

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 the 27th January 2017. Industry responses to the consultation were requested by the 24th February 2017. Responses were received from:

- Drax Power Limited
- ENGIE
- UK Power Reserve
- Uniper UK Ltd

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 in relation to the following:

- Demand Turn Up – this was introduced as a new Balancing Service on a trial basis in 2016. Following a successful trial, this service will be procured on an enduring basis.
- Demand Side Balancing Reserve (DSBR) – National Grid no longer intends to procure DSBR and references to this service have been removed.
- General housekeeping amendments to keep the statements current and relevant.

Following industry consultation, National Grid now presents to the Authority for consideration revised versions of the C16 Statements supporting the changes outlined above.

These 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 in the Appendices.

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 2017.

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/>

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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 the 27th January 2017 requesting responses by the 24th February 2017. The Consultation Document was written to consult on the proposed changes to update the following:

- Demand Turn Up – this was introduced as a new Balancing Service on a trial basis in 2016. Following a successful trial, this service will be procured on an enduring basis.
- Demand Side Balancing Reserve (DSBR) – National Grid no longer intends to procure DSBR and references to this service have been removed.
- General housekeeping amendments to keep the statements current and relevant.

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:

- Drax Power Limited
- ENGIE
- UK Power Reserve
- Uniper UK Ltd

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:

- Demand Turn Up – this was introduced as a new Balancing Service on a trial basis in 2016. Following a successful trial, this service will be procured on an enduring basis.
- Demand Side Balancing Reserve (DSBR) – National Grid no longer intends to procure DSBR and references to this service have been removed.
- General housekeeping amendments to keep the statements current and relevant.

All of the Stakeholder responses to the consultation are in agreement with the proposed changes, where these are mentioned in the response. Responses to specific consultation questions are shown below; together with National Grid's view (only the consultation questions which provided rationale for responses are shown).

The responses to the consultation are attached in full as Appendix G.

1.1.1 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:

Uniper UK Ltd

Yes but:

- Although the full stop is missing from the redlining in 2.2 and a quotation mark included erroneously in Part D Table 1.

National Grid's View

These have been amended in the version submitted to the Authority.

1.1.2 Changes to the Balancing Principles Statement

Consultation Question 7

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.

Industry Response:

Uniper UK Ltd

Yes but:

- In Part C 5 on page 19 'or from DSBR' also needs removing from the sentence 'The price of other available actions offered through the BM or from DSBR will have no bearing upon the decision to instruct the Supplemental Balancing Reserve service'.
- For consistency a full stop could be added at the end of the definition of Demand Turnup in Part D 3.2f.
- In Part E1 Step 4 it would seem more consistent to retain the word 'requirement'.

National Grid's View

These have been amended in the version submitted to the Authority.

1.1.3 Comment on Supplemental Balancing Reserve

Industry Response:

Drax Power Limited

Whilst we welcome the removal of the reference to DSBR in the C16 statement, we believe it would also be prudent to remove the reference to SBR, given Ofgem's "minded to" decision to remove both SBR and DSBR cost recovery arrangements from the Transmission Licence for 2017/18 and beyond.

If the reference to SBR is not removed, then there will be conflicting messages provided to the market on National Grid's ability to make use of SBR going forwards. We urge National Grid to ensure consistency of signals and, should the reference to SBR be retained, appropriate messaging is placed in the statement as to why the reference to SBR has been retained and reassurances are provided that National Grid does not intend to procure SBR over the 2017/18 winter period and beyond.

National Grid's View

Both SBR and DSBR were designed to be short term tools to address specific concerns about the supply outlook for 2014/15 and 2015/16, and were further extended to cover 2016/17 and 2017/18. However, in light of the Early Capacity Auction (ECA) there is no apparent requirement for SBR and DSBR in 17/18.

In February, National Grid responded in agreement with Ofgem's minded to decision to issue a direction to remove NGET's SBR and DSBR cost recovery arrangements and obligations to submit methodologies in respect of procuring, testing and utilising SBR and DSBR for 2017/18.

It is important that we are still able to recover costs associated with SBR for Winter 2016/17. Therefore any modifications to NGET's licence in respect of the wider SBR and DSBR provisions should not take place until the cost recovery process for 2016/17 is complete.

Consequential changes to the C16 statements in relation to Supplemental Balancing Reserve will be actioned either in future annual reviews, or individual statement reviews as appropriate.

1.1.4 Wider Comments

Both ENGIE and UK Power Reserve have commented on wider issues than the proposed C16 statement changes published in the consultation document.

ENGIE request that if P354 is approved, then additional time for the consultation on any subsequent C16 changes would be beneficial.

UK Power Reserve highlight a number of concerns which may have the potential to harm competition in the provision of ancillary services, including BSC P354, CMP264, 265 and 275.

National Grid's View

National Grid notes the wider responses, and look forward to working with Stakeholders through existing industry code governance frameworks on these changes. Consequential changes resulting from modifications to GB industry codes, stakeholder suggestions and upcoming Regulatory changes will be actioned either in future annual reviews, or individual statement reviews as appropriate.

National Grid note ENGIE's position that additional consultation time for complex C16 changes could be merited. The C16 statement change process is set out in the license within condition 16 paragraph 8, and only allows for seven days following the consultation for the report to the authority. This does not preclude a more consultative approach, working with stakeholders on proposed changes before issuing the formal consultation.

2 Proposed Changes to the Applicable Balancing Services Volume Data Methodology Statement

National Grid consulted the industry on the following proposed changes to the Applicable Balancing Services Volume Data (ABSVD) Methodology.

2.1 Proposed change to the ABSVD

The amendments proposed to the ABSVD are:

- Housekeeping – to ensure that some of the frequency services are not limited to traditional sources of Generation, by removing the explicit references to free governor action.

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	Remove a barrier to non-traditional generation	Part C, 1	Change description of service s in the Determination of SE_{si}
1.4		Part C, 4.1	Remove reference to free governor action.

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

3 Proposed Changes to the Balancing Services Adjustment Data Methodology Statement

National Grid consulted the industry on the following proposed changes to the Balancing Services Adjustment Data (BSAD) Methodology.

3.1 Proposed change to the BSAD

The amendments proposed to the BSAD are:

- Removal of References to Demand Side Balancing Reserve.

Changes are detailed in Table 2.

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	Remove References to DSBR	Part B, 2	Removal of References to Demand Side Balancing Reserve
2.4		Part B, 2.1	Removal of References to Demand Side Balancing Reserve
2.5		Part B, 3.1.1	Removal of References to Demand Side Balancing Reserve
2.6		Part C, 1	Removal of Reference to Demand Side Balancing Reserve
2.7		Part C, 3	Removal of Reference to Demand Side Balancing Reserve

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 changes to the Procurement Guidelines.

4.1 Proposed change to the Procurement Guidelines

The amendments proposed to the Procurement Guidelines are:

- Demand Turn Up – The amendments detailed below reflect the addition of Demand Turn Up as an additional Balancing Service. This is a service that can be used to ensure that there will be sufficient negative reserve available.
- Removal of References to Demand Side Balancing Reserve
- Housekeeping – Removal of the word “Mutual” in Part C, 2.1. The requirements of the Mainland Great Britain, Continental European and Irish Synchronous areas are different. The removal of the word Mutual clarifies that Interconnectors are allowed to offer services into different markets that are not required by both the System Operators at either end.

Changes are detailed in Table 3.

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	Include Demand Turn Up as a Commercial Ancillary Service, under Reserve Services	Part C, Section 1	Insertion of text “Demand Turn Up”
3.4	Include a description of Demand Turn Up in Description of Balancing Services	Part C, Section 2.2	Insertion of text “Demand Turn Up – which is provided by either reducing generation on the system or increasing demand. The detail of this service will be described in Part D and Part E.”, and amended in line with Uniper’s response.
3.5	Include Demand Turn Up in “Demand Side Providers and Small Generators” section	Part C, Section 3	Insertion of text “Demand Turn Up” in list of services that demand side providers are encouraged to participate in the standard market tender process of.
3.6	Include Demand Turn Up in the Balancing Services Summary Table	Part D, Table 1	Insertion of text <ul style="list-style-type: none"> • “Demand Turn Up” as the Ancillary Service; • “Contracts derived from market tenders” as the means of procurement; • “As required” as the timescales Amended in line with Uniper’s response.
3.7	Include Demand Turn Up in the Balancing Services Information Provision Summary	Part E, Table 2	Insertion of text <ul style="list-style-type: none"> • “Demand Turn Up” as the Balancing Service; • “Tendered volume and contracted volume from last tender round” as the volume information; • “Tender price information” as the price information; • “This information will be published on a monthly basis” as the timescales; • “This information will be published on our website” as the information source
3.8	Remove References to DSBR	Part C, 1	Removal of Reference to Demand Side Balancing Reserve
3.9		Part C, 2.2	Removal of References to Demand Side Balancing Reserve
3.10		Part C, 3	Removal of Reference to Demand Side Balancing Reserve
3.11		Part D, Table 1	Removal of References to Demand Side Balancing Reserve
3.12		Part E, 3	Removal of Reference to Demand Side Balancing Reserve
3.13		Part E, Table 2	Removal of References to Demand Side Balancing Reserve
3.14	Clarification that Interconnectors are allowed to offer asymmetric services	Part C, 2.1	Removal of the word “Mutual” from System-to-System Services

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

5 Proposed Changes to the System Management Action Flagging Methodology Statement

National Grid consulted the industry on the following proposed changes to the System Management Action Flagging (SMAF) Methodology.

5.1 Proposed change to the SMAF

The amendments proposed to the SMAF are:

- Removal of References to Demand Side Balancing Reserve.

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
4.3	Remove References to DSBR	Part B, 2	Removal of References to Demand Side Balancing Reserve

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

6 Proposed Changes to the Balancing Principles Statement

National Grid consulted the industry on the following proposed changes to the Balancing Principles Statement (BPS) Methodology.

6.1 Proposed change to the BPS

The amendments proposed to the Balancing Principles Statement are:

- Demand Turn Up – The amendments detailed below reflect the addition of Demand Turn Up as an additional Balancing Service. This is a service that can be used to ensure that there will be sufficient negative reserve available.
- Removal of References to Demand Side Balancing Reserve.

Changes are detailed in Table 5.

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 3 – Version control table	Update to version control table
5.3	Remove References to DSBR	Part B, 5, (e) Maximum Generation Service	Removal of References to Demand Side Balancing Reserve
5.4		Part D, 3.2 (e) Demand Side Balancing Reserve	Removal of Section (e) Demand Side Balancing Reserve Change Section (f) Supplemental Balancing Reserve to Section (e)
5.5		Part C, 2 (a)	Remove (iv) DSBR and renumber (v)
5.6		Part C, 4 (iii)	Remove of Reference to Demand Side Balancing Reserve
5.7		Part C, 5	Removal of References to Demand Side Balancing Reserve, and amended in line with Uniper's response.
5.8		Part E, 1, Steps 4, 6, and 7	Removal of References to Demand Side Balancing Reserve, and amended in line with Uniper's response.
5.9		Add Demand Turn Up as a Reserve service	Part D, Section 3,2

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 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 the following changes:

- The introduction of Demand Turn Up as a Service.
- The removal of Demand Side Balancing Reserve (DSBR) as a service.
- General housekeeping amendments to keep the statements current and relevant.

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 to E.

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 2017.

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.