

Balancing Services Update

Ian Pashley

Network Operations

Agenda

- ◆ BM Start-Up Service
- ◆ Enhancements to SONAR
- ◆ Short-Term Operating Reserve
- ◆ CAP107(B) Approval
- ◆ Results of Supplemental Standing Reserve Tender
- ◆ Reactive Market Tenders

New 'BM Start-Up Service'

A key output from National Grid's Reserve Review:

“Improve on existing Warming and Hot Standby (WHSB) service”

Features:

- ◆ *Firm start-up fees*
 - ◆ *Multiple payment rates to reflect differing plant lead-times*
 - ◆ *Increased opportunity for participation*
 - ◆ *Increased transparency of information via SONAR*
 - ◆ *Enhanced despatch optimisation*
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- ◆ Regular project updates via Operational Forums since 2005

BM Start-Up: C16 Consultation

- ◆ Industry consultation to establish new service:
 - ◆ *Procurement Guidelines*
 - ◆ *Balancing Principles Statement*
 - ◆ *BSAD Methodology Statement*

Ofgem approved changes to these documents on 2nd October 2006...

Go-Live date: 1st November 2006

BM Start-Up: Contracting Process

- ◆ In parallel with consultation, National Grid published draft contract terms
- ◆ Number of issues raised by providers and refinements made to the contract terms
 - ◆ ***Thank you for your feedback***
- ◆ Second Issue of contract terms and explanatory note published and sent to existing WHSB providers

<http://www.nationalgrid.com/uk/Electricity/Balancing/new/>

Account Managers now working with existing and new providers to sign-up to the new service ahead of go-live

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BM Start-Up: Transition Arrangements

- ◆ BM Start-Up will go-live at midnight on 1st November 2006
 - ◆ *Warming instructions issued before this time will proceed to term under the WHSB arrangements*
 - ◆ *BM Start-up instructions issued after this time will proceed to term under the BM Start-up arrangements*
- ◆ New data items on SONAR will be published for BM Start-Up instructions (period of requirement, BM Start-Up Price, indicative cost)
- ◆ Users registered to receive Warming Instruction “alerts” will be automatically registered to receive BM Start-Up Instruction alerts

SONAR Enhancements

- ◆ SONAR improvements implemented on 29th September:
 - ◆ *Introduced automation to improve timeliness and reliability of information*
 - ◆ *Now publish PGBT acceptance information – same as BMRS “System Warnings” Page*
- ◆ Intend to remove PGBT information from BMRS System Warnings Page – industry views sought on an appropriate ‘run-off’ time

Short Term Operating Reserve (STOR)

A key output from National Grid's Reserve Review:

“Develop and streamline Standing Reserve (SR) & Supplemental Standing Reserve (SSR) products”

Product:

- ◆ Increased Response Time: now up to 240 minutes
- ◆ Revised definition of Availability Window - to accommodate longer response time
- ◆ Modified provisions for flexible service

Tender Timescales & Contract Framework:

- ◆ Providers will need to have a framework agreement in place to tender
- ◆ Three tender opportunities within year
- ◆ Tenders now invited up to 2 years

STOR: Summary of Next Steps

National Grid will publish the following:

- ◆ Draft Standard Contract Terms: by 6 Oct 06
- ◆ Final Standard Contract Terms: early Nov 06
- ◆ Assessment Documentation: Nov 06
- ◆ Tender Pack for Tender Round 1: Dec 06

National Grid welcomes Provider comments on draft Standard Contract Terms by 27th October 2006

Tender Round 1 Dates:

- ◆ Market Day: Jan 07
- ◆ Results Day : Mar 07
- ◆ Contract Commencement: 1st April 2007

Further information:

<http://www.nationalgrid.com/uk/Electricity/Balancing/tenderreports/STOR/>

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CAP107 Approval

- ◆ CAP107 raised by E.On (8th Dec 05)
- ◆ Proposed amendment to CUSC's Response Energy Price (REP) that applies to delivery of Mandatory Frequency Response

<i>Current arrangements:</i>	<i>Proposal:</i>
<i>Single REP = average of the time weighted average System Buy Price (SBP) and time weighted average System Sell Price (SSP) for the previous month</i>	<i>BMU Specific REP, being the prevailing Offer price in each settlement period for bid/offer pair -1</i>
	<i>Alternative 'A': SBP for increase in output, SSP for decrease in output</i>
	<i>Alternative 'B': 1.25*MIP for increase in output, 0.75*MIP for decrease in output</i>

- ◆ Ofgem Approved CAP107 **Alternative B** on 28th September 2006
- ◆ New REP will apply from **28th December 2006**

MIP = Market Index Price (BSC Section T)

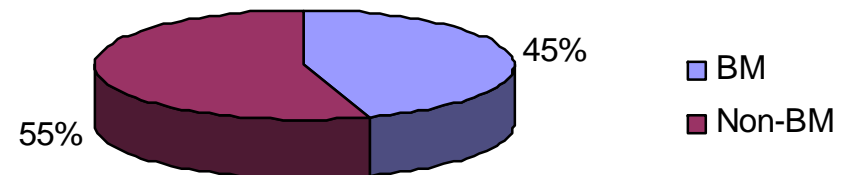
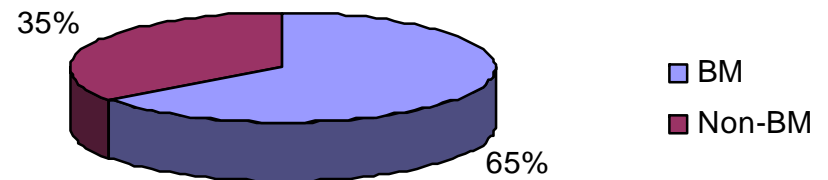
Supplemental Standing Reserve

Tender for winter 06/07 issued 3rd July 06

- ◆ Market day was 4th August 06
- ◆ Contracts 2nd Oct 06 – 24th Mar 07 (clock change)

- ◆ 26 Tenders received, totalling 1430MW
 - ◆ 934MW BM
 - ◆ 496MW Non-BM

- ◆ 742MW assessed as economic and proceeded to contract
 - ◆ 334MW BM
 - ◆ 408MW Non-BM



Reactive Market

- ◆ Tender Round 18 (from 1st Oct 06): Results
 - ◆ Market Report available on website*
 - ◆ 21 tenders evaluated
 - ◆ National Grid offered Market Agreements to 7 participants
 - ◆ 6 Participants proceeded to contract
 - ◆ All Market Agreements were signed for a duration of 12 months
- ◆ Tender Round 19 – (from 1st Apr 07): now open
 - ◆ ITT pack now available on website*
 - ◆ Market Day: 17:00 on Friday 17 November 2006

*<http://www.nationalgrid.com/uk/Electricity/Balancing/tenderreports/reactivepower/> **nationalgrid**

Summary

- ◆ BM Start-Up: go-live planned for 1st November 2006
- ◆ SONAR: upgrade to improve reliability
- ◆ Now publishing PGBT info - views sought on run-off time for BMRS System Warnings Screen notifications
- ◆ STOR: comments on draft terms by 27th October 2006
- ◆ CAP107(B) Approved: implementation date 28th December 2006
- ◆ SSR Results: 742MW contracted from 1430MW offered
- ◆ Reactive Tender round 19 now open