



Friday, 14 August 2009

By e-mail to : Operating.2020@uk.ngrid.com

Our Ref: 1411jdw09

Dear Sir / Madam,

Operating the Electricity Transmission Networks in 2020

Thank you for the opportunity to comment on Operating the Electricity Transmission Networks in 2020 consultation.

Please see our replied to your questions below.

Yours faithfully,

Andrew Howe
CEO

Question 37: What specific actions should National Grid take to facilitate Balancing Services from demand-side providers while maintaining the required quality and volume of service?

As sole buyer of Balancing Services National Grid has potential to act both as a facilitator of and barrier to greater provision of balancing services from demand side services. National Grid currently places a strong emphasis on the down-side risks associated with adopting new technologies – for example in focussing on its need to maintain the required quality and volume.

To facilitate balancing services from demand-side providers, National Grid can either manage this risk technically or commercially.

Technically, National Grid could make available more dedicated technical resources in terms of (A) people who can help to facilitate National Grid’s technical due diligence process and (B) providing access to technical models and data relating to grid operation. This would speed up deployment of new technologies.

Alternatively, National Grid could focus instead on managing this risk commercially rather than through in depth technical analysis.

The perceived cost of either of these approaches should be considered a “pump priming” cost i.e. a relatively inexpensive way of starting the market for these services, and we believe, in the long run more cost effective.

Another possibility, would be for National Grid to seek amendment of its license conditions to mandate purchasing of zero carbon products prior to carbon emitting products – as carried out in California. See <http://www.energy.ca.gov/2005publications/CEC-400-2005-043/CEC-400-2005-043.PDF>.

Question 38: Are there further aspects of storage or other storage technologies we should consider when looking forward to 2020?

National Grid should be considering dynamic demand as a storage technology.

If National Grid is interested in the economics of such technologies, the capital cost of the technologies should be considered.

Question 40: Is our mapping of technology to Balancing Services reasonable?

Dynamic demand may be capable of providing Fast Reserve, STOR and reactive power services however your table omits these potential capabilities, indeed in terms of stage of development it is probably closer to being able to deliver these services than several of the other technologies listed.

Question 41: Is a statement of National Grid's view of its long term Balancing Services requirement useful to industry stakeholders?

Yes. However more useful is the action National Grid takes in actually facilitating and purchasing new technologies over relevant time periods since this is a stronger signal to the market of National Grid's intentions.

Question 42: What period should a long term Balancing Services Requirement statement cover?

There is a balance between forecasting too far into the future and providing an inaccurate forecast, and forecasting over too short a period. It would be useful to have a ten year forecast. It would also be useful for the current requirement to be better explained, and for the forecast and actual requirement to be consistent with data on what National Grid are purchasing today. Not all of the data on requirements and market reports is accurate and it would be helpful to clarify these data and to make them less opaque.

Question 43: What changes to the current reserve products would better encourage the provision of reserve services?

A domestic dynamic demand product where National Grid pays per unit even prior to the quantity of service reaching a useful level would be a good way to "pump prime" and facilitate market entry.

A fast reserve product for smaller aggregated volumes would be useful.

Question 44: What actions would ensure that procurement of reserve services does not impact adversely on the efficient operation of the wholesale energy markets?

Operating open markets for the reserve services would be a fair way to establish a price. Providers should then sell their services into reserve markets at the price at which their service becomes more valuable for providing reserve than wholesale energy.