2117 MW was accepted for Season 14.5. However, 51 MW of the contracted volume has ceased, lowering the total to 2014 MW.

Table 1 shows the actual (or "outturn") and contracted figures for December 2020.

STOR Volumes and Prices

	Outturn	Contracted
Volume weighted average availability price	£4.67/MWh	3.68/MWh
Volume weighted average utilisation price	N/A	N/A
Megawatts available	1,865 MW	2,117 MW

Table 1

The total amount we spent on the utilisation and availability for BM and non-BM STOR providers in the month was:

- £4.10m

That total cost breaks down into:

- £1.87m to BM STOR providers
- £2.23m to Non-BM STOR providers

The following number of providers tendered in for STOR for season 13.5:

- 42 companies tendered. 39 companies had contracts accepted.

For further information, please see:

<https://www.nationalgrideso.com/balancing-services/reserve-services/short-term-operating-reserve-stor?market-information>

Total Non-BM and BM STOR cost, in pounds sterling (£m)

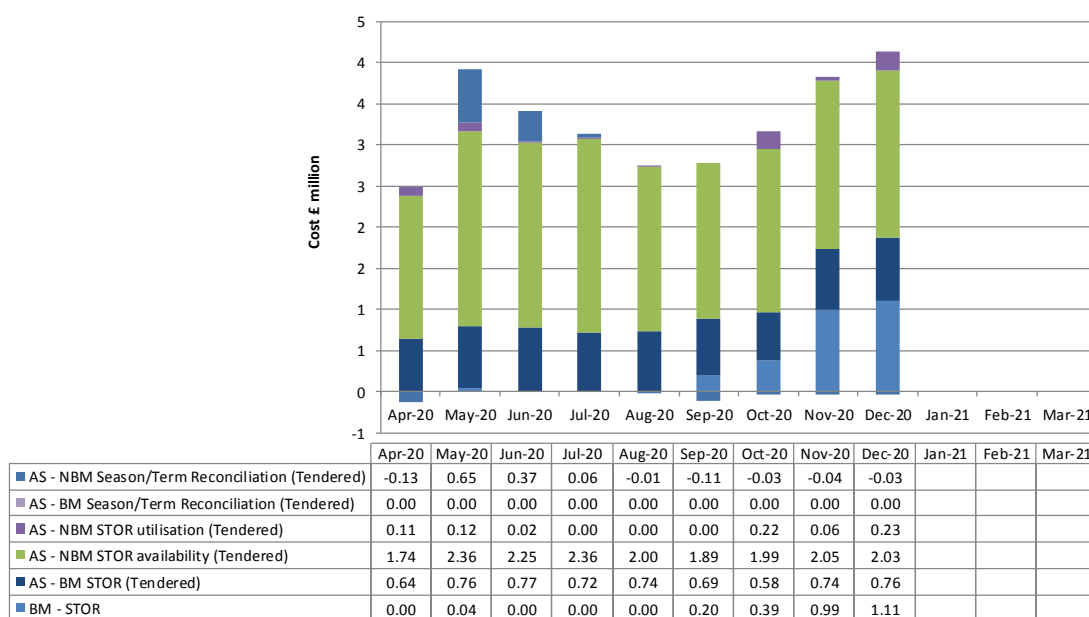


Figure 17

Tendered STOR utilisation volume, in megawatt hours (MWh)

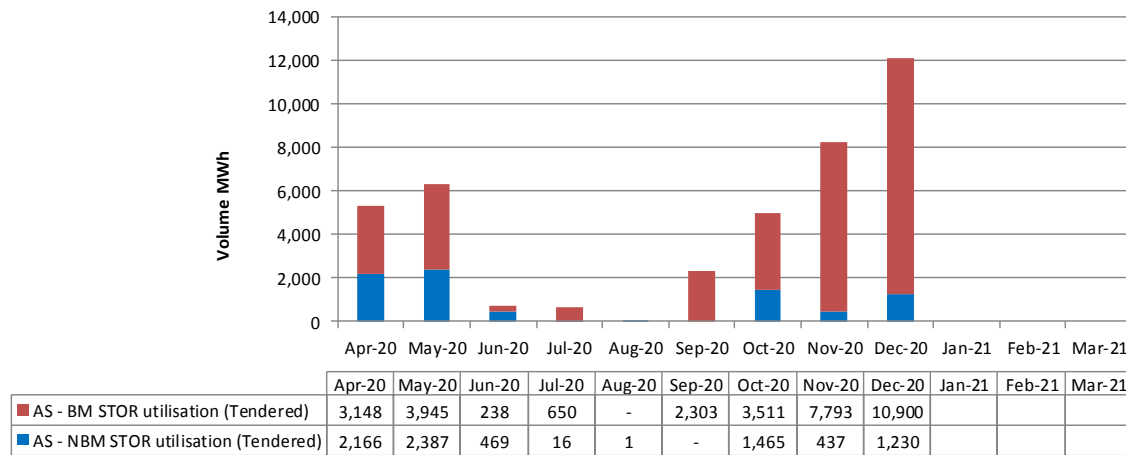


Figure 18

The total volume of STOR we used in the month was:

- 12,131 MWh

The graphs below show the volume of BM and non-BM STOR, which was made available to use in window 1, window 2 and window 3.

Average STOR availability volume, in megawatts (MW) – Window 1

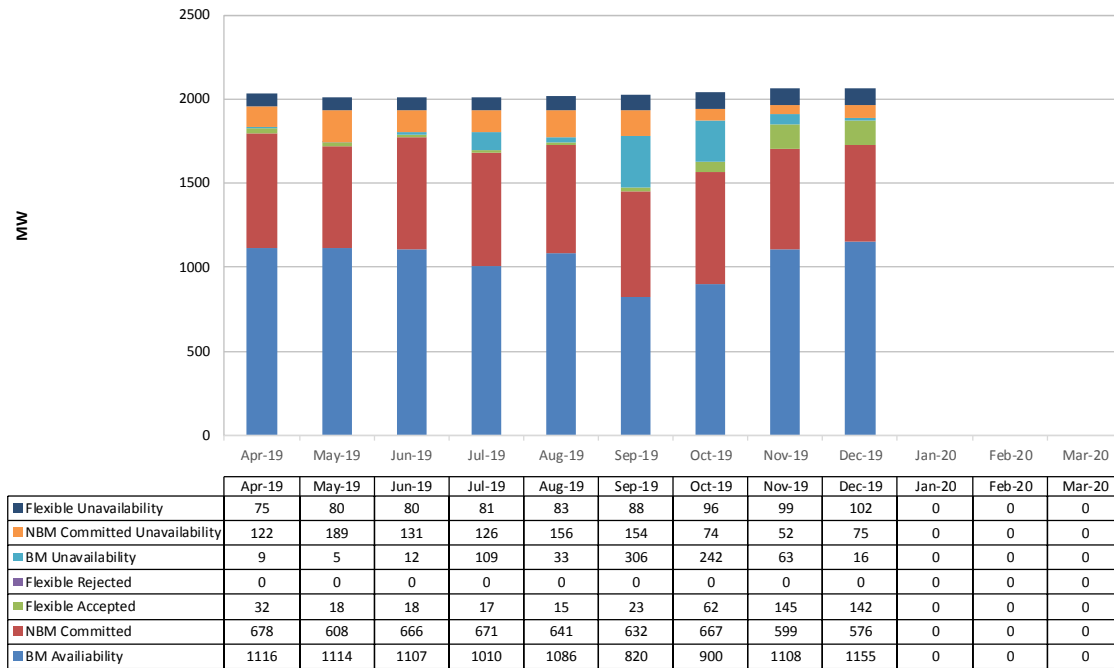


Figure 19

The average availability of STOR for Window 1 in the month was:

- 1,873 MW

STOR availability volume, in megawatts (MW) – Window 2

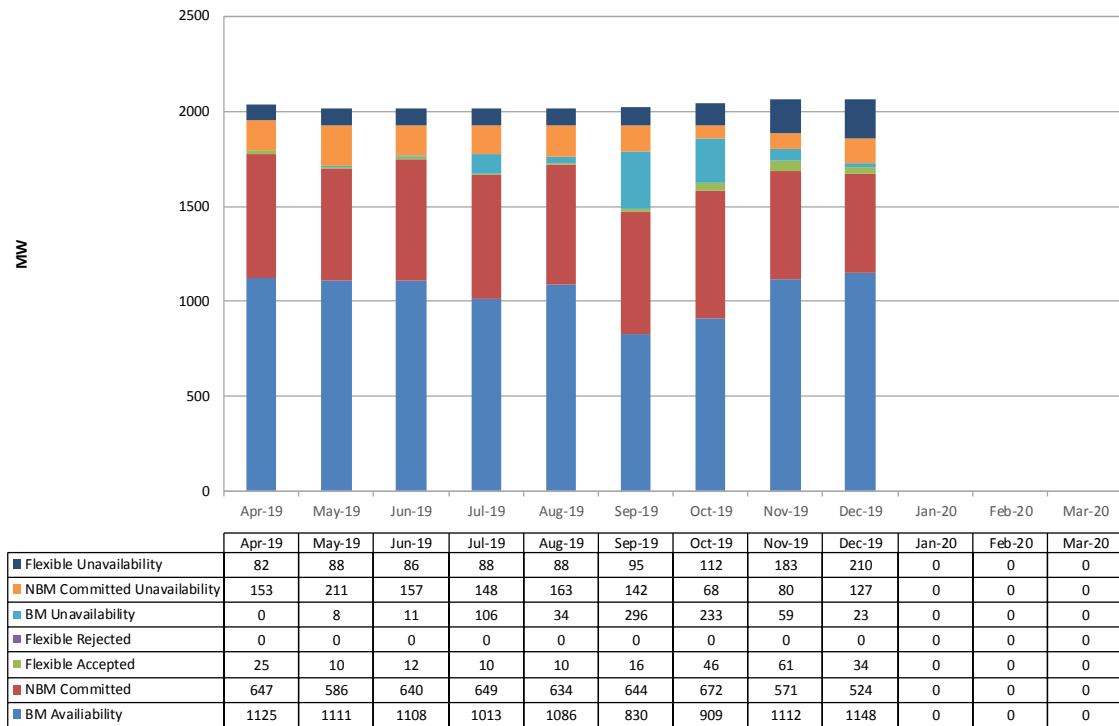


Figure 20

The average availability of STOR for Window 2 in the month was:

- 1,705 MW

STOR availability volume, in megawatts (MW) – Window 3

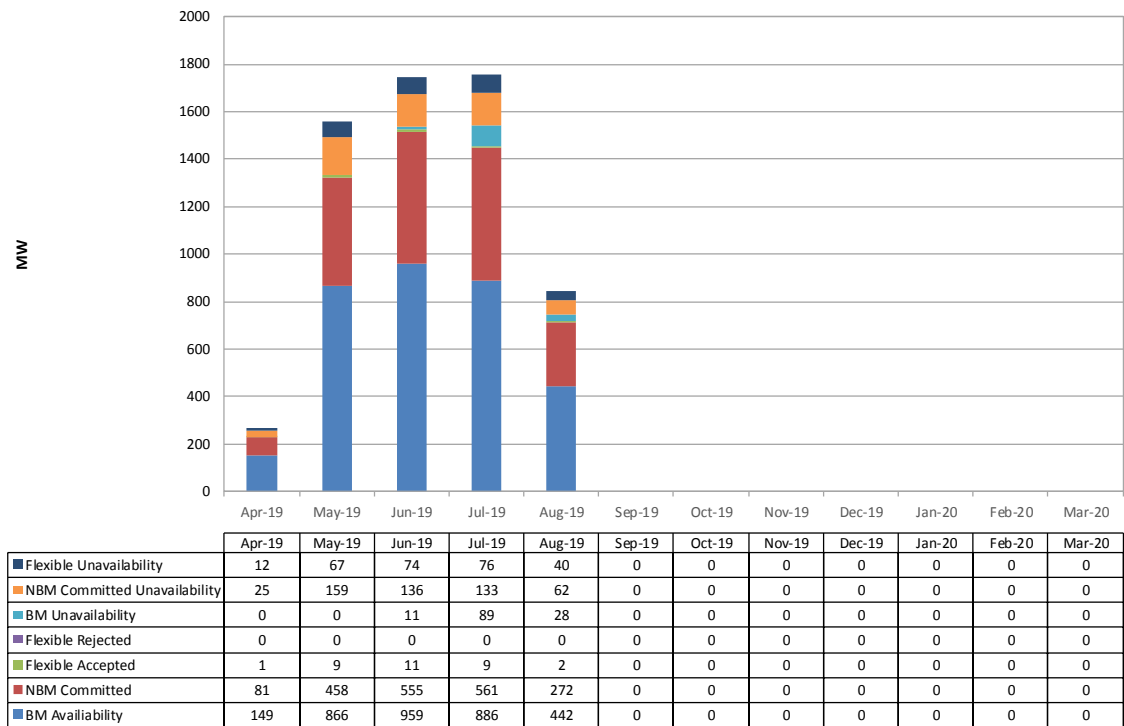


Figure 21

Window 3 is only valid for Season 2 which runs from April to August.

The average availability of STOR for Window 3 in the month was:

- 0 MW

Other Reserves

Definition

This section includes the other contracted reserve services that help to offset the cost of managing reserve in the BM.

Details of the reserve types presented here can be found on our website. Look for Balancing services, [list of all balancing services](#).

Paying for Other Reserves

Reserves in this section are paid for through commercial contracts, the demand turn-up service for example has an annual tender round.

Other Reserves Volume and Expenditure

Other reserves cost, in pounds sterling (£m)

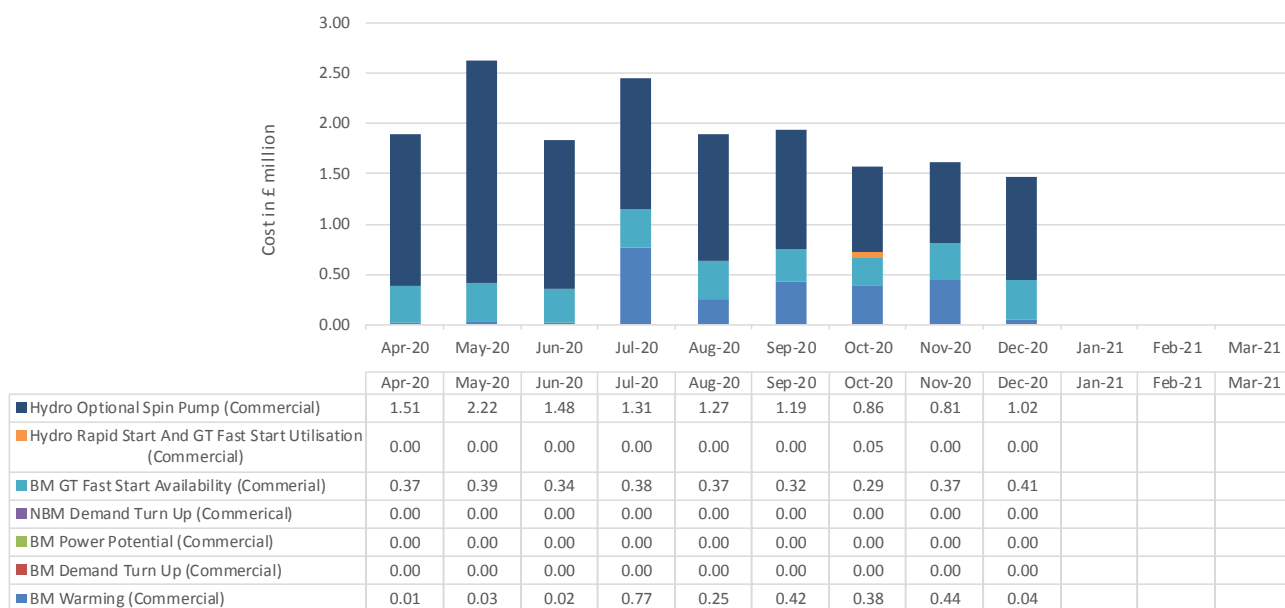


Figure 22

Table 2 below shows utilisation and availability stats for the different reserve types. Some are in MWh and some show how many sites available or instructions issued.

Other Reserves utilisation and availability data

	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21
Hydro Optional Spin Pump availability (MWh)	100,467	147,298	98,017	83,422	73,620	67,671	48,836	47,079	54,983			
Hydro Rapid Start And GT Fast Start utilisation (MWh)	0	0	0	0	0	0	0	0	0	0	0	0
BM GT Fast Start Availability number of sites	14	13	13	13	13	14	14	14	14	0	0	0
NBM Demand Turn Up utilisation (MWh)	0	0	0	0	0	0	0	0	0	0	0	0
BM Power Potential utilisation (MWh)	0	0	0	0	0	0	0	0	0	0	0	0
BM Demand Turn Up utilisation (MWh)	0	0	0	0	0	0	0	0	0	0	0	0
BM Warming instructions	3	6	3	10	6	18	13	17	9	0	0	0

Table 2

Constraints

Definition

Running the transmission network also requires actions to protect equipment, enable access to the system, keep within the SQSS¹ and prevent the loss of large parts of the network.

In order to do this, we sometimes ask a generator to reduce, or constrain, the amount of electricity it's producing. When we do that, we still need the electricity it would have produced – so we can balance the system – but we can't move it in or out of a certain area. We make up the difference by buying energy from another generator in a different part of the transmission network.

It can also happen the other way around: we might need to produce more energy in some areas, which means we need to reduce production elsewhere.

Managing Constraints

It's important that we manage these constraint activities. If we don't, equipment might be damaged or areas of the grid might be at risk of shutting down.

To deal with constraints, we use a range of mechanisms, including BM bids and offers, pre-gate BMU transactions, trading, system-to-system (SO to SO) services, and contracted services.

We break down constraints into three groups:

- Transmission Constraints
- Voltage Constraints
- ROCOF Constraints

Constraints Volume and Expenditure

The total spent on constraints in December 2020 was £92.56m. Figure 23 shows the constraint costs broken down by BM, trades, SO-SO and Ancillary Services.

Constraints costs, in pounds sterling (£m)

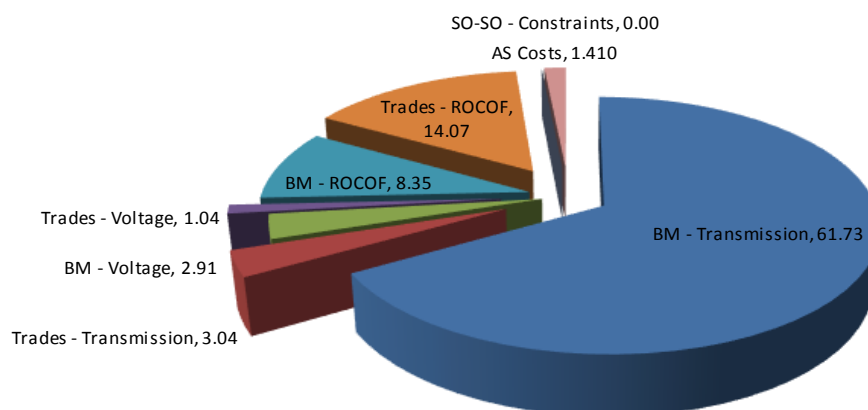


Figure 23

¹ Security and Quality of Supply Standard

The BM constraint costs are broken down by England and Wales, Scotland and Cheviot regions in the BM costs section of this report. ROCOF and Voltage costs are recorded in the England & Wales category.

Constraint volume, in megawatt hours (MWh)

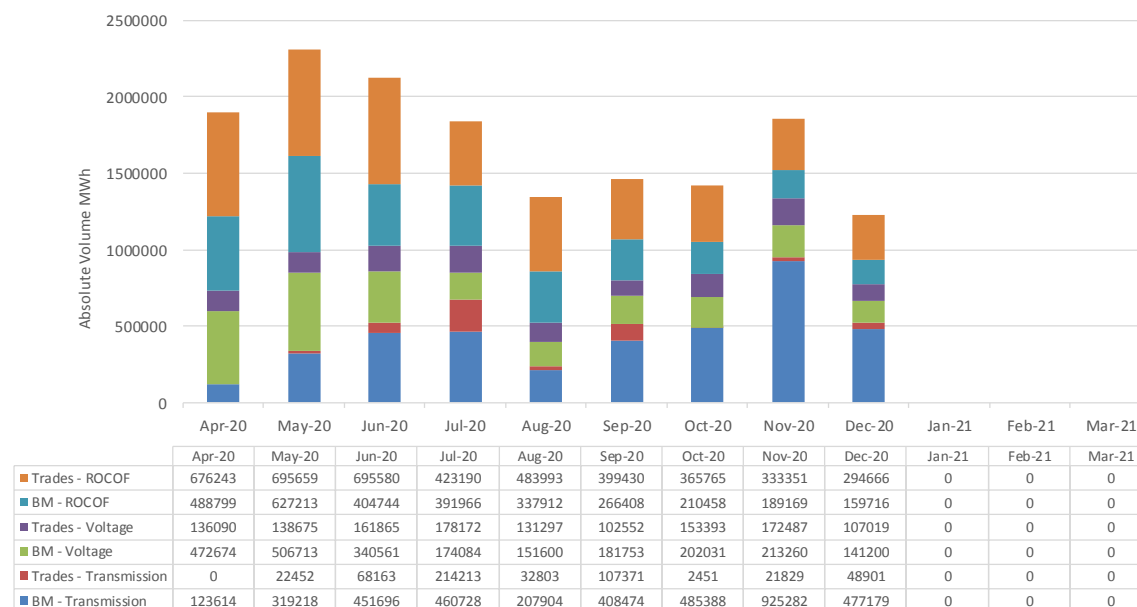


Figure 24

The total spent on ancillary services to manage constraints was £0.376 m, and are broken down further in Figure 25.

Ancillary Service constraint costs, in pounds sterling (£m)

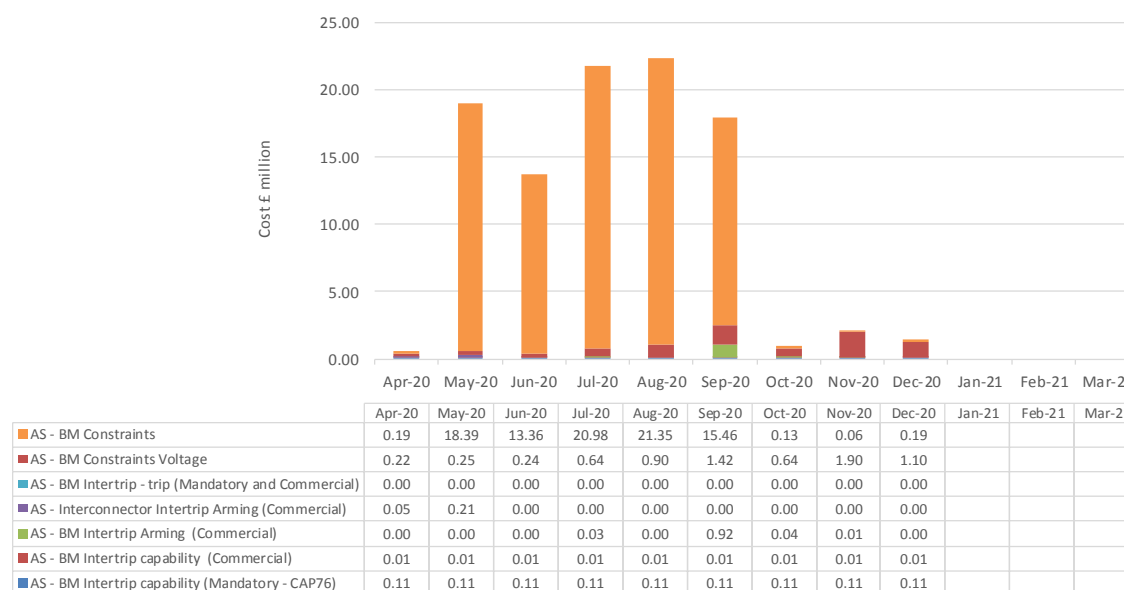


Figure 25

Transmission

These costs are incurred when we need to increase or decrease power flows from one part of the network to another.

Costs are largely incurred in the BM and via trades. Occasionally contracts are entered into if it is economic to do so.

Figure 26 to Figure 28 show costs (represented by lines) and volumes (represented by columns)

Transmission BM and Trade costs (£m) and volumes (MWh)

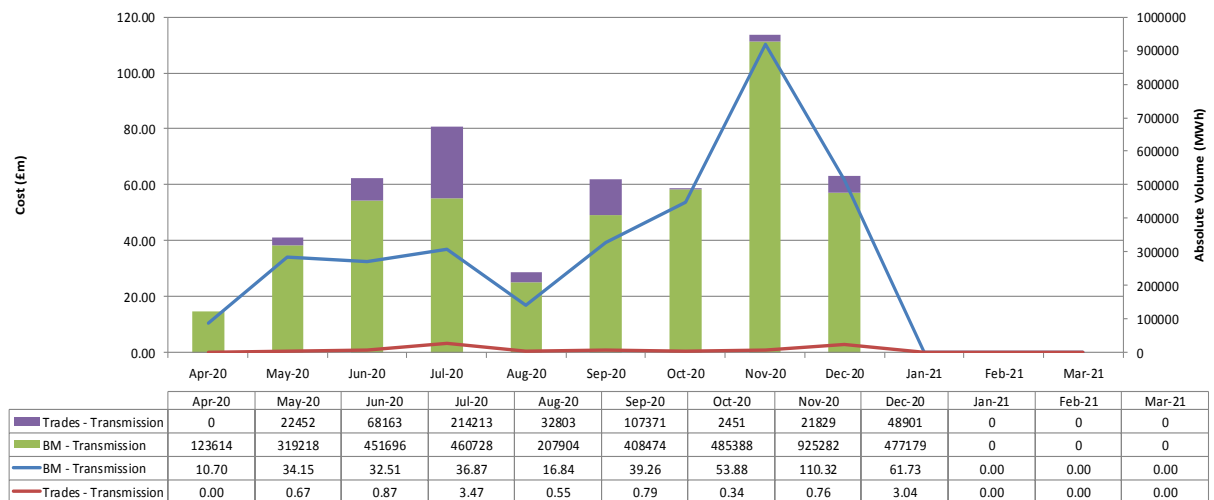


Figure 26

Voltage

Voltage levels are controlled by reactive power, and we pay providers to help manage voltage levels on the system by controlling the volume of reactive power that they absorb or generate. These costs are reported in the Reactive Power section.

In order to access Reactive Power, sometimes a generator is required to be synchronised to the network. In this case, we must buy the energy from the generator in order for the reactive power to be delivered.

We currently procure this service through the BM and Trades.

Voltage BM and Trade costs (£m) and volumes (MWh)

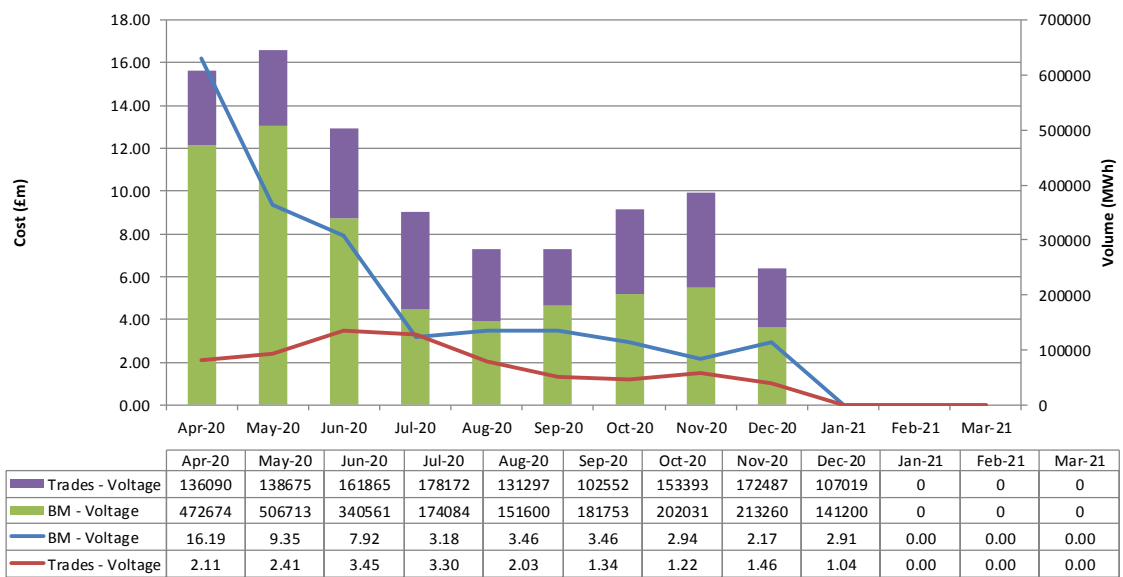


Figure 27

Rate of Change of Frequency (ROCOF)

Some embedded generators use protection relays that monitor the rate of change of system frequency to detect a fault on the network. When the protection detects that the rate of change of frequency is higher than a set threshold, the generator is tripped, or taken off the system. The protection relay is a safety measure, to make sure that the embedded generator is never connected to an islanded part of the network following a system fault. The increase in wind and PV generation means that the rate of change of frequency on the system can be higher than was historically allowed for following the loss of a large generator or interconnector.

We have two options available to us; we can reduce the size of the largest possible infeed loss to make sure that the ROCOF protection relays are not triggered, resulting in further loss of generation after a fault; or we can bring on more generation to increase the amount of inertia on the system – inertia helps the system to cope in the event of a large infeed loss and reduces the rate at which frequency changes.

We currently procure ROCOF actions in the BM or through Trades.

ROCOF BM and Trade costs (£m) and volumes (MWh)

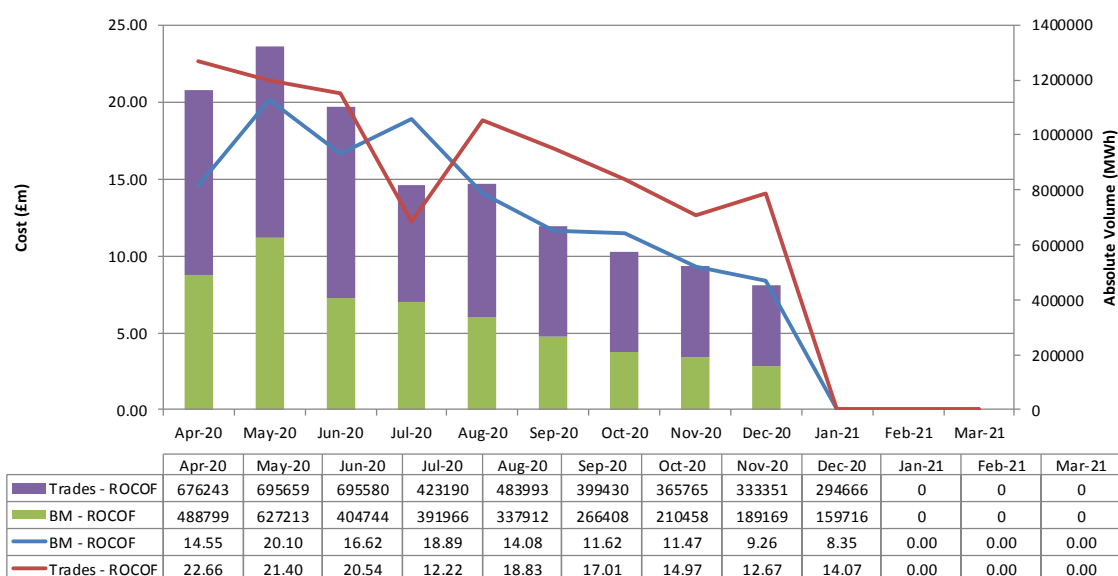


Figure 28

Constraint actions by fuel type

This section shows how the constraint costs for the reporting month break down by generator fuel type (excluding ROCOF).

Table 3 and Table 4 show the costs of the two types of payments we make, in pounds sterling (£ million):

- payments to manage the constraint – our costs in constraining electricity generation
- payments to rebalance the system – our payments to participants to bring the system back into balance

Positive values show the costs to National Grid, negative values show receipts. “Other” includes all fuel types not reported separately and includes hydro, open-cycle gas turbine (OCGT), demand side suppliers, and nuclear.

Most of the constraint costs are payments for suppliers to reduce or increase their output of electricity. But when managing constraints, we incur costs in other ways too. For example, we might use an intertrip service or bilateral contract to reduce the overall costs to consumers. As these costs arise because of the constraint, we’ve included them in the tables.

Breakdown of constraint costs by fuel type, for December 2020

Fuel Type	Payments to Manage Constraint	Payments to Rebalance System	Net Cost
COAL	0.12	2.57	2.69
GAS	3.25	52.86	56.11
INTERCONNECTOR	1.78	4.79	6.57
WIND	20.04	0.08	20.12
OTHER	5.57	1.49	7.06
Total	30.76	61.80	92.56

Table 3

Breakdown of constraint costs by fuel type, for the year to date

Fuel Type	Payments to Manage Constraint	Payments to Rebalance System	Net Cost
COAL	6.54	18.30	24.84
GAS	78.32	434.37	512.69
INTERCONNECTOR	-19.61	28.28	8.68
WIND	172.37	4.96	177.33
OTHER	110.18	19.65	129.83
Total	347.80	505.56	853.36

Table 4

Negative Reserve

Definition

A Negative Reserve service can provide the flexibility to reduce generation or increase demand to ensure supply and demand are balanced. The service is held in reserve to cover unforeseen fluctuations in demand, or generation from demand side PV and wind.

Paying for Negative Reserve

The Negative Reserve in this section is paid for through the BM, trades and SO-SO. There are Ancillary Services that are used to offset the cost of Negative Reserve (for example, demand turn-up); these are covered in the Other Reserves section of the report.

Negative Reserve Volume and Expenditure

The total amount we paid for Negative Reserve in the month was:

- £0.28 million

The total volume of Negative Reserve we procured in the month was:

- 26,560 MWh

Negative Reserve cost, in pounds sterling (£m)

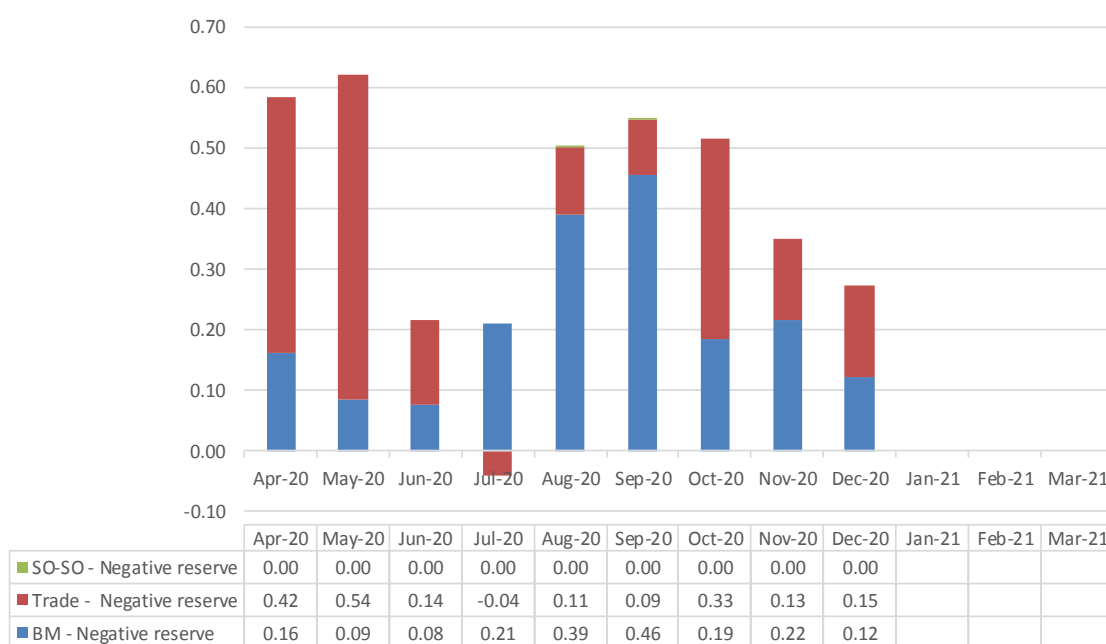


Figure 29

Negative Reserve volume, in megawatt hours (MWh)

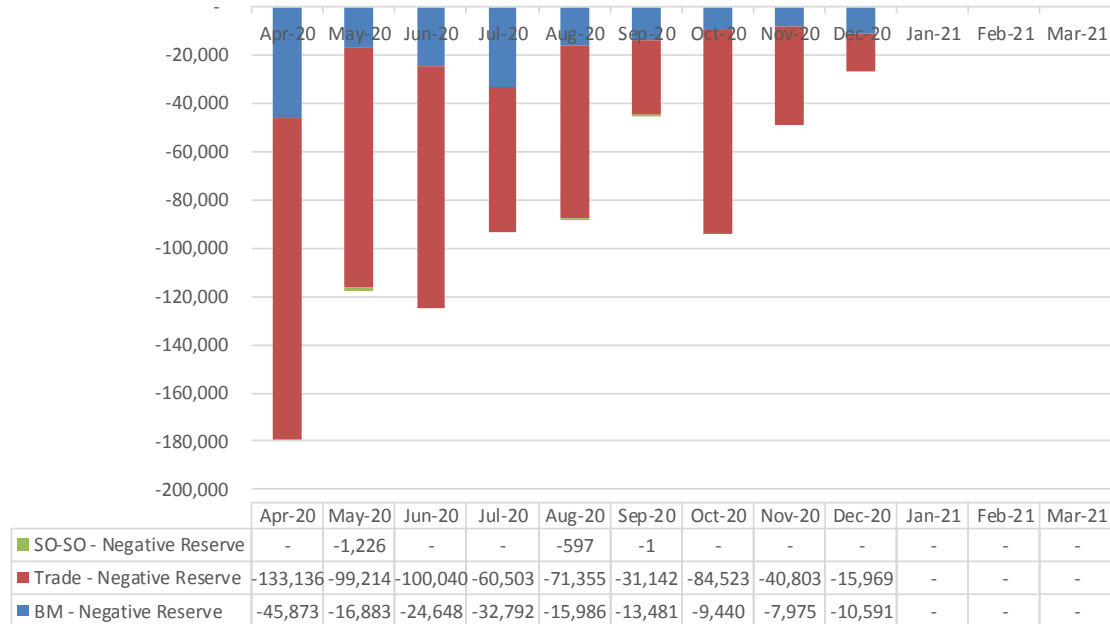


Figure 30

Fast Reserve

Definition

Fast Reserve provides the rapid and reliable delivery of active power through an increased output from generation or a reduction in consumption from demand sources, following receipt of an electronic dispatch instruction from National Grid. Fast Reserve service must commence within two minutes following instruction, at rates of 25MW or greater per minute and providing a minimum of 50MW.

National Grid currently breaks down the Fast Reserve into three categories: Firm Fast Reserve, Optional Fast Reserve for BM and Non-BM suppliers, and Optional Spin gen.

You can find more detail about Fast Reserve on our web site at nationalgrideso.com. Look under Balancing services, and then [Reserve services](#).

Paying for Fast Reserve

We procure Firm Fast reserve through a competitive monthly tendering process.

Only Suppliers who have entered into a Fast Reserve Framework Agreement can provide the Optional Fast Reserve service. This service is called upon through requests from the National Grid Electricity Control centre.

We procure Optional Spin Gen (for Hydro Pump Storage only) via bilateral agreements, and the services are called upon through requests from the National Grid Electricity Control centre, but not through the BM.

We make four types of payments to suppliers:

- availability payments in £/hours – these are what we pay to suppliers to be available to supply Fast Reserve to us at certain times.
- positional payments in £/hour – for firm fast reserve services only.
- window initiation payments in £/firm window – for firm fast reserve services only.
- utilisation payments in £/MWh – we pay these when we actually use the Fast Reserve. We pay providers the Capped Bid-Offer price for use of the service through the BM, or the Firm Fast Reserve Energy Fee for non-BM providers.

Fast Reserve Volume and Expenditure

Fast Reserve services costs, in pounds sterling (£m)

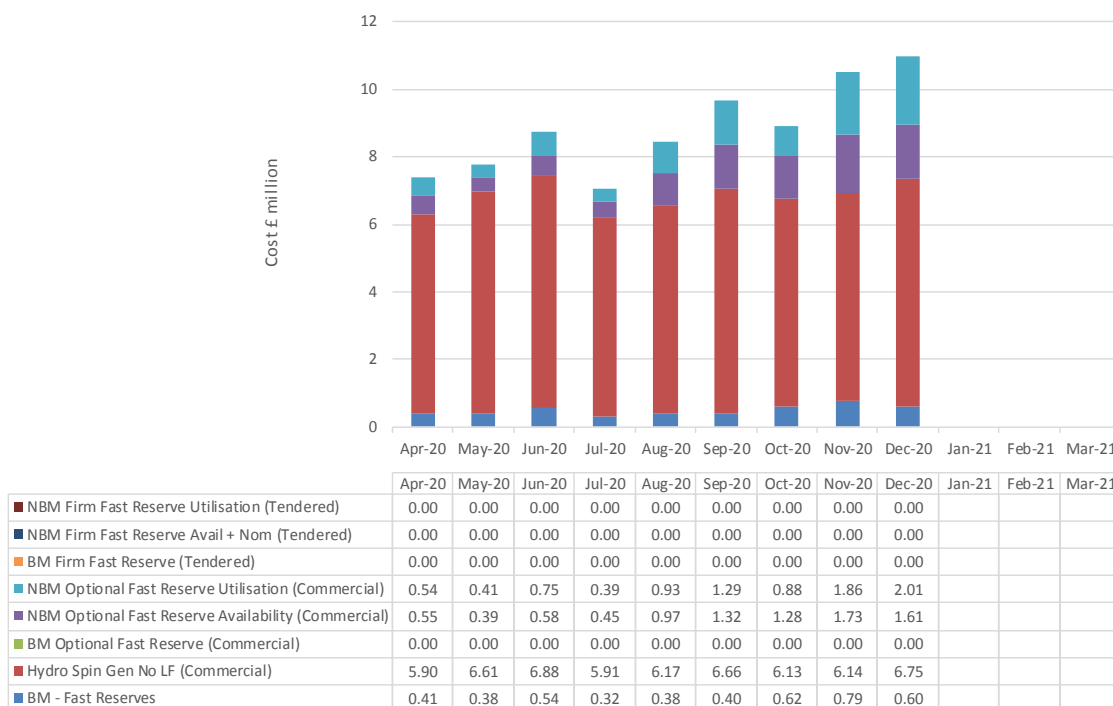


Figure 31

The total amount we paid for Fast Reserve in the month was:

- £10.98 million.

That cost breaks down into

- £7.35 million to BM providers
- £3.63 million to non BM providers

The following number of providers tendered in for Fast Reserve:

- 4 companies tendered for monthly contracts. 3 companies had contracts accepted.
- 8 companies tendered for long term contracts. 1 company had contracts accepted.

For further information, please see:

<https://www.nationalgrideso.com/balancing-services/reserve-services/fast-reserve?market-information>

Fast Reserve services volume, in megawatt hours (MWh)

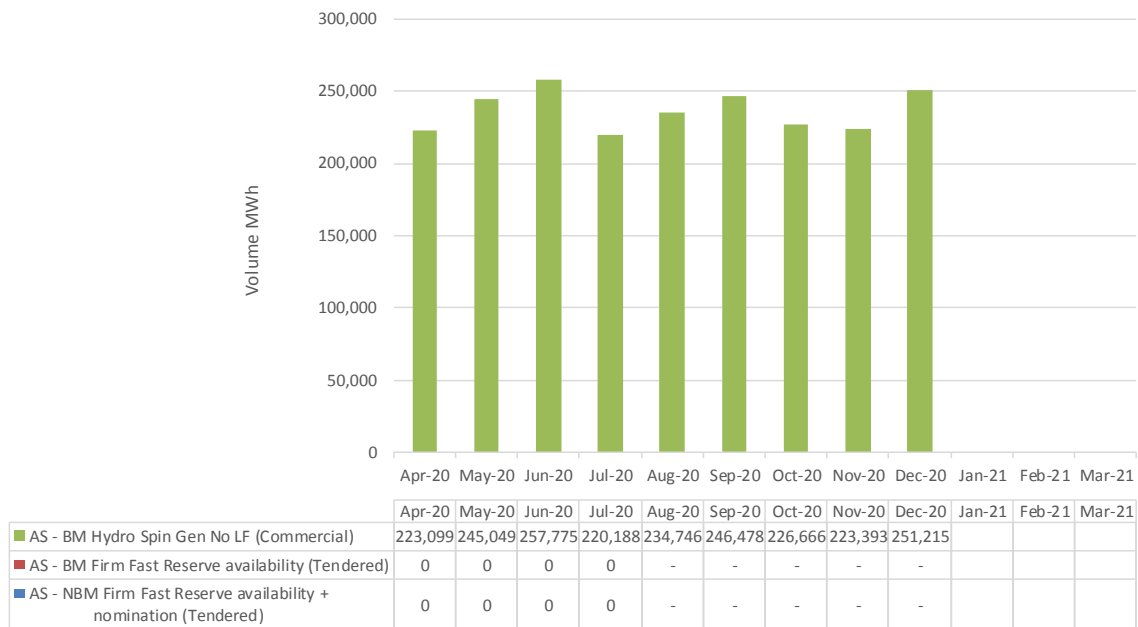


Figure 32

Response

Definition

Response is a service we use to keep the system frequency close to 50Hz. Fast acting generation and demand services are held in readiness to manage any fluctuation in the system frequency, which could be caused by a sudden loss of generation or demand. There are three types of frequency response known as “primary”, “secondary” and “high”. The difference between primary and secondary is the speed at which they act to recover the system frequency. Both primary and secondary react to low frequency conditions, and high response reacts to high system frequency conditions, restoring the frequency to normal operational limits.

More information about frequency response and the service we procure can be found on our website. Look under Balancing Services, then [Frequency Response Services](#).

Paying for Response

We procure Firm Frequency Response through a competitive monthly tendering process. Additional response, where required, is also procured through the Mandatory Frequency Response Market in the balance mechanism. Only Balancing Mechanism Units are able to offer mandatory response.

We have five types of payments made to Firm Frequency Response suppliers:

- Availability payments in £/hr – for the hours for which a provider has tendered to make the service available for.
- Nomination payments in £/hr – a holding fee for each hour used within Firm Frequency Response nominated windows.
- Window initiation payments in £/window – for each Firm Frequency Response nominated window that we instruct within the tendered frames.
- Tendered window revision fee in £/hr – we notify providers of window nominations in advance and, if the provider allows, this payment is payable if we subsequently revise this nomination.
- Response energy fee in £/MWh – based upon the actual response energy provided in the nominated window.
 - As per CUSC section 4.1.3.9A for BMU Providers.

N.B. Utilisation volumes will be determined in accordance with system frequency and the characteristic of the response service.

Response Volume and Expenditure

The total amount we paid for Response in the month was:

- £15.56 million.

The Response holding volume in the month was:

- Primary: 465,736 MWh
- Secondary: 429.920 MWh
- High: 522.852 MWh

The following number of providers tendered in for Firm Frequency Response:

- 14 companies tendered. 8 companies had contracts accepted.

For further information, please see:

<https://www.nationalgrideso.com/balancing-services/frequency-response-services/firm-frequency-response-ffr?market-information=&page=0%2C0%2C2>

Response Service costs, in pounds sterling (£m)



Figure 33

Figure 34 shows the dynamic and static response holding volumes in GWh, for primary, secondary and high response types (P, S, and H on the chart).

Response Service volume; primary, secondary and high, in Gigawatt hours (GWh)

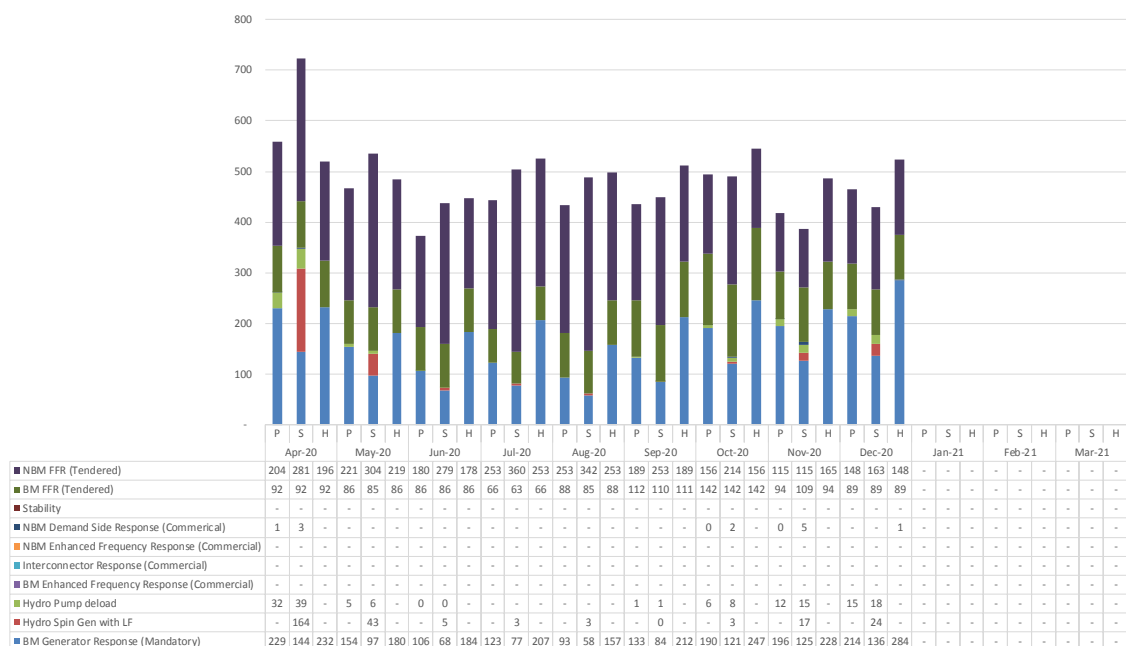


Figure 34

Reactive Power (Voltage Control)

Definition

We manage voltage levels across the grid to make sure we stay within our operational standards and avoid damage to transmission equipment. Voltage levels are controlled by reactive power, and we pay providers to help manage voltage levels on the system by controlling the volume of reactive power that they absorb or generate.

You can find more detail about reactive power on our web site at nationalgrideso.com. Look under Balancing services, then [Reactive power services](#).

Paying for Reactive Power

Generators covered by the requirements of the Grid Code are required to have the capability to provide reactive power. There is a payment mechanism that is updated monthly in line with market indicators. The latest utilisation and payment figures can be found on our website. Look under Balancing services, reactive power services, obligatory reactive power, [market information](#).

Reactive Power Volume and Expenditure

The total amount we paid for Reactive Service in the month was:

- £5.86 million

The total volume of reactive power used in the month was:

- 2,058,378 MVarh

Costs of Reactive Power, in pounds sterling (£ million)

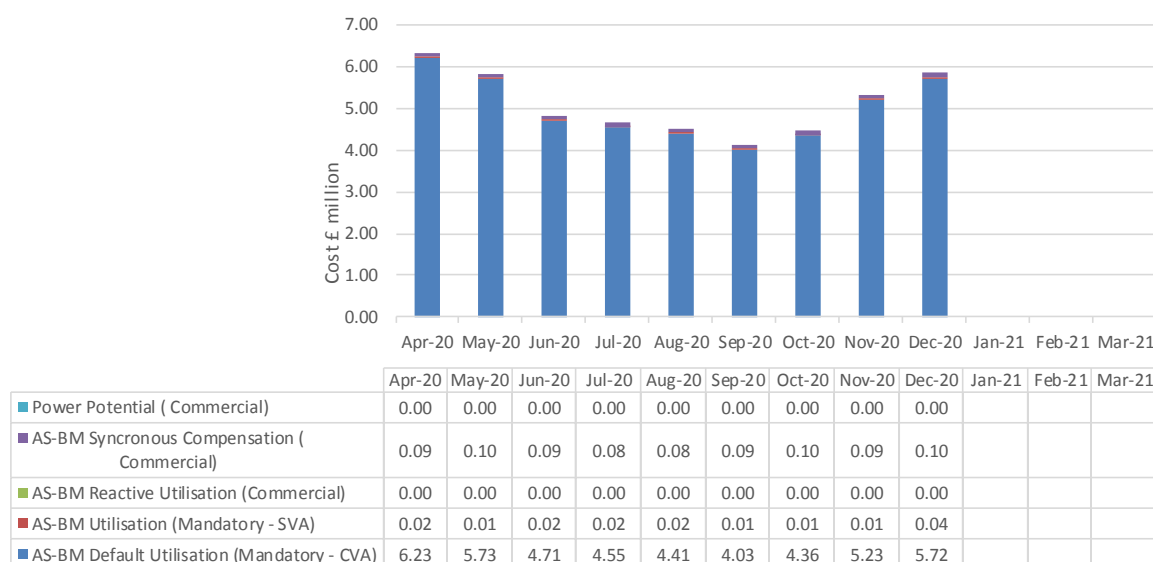


Figure 35

Volume of Reactive Power volume, in mega volt amp reactive hours (MVArh)

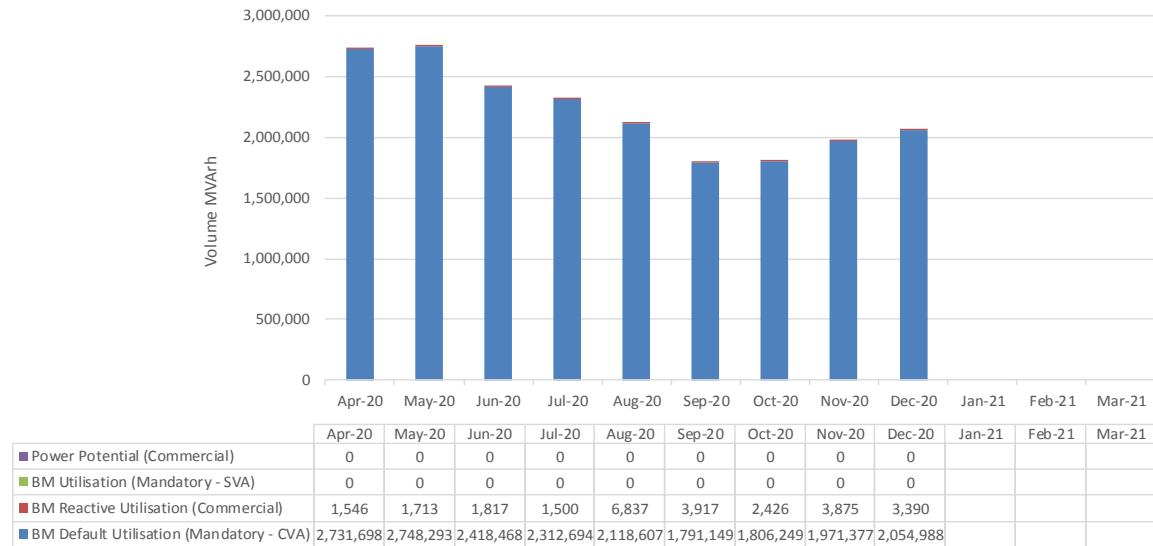


Figure 36

Black Start

Definition

Black start is the procedure we use to restore power in the event of a total or partial shutdown of the national electricity transmission system. It means we can start up each power station in turn and reconnect them to the grid one by one.

In this sort of emergency, a power station can get its electricity supply from a small back-up generating plant on the same site. But not all power stations have one of these, so we have agreements with other suppliers. They help us make sure we have enough black start arrangements in place in case we need them.

You can find more detail about black start on our web site at www.nationalgrideso.com. Look under Balancing services, then [System security](#).

Paying for Black Start

We make various types of payments (depending on several factors):

- availability payments – what we pay suppliers to be available to supply black start to us
- warming payments – what we pay suppliers to maintain readiness when they are not running in the energy market
- capital contributions – the cost of setting up black start capability
- other payments – for example, for testing

Black Start Volume and Expenditure

Figure 37 shows the amount we spent on Black Start, in pounds sterling (£ million).

The amount we spent on Black Start contracts in the month was:

- £4.47 million

Black Start service costs, in pounds sterling (£ million)

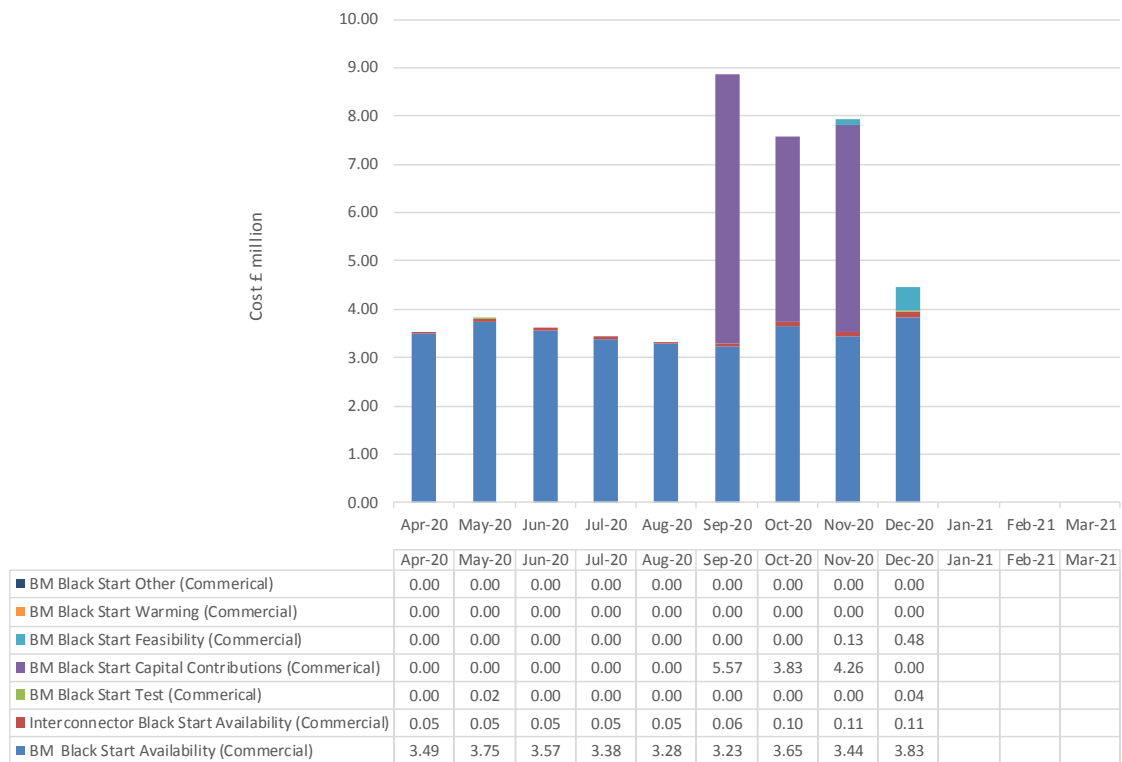


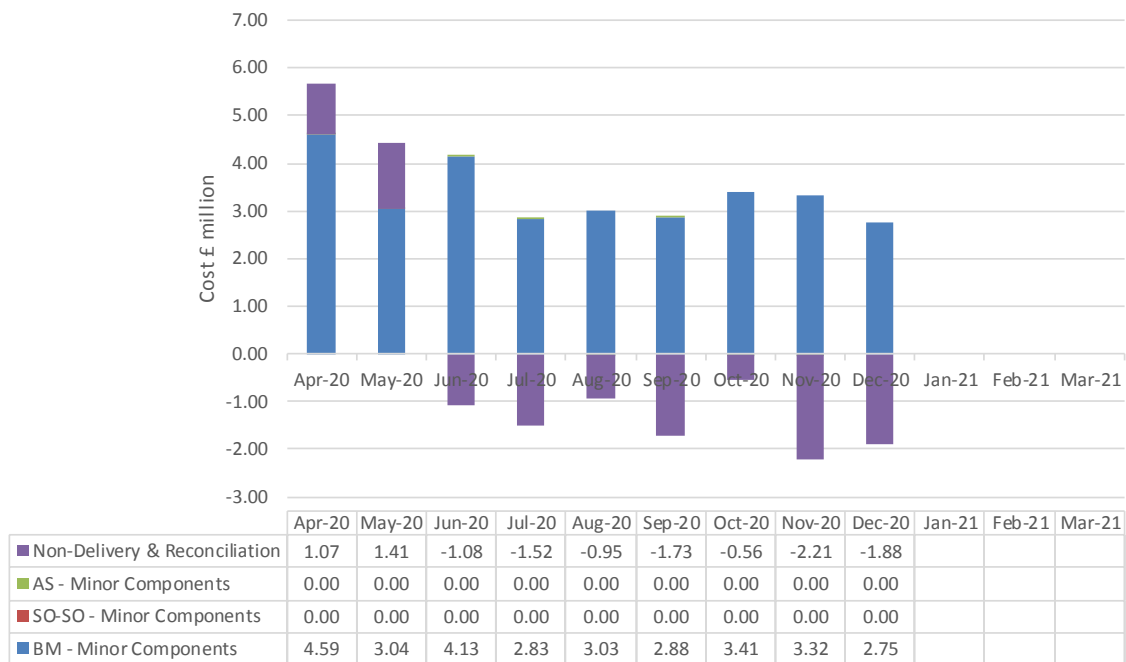
Figure 37

Other Costs

The costs reported in this sections account for:

- BM actions, which are not easily accounted for in the previously reported categories
- Other general costs; trading option fees, bank charges, sterling adjustments
- Non-Delivery and Reconciliation

Other costs, in pounds sterling (£ million)





4

Other Information

Wind Generation

New Wind Generation

This table will only include new wind generation when its settlement metering is greater than 1MWh.

BMU ID	Month First Metered	Connection Area	Max Metered MW
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Table 5

How we manage Wind Generation

Energy generated by wind farms varies according to how windy it is. Sometimes there is very little wind, and on other days wind generation could be too strong such that the turbines shut down automatically for their own protection.

Sometimes we ask some wind farms to stop generating, or reduce output, because very high wind may affect the transmission network, causing constraints. Where economic we may also use wind powered units to resolve other system issues such as frequency management or to create flexibility across the GB generation portfolio in the same way as we would use any other type of generation for these services.

Payments to Wind Powered Generation

The table below shows the payments made to wind powered generation since the 2011/12 financial year. There were no payments to wind powered generation prior to this. All payments to wind powered generation are included regardless of the reason that this cost was incurred.

£m	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Payments to Wind powered generation	7.6	49.7	65.3	96.8	83.2	108.0	173.2	185.3	188.3

Table 6

Monthly Breakdown of Wind Farm Payments

The graph below shows the monthly total payments to wind powered generation this financial year.

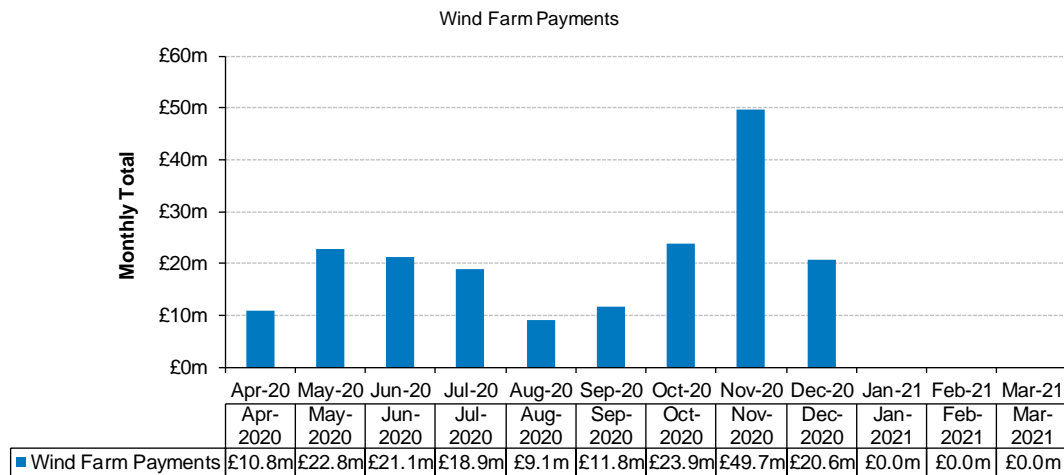


Figure 38

Further Information

You'll find more detail about balancing services on our web site at www.nationalgrideso.com.

We publish a number of documents in line with the Electricity Transmission Standard Licence Conditions (Condition C16: Procurement and use of balancing services). These documents include:

- Daily Balancing Costs – Information about the daily costs resulting from balancing the system. Find the report on our web site under Balancing Data, then [System balancing reports](#).
- Monthly BSUoS Report – Outturn and Forecast information about the monthly BSUoS charge resulting from balancing the system. Find the report on our web site under Balancing data, then [Forecast volumes and costs](#).
- Procurement Guidelines Report – information about the balancing services that we're going to procure. Find the report on our web site under Balancing services, C16 Statements, and then [Latest Statements](#).
- Balancing Principles Statement – information about balancing mechanism bid and offer acceptances. Find it under Balancing services, C16 Statements, then [Latest Statements](#).

Questions and Feedback

If you have any questions or comments about our electricity balancing services, or anything in this report, please email us at box.Balancing.Costs@nationalgrideso.com.

We'll look forward to hearing from you.



5

MBSS Glossary

MBSS Data Item	Costs Included	Volume/other Information
Bank Charges	Interest costs associated with Ancillary Services payment adjustments.	n/a
BM Black Start Availability (commercial)	Black Start Availability Costs in respect of contracted BM Stations.	No. of stations contracted is provided
BM STOR (Tendered)	STOR Availability costs in respect of Balancing Mechanism Units.	n/a
BM Black Start Capital Contributions (Commercial)	Black Start Capital Contributions paid to BM units towards the development/maintenance of Black Start Capability.	n/a
BM Black Start Feasibility (Commercial)	Black Start Feasibility payment paid to BM units towards the assessment of feasibility of providing the Black Start service.	n/a
BM Black Start Other (Commercial)	Not currently used.	Not currently used.
BM Black Start Test (Commercial)	Black Start Test costs paid to BM units to cover the costs of undertaking a test of the service.	n/a
BM Black Start Warming (Commercial)	Warming costs payable under a Black Start contract to BM stations to keep the plant warm so that it is able to start up in the time-sales prescribed in the contract. There is no warming instruction required for this service to be provided.	n/a
BM Constraints - Voltage	If the system is unable to flow electricity in the way required, NGESO will take actions in the market to increase and decrease the amount of electricity at different locations on the network - agreements of this type are called Constraints contracts. This category is for Constraints Payments entered into for the purpose of voltage support.	n/a
BM Constraints - Constraint Management	If the system is unable to flow electricity in the way required, NGESO will take actions in the market to increase and decrease the amount of electricity at different locations on the network - agreements of this type are called Constraints contracts. This category is for Constraints Payments entered into for purposes other than voltage support	n/a

MBSS Data Item	Costs Included	Volume/other Information
BM Default Utilisation (Mandatory - CVA)	Reactive power services are how we make sure voltage levels on the system remain within a given range. BM Default Utilisation is also known as Mandatory Reactive Power Utilisation, and utilisation payment for Lead (Absorbing) and Lag (Generating) MVARs paid in accordance with the Connection and Use of System Code. In this case the meter data on which payment is made is based on CVA meter data collected by Elexon and supplied in the CDCA-I012 file.	Lead + Lag MVARH total
BM Demand Turn Up (commercial)	The Demand Turn Up (DTU) service encourages large energy users and generators to either increase demand or reduce generation at times of high renewable output and low national demand. <ul style="list-style-type: none"> ●availability payment – to Fixed DTU providers for being available to provide the service; and ●utilisation payment – to Fixed and Optional DTU providers for delivering the service when instructed This service is no longer contracted.	Not currently reported
BM Enhanced Frequency Response (commercial)	Enhanced frequency response (EFR) is a dynamic service where the active power changes proportionally in response to changes in system frequency. To provide EFR response is within one second to frequency deviations and operate in frequency sensitive mode within the operational envelope and associated restrictions set out in the invitation to tender. The total payment reported is an availability payment.	Not currently reported
BM FFR Response Energy (Tendered)	This is effectively a utilisation payment to BM Firm Frequency Response providers based on the amount of energy they are expected to deliver in response to a change for system frequency above or below the target frequency of 50 HZ.	n/a
BM FFR (Tendered)	This is the total paid for Availability and Nomination in respect of BM service Providers. Availability Fee is Paid per hour (£/hr) - for the hours for which a provider has tendered to make the service available for. Nomination fee (£/hr) - a holding fee for each hour used within FFR nominated windows.	During the Nominated Windows (subject to the provider being available) the Holding Volume "Available Volume" is computed for Primary, Secondary and HF response in MWh based on Tendered Response MW at 0.5Hz. Note: Includes both Dynamic and Static response totals, but currently weekly auction data is not included.

MBSS Data Item	Costs Included	Volume/other Information
BM Firm Fast Reserve (Tendered)	<p>Firm Fast reserve provides rapid and reliable delivery of active power through increasing output from generation or reducing consumption from demand sources.</p> <p>Power is deliverable within 2 minutes at a minimum ramp rate of 25 MW/Min. This covers the payment for:</p> <p>Availability: Paid for the hours a provider has tendered to make the service available to us.</p> <p>Nomination: Paid for being called upon to provide the service within a fast reserve nomination window.</p>	Volume is the available Volume Computed as Nominated Hours * Contracted MW.
BM Generator Response (Commercial)	<p>These are the Holding Payments "Availability Payments" for a commercial Dynamic Response Service.</p> <p>They are computed:</p> <ol style="list-style-type: none"> 1. In accordance with the CUSC methodology, and based on the instruction given by the NGENSO control room, and the Primary, Secondary and HF response volumes that the unit can provide at 0.5Hz. <p>Prices are submitted on an adhoc basis.</p>	Not currently reported
BM Generator Response (Mandatory)	<p>These are the Holding Payments "Availability Payments" for the Mandatory Dynamic Response Service.</p> <p>This is computed:</p> <ol style="list-style-type: none"> 1. In accordance with the CUSC 2. Based on the instruction given by NGENSO control room. 3. Based on Primary, Secondary and HF response volumes that the unit can provide at 0.5Hz. <p>note: Prices are submitted on a monthly basis.</p>	<p>Volume in MWh of Primary, Secondary and HF Dynamic Response.</p> <p>This is computed by reference to the contracted response MW at 0.5 Hz, the instruction issued by the NGENSO control room, and the deload of the unit during the period it is instructed by NGENSO to provide response.</p>
BM Generator Response Energy (Commercial)	<p>These are "Utilisation Payments" for the provision of the Commercial Dynamic response Service. These payments are computed in accordance with the CUSC response energy methodology based on the units deload, system frequency deviation from the target frequency, and the service instructed.</p>	<p>Volume in MWh of Primary, Secondary and HF Dynamic Response.</p> <p>This is computed by reference to the contracted response MW at 0.5 Hz, the instruction given by the NGENSO control room, and the deload of the unit during the period it is instructed by NGENSO to provide response.</p>
BM Generator Response Energy (Mandatory)	<p>These are "Utilisation Payments" for the provision of the Mandatory Dynamic response Service, . These payments are computed in accordance with the CUSC response energy methodology based on the units deload, system frequency deviation</p>	n/a

MBSS Data Item	Costs Included	Volume/other Information
	from the target frequency, and the service instructed.	
BM GT Fast Start Avail (Commercial)	An availability payment paid to a unit for being capable of synchronising and achieving full load within 5 minutes of a frequency excursion beyond a pre-set limit.	Number of units paid
BM Intertrip - trip (Mandatory and Commercial)	A payment to cover the costs of wear and tear, and fuel costs when an intertrip is activated triggering the disconnection of generation or demand.	n/a
BM Intertrip Arming (Commercial)	A fee payable whenever the Intertrip is armed by National Grid.	Number of hours armed
BM Intertrip capability (Commercial)	A capability payment for each settlement period that the unit is contracted to provide the Intertrip service.	Number of units contracted
BM Intertrip capability (Mandatory - CAP76)	Annual fee to cover the installation of the scheme and staff training costs (£/settlement period) payable under the terms in the CUSC.	Number of units contracted
BM Optional Fast Reserve Availability (commercial)	This Enhanced availability payment is made to providers of the Optional Service for periods of time where they provide National Grid (following dispatch) with enhanced MW run-up and run-down rates.	n/a
BM Optional Fast Reserve Utilisation (Commercial)	A payment when the optional Fast Reserve Utilisation service is instructed	n/a
BM Other Response (Commercial)	Not currently used	Not currently used
BM Power Potential	This service is not currently live	This service is not currently live
BM Reactive Utilisation (Commercial)	Not currently used	Not currently used
BM Season/Term Reconciliations (Tendered)	A reclaim of STOR payments where (a) Delivery is less than 95% of Expected in a given season and/or (b) Availability is less than 85% of contracted availability in a given financial year.	n/a
BM Sync Comp Reactive (Commercial)	Where a unit is able to provide reactive power by means of operating in synchronous compensation mode (synchronous spin) then it can be paid for being available to provide the Sync Comp service, as well as being paid when instructed to provide the sync comp service.	n/a

MBSS Data Item	Costs Included	Volume/other Information
BM Utilisation (Mandatory - SVA)	Reactive power services are how we make sure voltage levels on the system remain within a given range. BM Default Utilisation is also known as Mandatory Reactive Power Utilisation, and utilisation payment for Lead (Absorbing) and Lag (Generating) MVARs paid in accordance with the Connection and Use of System Code. In this case the meter data on which payment is made is based on SVA meter data supplied by the service provider.	Lead + Lag MVARH total
BM Warming (Commercial)	This payment covers both BM Start up and Hot Standby. BM start up is the process of bringing the generating unit to a state where it is capable of synchronising with the system within BM timescales. Hot standby holds the generating unit in this state of readiness. The unit will then either remain in hot standby until the end of its capability or be instructed to run via an offer in the BM.	Number of Instructions
Constrained Sterilized Headroom	Headroom represents spare capacity on operating generating units which the ESO can potentially access to meet its reserve requirements. Headroom may become inaccessible due to transmission constraints in the case of generators located behind an export constraint boundary. The cost of replacing this 'sterilised headroom' can contribute materially to overall constraint costs. If an action is taken to completely replace sterilised operational margin, then the costs are assigned to constraint costs. If the action only partially replaces sterilised operational margin and partially increase the amount of positive reserve available, then the costs are assigned to Constrained Margin which contributes to the Operating Reserve costs.	
Customer Raised Disputes	This is an estimated cost impact of a customer raised dispute in respect of the current financial year.	n/a
Hydro Optional Spin Pump (Commercial)	This is a payment for the period of time that a unit is instructed to provide the Spin Pump service - which allows BM units to provide Reserve and Synchronous compensation.	Number of Hours instructed *Reserve MW Available

MBSS Data Item	Costs Included	Volume/other Information
Hydro Pump deload	This is a payment for the period of time the unit is instructed to provide Pump Deload with LF. This service allows BM units to provide Primary and Secondary Response.	Number of Hours Instructed * Contracted Response MW
Hydro Rapid Start and GT Fast Start Utilisation (Commercial)	A Rapid Start payment is made following a rapid synchronisation of a BM Unit to the GB Transmission System when instructed by the NGESO control room. GT Fast Start utilisation payment is made following a rapid synchronisation of the BM unit to the GB Transmission following a frequency excursion below a pre-set limit.	MWhs expected
Hydro Spin Gen No LF (Commercial)	This is a payment for the period of time the unit is instructed to provide Spin Gen without LF. This service allows BM units to provide Reserve and Synchronous compensation.	Number of Hours instructed *Reserve MW Available.
Hydro Spin Gen with LF	This is a payment for the period of time the unit is instructed to provide Spin Gen with LF. This service allows BM units to provide Secondary Response and Synchronous compensation.	Number of Hours Instructed *Contracted Response MW
Interconnector Black Start Availability (commercial)	Black Start Availability Costs in respect of an Interconnector.	No. of stations contracted is provided.
Interconnector Capability (Commercial)	A capability payment for each settlement period that the unit is contracted to provide the Intertrip service.	Number of Interconnectors contracted.
Interconnector Intertrip Arming (Commercial)	A fee payable whenever an Interconnector Intertrip is armed by National Grid.	Number of hours armed
Interconnector Response (Commercial)	Not currently used	Not currently used
National Grid Identified liability	This is an estimated cost impact of an issue known to NGESO in respect of the current financial year e.g. a backdated contract/data issue.	n/a
NBM Demand Side Response (Commercial)	FFR Bridging contracts.	n/a
NBM Demand Turn Up (commercial)	The Demand Turn Up (DTU) service encourages large energy users and generators to either increase demand or reduce generation at times of high renewable output and low national demand. <ul style="list-style-type: none"> • Availability payment – to Fixed DTU providers for being available to provide the service; and • Utilisation payment – to Fixed and Optional DTU providers for delivering the service when instructed This service is no longer contracted.	Not currently reported.

MBSS Data Item	Costs Included	Volume/other Information
NBM Enhanced Frequency Response (commercial)	Enhanced frequency response (EFR) is a dynamic service where the active power changes proportionally in response to changes in system frequency. To provide EFR response is within one second to frequency deviations and operate in frequency sensitive mode within the operational envelope and associated restrictions set out in the invitation to tender. The total payment reported is an availability payment.	Not currently reported
NBM FFR (tendered)	This is the total paid for Availability and Nomination in respect of NBM service Providers. Availability Fee is Paid per hour (£/hr) - for the hours for which a provider has tendered to make the service available for. Nomination fee (£/hr) - a holding fee for each hour used within FFR nominated windows.	During the Nominated Windows (subject to the provider being available) the Holding Volume "Available Volume" is computed for Primary, Secondary and HF response in MWh based on Tendered Response volumes at 0.5Hz. Note: Includes both Dynamic and Static response totals. However, week auction volumes are not included.
NBM Firm Fast Reserve Avail + Nom (Tendered)	Firm Fast reserve provides rapid and reliable delivery of active power through increasing output from generation or reducing consumption from demand sources. Power is deliverable within 2 minutes at a minimum ramp rate of 25 MW/Min. This covers the payment for: Availability : Paid for the hours a provider has tendered to make the service available to us. Nomination :Paid for being called upon to provide the service within a fast reserve nomination window.	Volume is the available Volume Computed as Nominated Hours * Contracted MW
NBM Firm Fast Reserve Utilisation (Tendered)	(£/MW/h) payable for the energy delivered during a Firm Service window	n/a
NBM Optional Fast Reserve Availability (Commercial)	Providers of the Optional Service will receive an Enhanced Rate Availability Fee (£/h) payment for periods of time where they provide National Grid (following dispatch) with enhanced MW run-up and run-down rates.	n/a
NBM Optional Fast Reserve Utilisation (Commercial)	(£/MW/h) payable for the energy delivered outside of a Firm Service Window	n/a
NBM Other Response (Commercial)	Not currently used	Not currently used
NBM Season/Term Reconciliations (Tendered)	A reclaim of STOR payments where (a) Delivery is less than 95% of Expected in a given season and/or (b) Availability is less than 85% of contracted availability in a given financial year.	n/a

MBSS Data Item	Costs Included	Volume/other Information
NBM STOR AVAIL (Tendered)	STOR Availability costs in respect of NON-Balancing Mechanism Units	n/a
NBM STOR UTIL (Tendered)	STOR Utilisation costs based on capped energy delivered	MWhs Expected
Power Potential (Commercial)	Not currently used	Not currently used
SO-SO Trades (Commercial)	Interconnector Trades for services that alter the Energy flow across the Interconnector	Buy and Sell volumes in MWh's reported
Sterling adjustments	Euro to Sterling currency conversion adjustment required to account for the fact that the sterling equivalent cost of Interconnector trades settled in euros is initially estimated.	n/a
Trading Option Fees	Not currently used	Not currently used

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