

Clarification Note

Proposed Modification to the Balancing Services Use of System Methodology with regard to Embedded Generators

In the GB Transmission Charging Consultation¹ issued by National Grid on 20 December, the majority of the proposals related to the Transmission Network Use of System Charging Methodology, however, there was one proposal for the Balancing Services Use of System (BSUoS) Methodology. This proposal is relevant to certain licence exemptible power stations.

Under CUSC section 6.29 all users (except for exempt power stations) of the transmission system who are party to the CUSC shall also be a BSC party. The existing arrangements within England and Wales place the BSUoS liability with the BSC lead party as it is calculated from the relevant Balancing Mechanism (BM) Unit's metered volume. Thus, there is a direct contractual path from the power station to the BSUoS charge.

With BETTA, there is an ongoing debate with EELPS (Exempt Embedded Large Power Stations) that moves away from the existing arrangements. Ofgem have concluded previously² that EELPS require an agreement with National Grid as the GB System Operator, primarily to enforce the relevant requirements of the Grid Code, however, this should be done in a manner that gives such power stations an option to make another party responsible for its output and its participation in the BM. In order to make that other party responsible for the BSUoS charges related to the power station output it would be necessary for there to be a new type of agreement between that party and National Grid, however, this is seen as an unnecessary burden and a more efficient solution is to retain the liability with the power station. Therefore, we have proposed that the Charging Methodology be modified, for this and other exceptions in CUSC 6.29, so that the BSUoS charges are the direct liability of the CUSC party rather than the relevant BSC party.

For the avoidance of doubt the consequence of this change will not affect the ability of an embedded generator to "net off" their BSUoS liability. The option to form a Trading Unit with a supplier or other demand BM Unit remains a BSC condition and unaltered by this charging proposal.

The BSUoS embedded "benefit" or ability to "net-off" BSUoS may be simply explained as: The BSUoS liability due from a BM Unit will result in a payment when the metered volume of an embedded generator is in the opposite direction to the majority metered flow for the Trading Unit in which it resides, see section 6 of National Grid's Guide to BSUoS charging³.

National Grid may only raise a charging liability for BSUoS on the meter volumes provided by the BSC Settlement Administrator. Therefore if the BM Unit's meter is centrally registered in the BSC (Central Volume Allocation or CVA) then any payment due is paid directly from National Grid to the relevant party. If the meter for the embedded generator is not centrally registered in the BSC (Supplier Volume Allocation or SVA) then no BSUoS liability is due. However, in effect the gross liability of the supplier's demand has been reduced by a net amount of any embedded generation and it is the net volume that forms the basis of the BSUoS charge. Any benefit due to the embedded generator will be a commercial matter for that generator and the supplier concerned.

The agreements between National Grid and embedded generators reflect the distinctions discussed above. Bilateral Embedded Generation Agreements (BEGA) are available to CVA registered embedded BM Units, whilst Bilateral Embedded Licence exempt Large generator Agreements (BELLA) are for power stations that have SVA registered meters and are generally only available in Scotland. For the avoidance of doubt, the BSUoS proposed modification will not apply to those parties with BELLAs.

¹ GB Transmission Charging: Use of System Charging Methodology Revised Proposals, 20 December 2004. Available at: http://www.nationalgridinfo.co.uk/betta/pdfs/GB_Charging_Revised_Proposals_Consultation_V2.pdf

² Treatment of Embedded Exemptible Large Power Stations under BETTA, An Ofgem/DTI conclusions and further consultation document, November 2004.

³ Guide to BSUoS charging, available from <http://www.nationalgridinfo.co.uk/balancing/pdfs/bsuossimple.pdf>