

Firm Frequency Response Market Information

Monthly Report | National Grid

March 2012

Key points:

This report is intended for tenders to be submitted in the next month for services starting on or after the month named in the report

The prices in submitted tenders are usually compared with the cost of alternative actions in the BM. Therefore, participants should note the historic volumes and prices provided for bid and offers, and mandatory frequency response holding.

Daytime period is from 07:00- 23:00 and Overnight is from 23:00 -07:00

Introduction

Firm Frequency Response (FFR) is a service through which balancing mechanism (BM) and non-BM participants commit to providing a given measure of response for a fee. The service is procured through a tender process ahead of BM timescales and competes with the mandatory response service offered by BM participants.

This report is intended to provide useful information to current and potential providers about the volume of response required, the likely periods over which it is required and the recent costs of obtaining frequency response through the mandatory market.

In February 2012, National Grid will procure frequency response in line with the principles laid out in the Assessment Principles. In principle, tendered prices are compared to the alternative costs buying mandatory response through the BM. Mandatory costs include the response holding costs, the bid and offer acceptance costs and the margin costs. More details on how these costs are considered during tender assessments are contained in our assessment principles.

The next three pages of the report show the volumes of frequency response holding required. While the subsequent pages show the recent volumes and costs of response holding and bid and offer acceptances in the mandatory market.

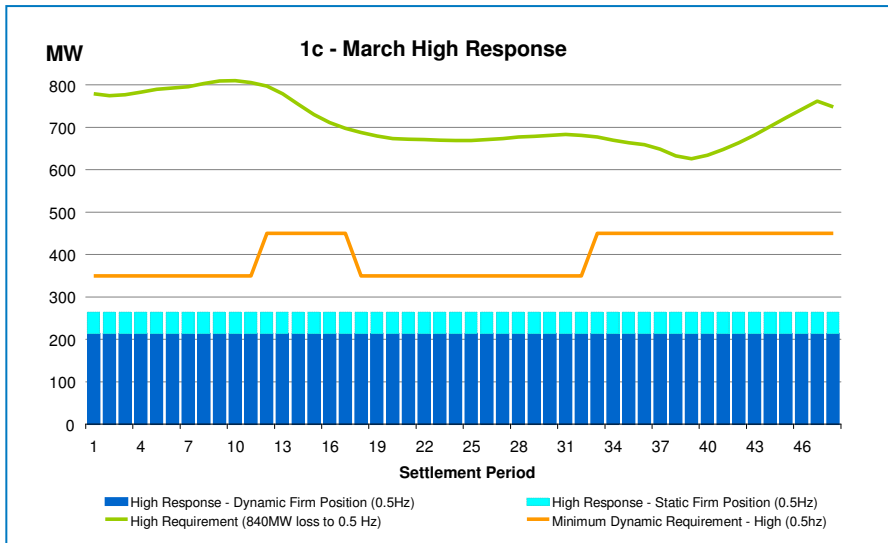
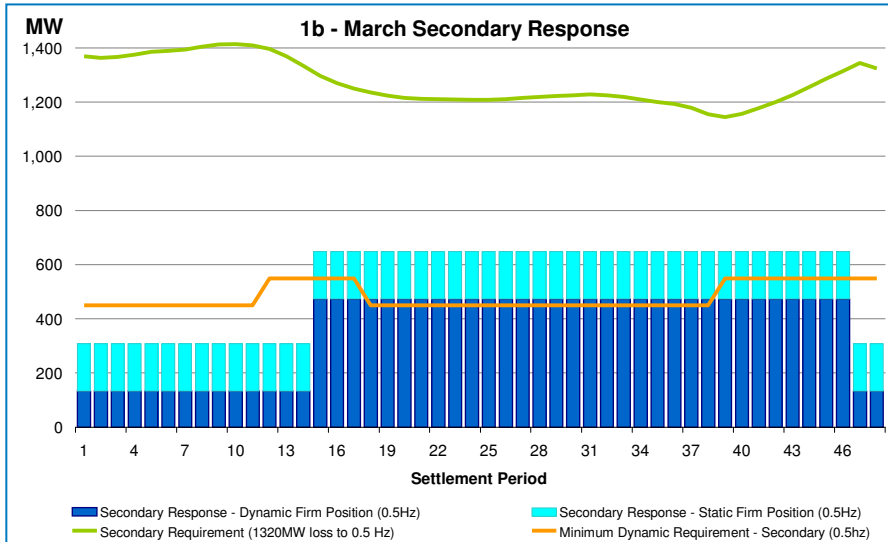
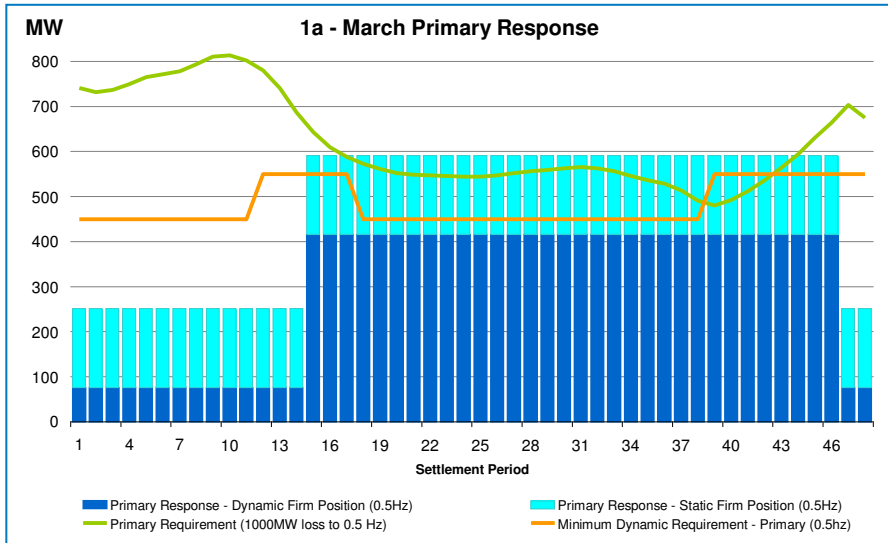
Highlights

In January 2012, four tenders were received offering frequency response from BM units. No tender was accepted. More details on the tenders accepted/rejected are available from the post-assessment tender report.

The FFR assessment principles and post-assessment tender report are available at:

<http://www.nationalgrid.com/uk/Electricity/Balancing/services/frequencyresponse/ffr/>

Settlement Period Requirement



Figures 1a to 1c show the forecast frequency response requirement for each settlement period in March 2012.

The expected response requirements shown in the following graphs are averaged for each day of the month. The requirements are estimated based on forecast demand for individual settlement periods.

It should be noted that the volume of frequency response required at weekends is slightly higher than during the week because of the lower demands experienced at weekends.

The green lines show the total response required to recover from a maximum frequency deviation of 0.5Hz. The primary response requirements are set for a 1000MW loss, secondary response for a 1320MW loss and high response for an 840MW demand loss.

The orange lines show the minimum dynamic response required at 0.5Hz deviation.

The bars in the graphs show the total contracted response which is expected to be available during the periods shown on the graph. The deep blue bars indicate the firm dynamic response and light blue bars represent firm static response.

Providers should note that dynamic response over the minimum dynamic level also contributes to meeting the total response requirement.

Daytime 12-Month Requirement

Figures 2a to 2c show the indicative daytime (07:00hrs - 23:00hrs) frequency response requirement for twelve months beginning March 2012.

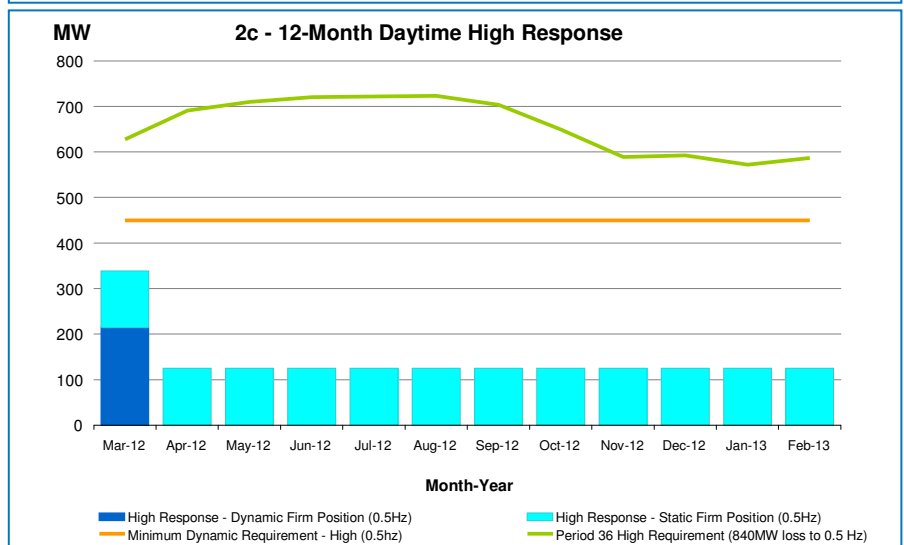
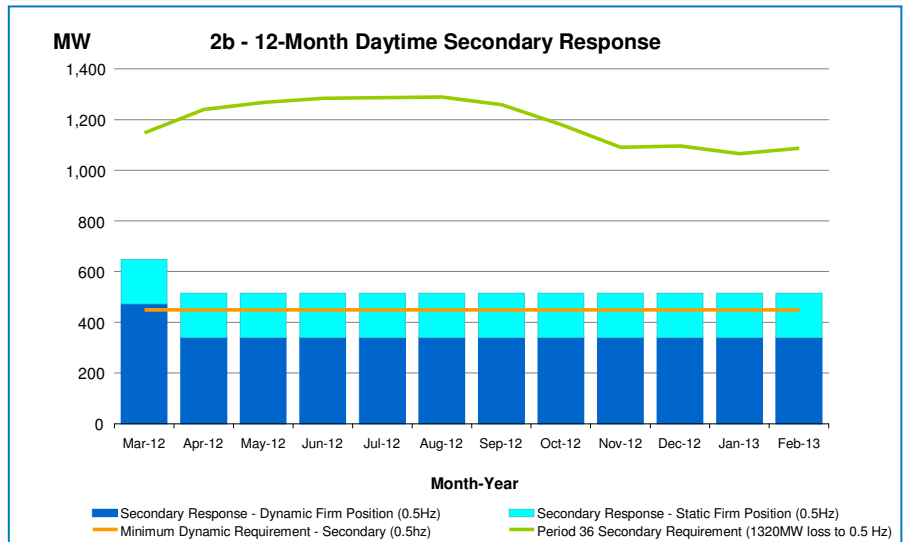
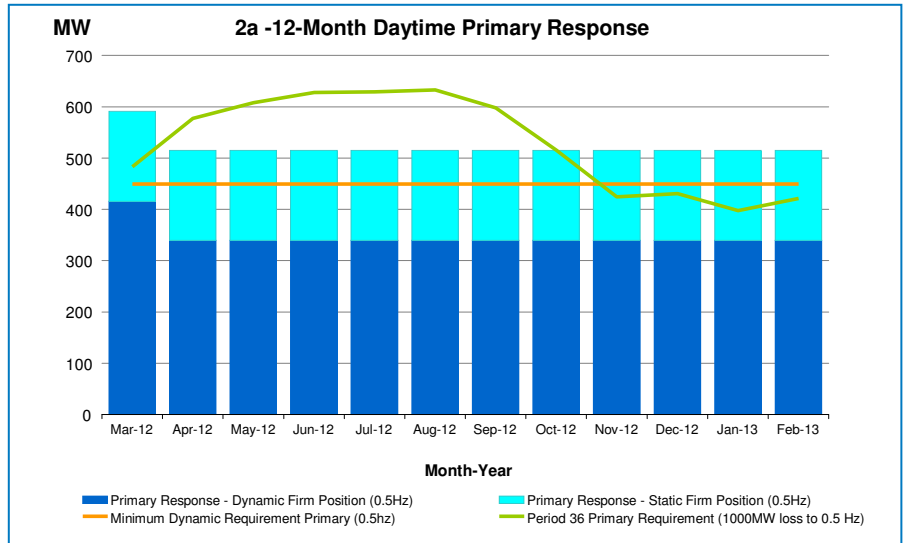
The forecast response requirements shown in the following graphs are averaged for each day of the month and are calculated based on the forecast demand during settlement period 36. The volume of response required will vary over individual daytime settlement periods. The figures show the base/minimum values expected during the day.

The green lines show the total response required to recover from a maximum frequency deviation of 0.5Hz. The primary response requirements are set for a 1000MW loss, secondary response for a 1320MW loss and high response for an 840MW demand loss.

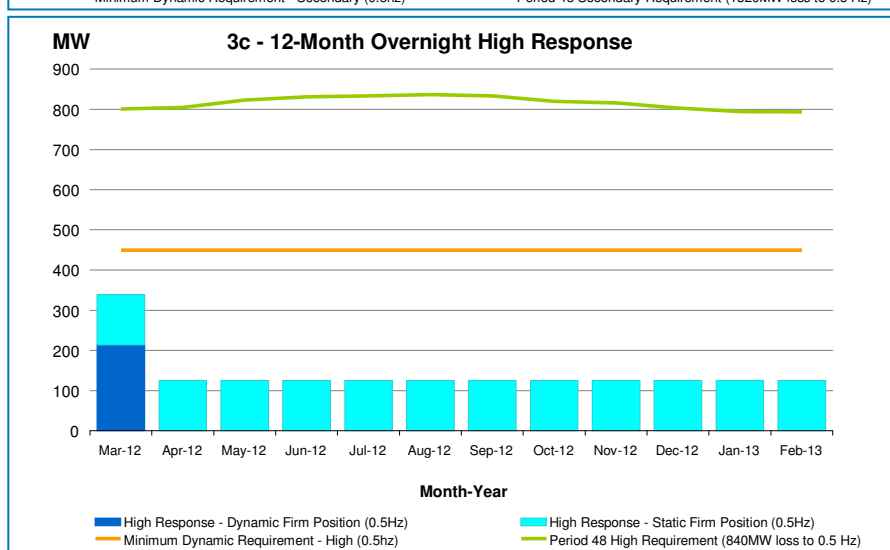
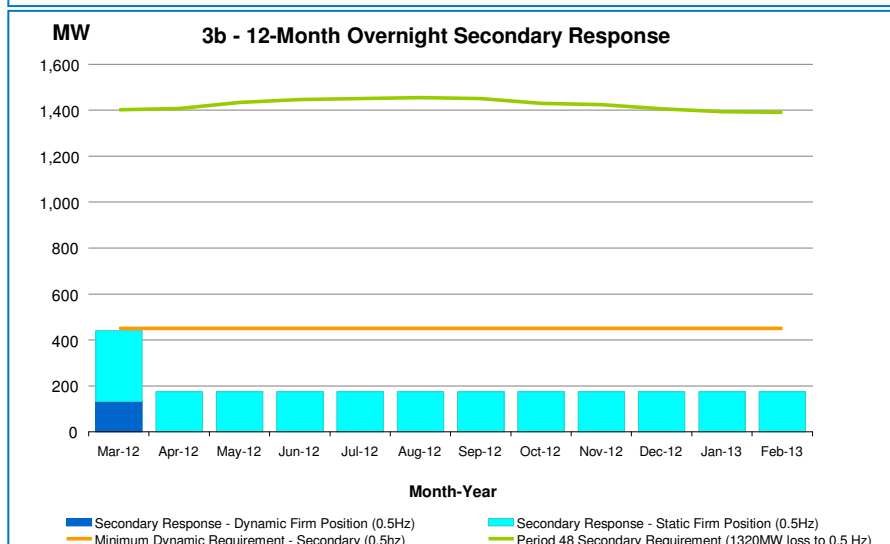
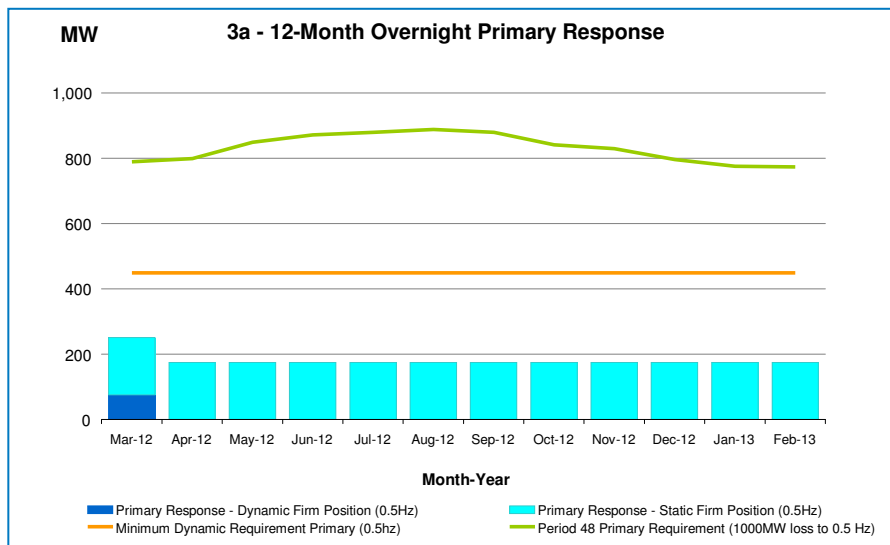
The orange lines show the indicative minimum dynamic response required at 0.5Hz deviation.

The bars in the graphs show the total contracted response which is expected to be available during the periods shown on the graph. The deep blue bars indicate the firm dynamic response and light blue bars represent firm static response.

Providers should note that dynamic response over the minimum dynamic level also contributes to meeting the total response requirement.



Overnight 12-Month Requirement



Figures 3a to 3c show the indicative daytime (23:00hrs - 07:00hrs) frequency response requirement for twelve months beginning March 2012.

The expected response requirements shown in the following graphs are averaged for each day of the month and are calculated based on the forecast demand for settlement period 48. The volume of response required will vary over individual overnight settlement periods. The figures show the base/minimum values expected overnight.

The green lines show the total response required to recover from a maximum frequency deviation of 0.5Hz. The primary response requirements are set for a 1000MW loss, secondary response for a 1320MW loss and high response for an 840MW demand loss.

The orange lines show the indicative minimum dynamic response required at 0.5Hz deviation.

The bars in the graphs show the total contracted response which is expected to be available during the periods shown on the graph. The deep blue bars indicate the firm dynamic response and light blue bars represent firm static response.

Providers should note that dynamic response over the minimum dynamic level also contributes to meeting the total response requirement.

Historic Bids and Offers

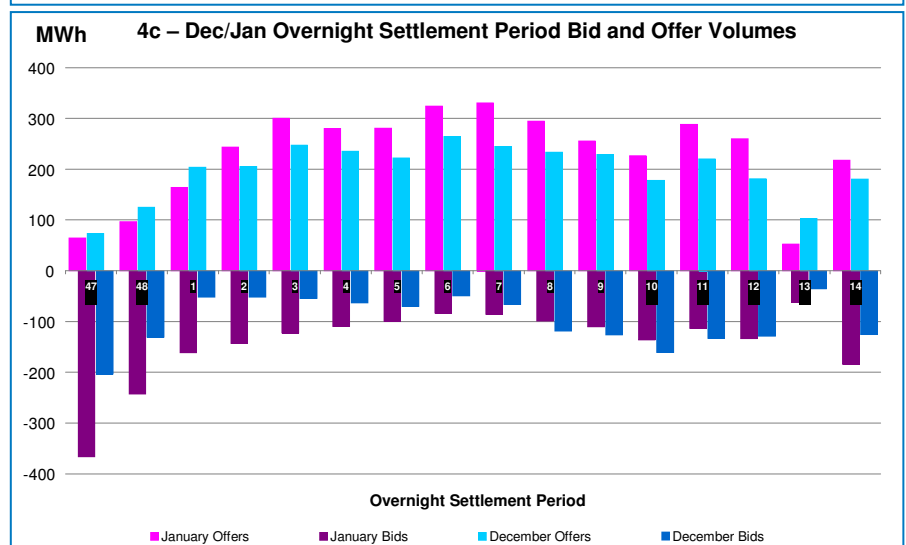
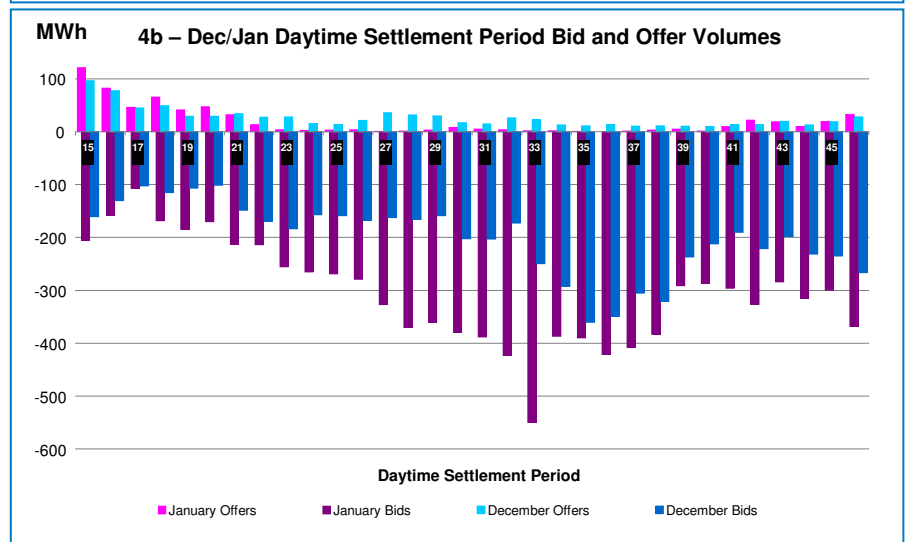
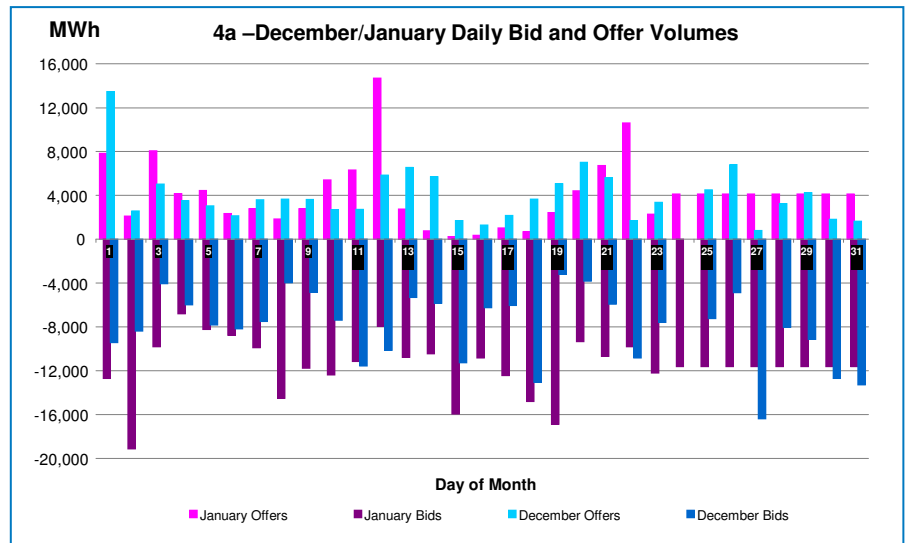
Figures 4a to 4c show the volume of Bid and Offer (BOA) instructions accepted by BM units that were, in conjunction with the delivery of the BOA energy, also providing frequency response.

Figure 4a shows the volumes on a daily basis while figures 4b and 4c show the average daily volume for each settlement period. These figures are presented for December 2011 and January 2012.

In order to publish this report by the 18th business day of January 2012, figures for the last few days of January 2012 have been calculated using estimates. The actual figures for January 2012 will be published in the next market information report.

The settlement period figures show a profile of bid and offer acceptances over the day. It can be gleaned that more bids were taken in the daytime periods compared to the overnight periods.

The Bid and Offer volumes presented in Figures 4a to 4c are indicative only. Actions may have been required for other reasons apart from, or as well as, frequency response optimisation. For example, bid and offer instructions may have also been required to resolve energy imbalance or system constraints.



Key dates in February

In February 2012, National Grid will procure frequency response following the principles laid out in the Assessment Principles.

Tenders from eligible service providers for firm frequency response should be submitted by **Wednesday 1st February 2012** (1st business day) for single month and long term tenders by **Friday 3rd February 2012** (3rd business day) for short term tenders.

National Grid will notify service providers of the outcome of the tender assessment by **Tuesday 14th February 2012** (10th business day).

For successful tenders, National Grid will notify nominated windows, following assessment by **Monday 20th February 2012** (14th business day).

Mandatory Response Costs

Response Bid and Offer cost		
	Dec 2011 (actual)	Jan 2012 (estimate)
Response Bid Cost	£2,600,083	£3,095,675
Response Bid Volume	-239,623 MWh	-359,839 MWh
Response Offer Cost	£1,909,065	£2,675,052
Response Offer Volume	119,140 MWh	128,472 MWh

Response Holding Cost			
December 2011	Primary	Secondary	High
Price band (£/MWh/h range)	Volume (MWh)	Volume (MWh)	Volume (MWh)
Greater than 8	19,455	8,951	40,098
6 to 8	22,229	835	79,589
4 to 6	113,309	3,508	407,373
2 to 4	201,791	66,938	1,249
0 to 2	78,209	246,079	156,339
Total volume	435.0 GWh	326.3 GWh	684.6 GWh
Cost	£1.57 m	£0.52 m	£3.25 m
Total Frequency Response Holding Volume			1,446 GWh
Total Frequency Response Holding Cost			5.34 £m

January 2012	Primary	Secondary	High
Price band (£/MWh/h range)	Volume (MWh)	Volume (MWh)	Volume (MWh)
Greater than 8	47,095	17,612	46,839
6 to 8	29,684	687	89,871
4 to 6	104,222	2,358	363,069
2 to 4	252,564	71,339	1,202
0 to 2	76,919	261,371	134,784
Total volume	510.5 GWh	353.4 GWh	635.8 GWh
Cost	£2.11 m	£0.62 m	£3.04 m
Total Frequency Response Holding Volume			1,500 GWh
Total Frequency Response Holding Cost			5.77 £m

*This table is also provided in excel format on the website.

Calculation of Bid and Offer acceptance costs

Response offer cost = Volume Offers x (Offer Price – ERP)

Response bid cost = Volume Bid x (Bid Price – ERP)

ERP (Energy Reference Price) is the volume weighted average of the submitted bids or offers used to resolve net imbalance volume (NIV) ignoring plant dynamics. It does not include non-BM standing reserve prices, trades, PGBTS or SO-SO trades. The Energy reference Price is calculated for each settlement period.

For a short market, the price is calculated using all submitted offers up to the value of NIV, capped by MEL. For a long market, the price is calculated using all submitted bids on synchronised plant down to zero, including demand side bidders and unsynchronised units (e.g. DINO pumps). All prices do not factor in plant dynamics.