

**Proposed revisions to the Procurement Guidelines and Balancing Principles Statement.**

**Consultation by National Grid  
February 2006**

**Overview**

This consultation seeks views on proposed amendments to the Procurement Guidelines (PGs), and Balancing Principles Statement (BPS). It is being carried out in accordance with Transmission Licence Standard Condition C16 paragraph 8. The amendments are relatively minor in nature and are described in detail in the tables later in this consultation.

Depending upon the outcome of the consultation, National Grid will make recommendations to the Authority that will allow it to approve the changes associated with each separate Transmission Licence C16 document, and each separate part of the consultation.

This document contains the timescales for the consultation, the background to the changes, and the proposed amendments to the current versions of both documents. The consultation period will be 28 days.

Copies of the PGs and BPS, containing the proposed changes, are attached to this consultation as Appendices A and B. This consultation and associated appendices will also be made available on the National Grid Industry Information website.

Following receipt of responses to this consultation, National Grid will prepare and submit a report (in accordance with Transmission Licence Standard Condition C16 paragraph 8) to the Authority on or before 7/03/06. This report, along with all industry consultation responses, will be published on the National Grid Industry Information website.

**Documents to be covered by this Consultation**

This consultation covers changes to the PGs and BPS. Copies of the current versions of all of these documents are available at:

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

Information relating to past consultations on these documents is available in the archive section of the same website.

Procurement Guidelines

The PGs are prepared in accordance with Standard Condition C16.3 of the Transmission Licence. The Authority approved the original version of the PGs document on 20 March 2001. The document sets out the kinds of Balancing Services that National Grid may be interested in purchasing, together with the mechanisms by which those Balancing Services will be procured.

The latest version of the Procurement Guidelines (version 5.0) became effective on 2<sup>nd</sup> September 2005.

### Balancing Principles Statement

The BPS is prepared in accordance with Standard Condition C16.5 of the Transmission Licence. The document defines the broad principles and criteria by which National Grid will determine which Balancing Services will be used at different times.

The latest version of the Balancing Principles Statement (version 5.0) became effective on 2<sup>nd</sup> September 2005.

### **Consultation timescales**

National Grid issues consultation to Industry Participants	02/02/06
Closing date for responses from Industry Participants	01/03/06
National Grid submits a Consultation Report to the Authority	07/03/06

### **Issues covered by this consultation**

The consultation only relates to relatively minor changes to the PGs and BPS.

### Background

In line with Licence Condition C16 paragraph 3(a), National Grid is required to carry out a 12 monthly review of the Procurement Guidelines (PGs) via consultation with industry participants. Within one month of publication of the new version of the PGs resulting from this review, Licence Condition C16 paragraph 4 requires that National Grid prepares a report summarising the balancing services (excluding those procured through the Balancing Mechanism) that it bought or acquired during the previous 12 months.

National Grid normally carries out a review of the Balancing Principles Statement (BPS) at the same time as the 12 monthly review of the PGs. The Licence is not specific in terms of when the BPS Review is carried out and as such similar approval to change the timing of the BPS Review was not required. For consistency we will continue to align the PGs and BPS Reviews going forward. This consultation is thus seeking general comments in relation to both the PGs and BPS. Any general comments that are of a material nature will be considered for future consultations. All comments will be provided to the Authority.

There are some relatively minor changes proposed for both the PGs and BPS. These are summarised in the tables below.

<b>Proposed Procurement Guidelines changes</b>		
<b>(See Appendix A)</b>		
<b>Section</b>	<b>Change</b>	<b>Comment</b>
Part A, Section 1, paragraph 1 (page 5)	Replace "National Grid Company plc" with "National Grid Electricity Transmission plc"	Change required to implement the name change for National Grid's electricity business in Great Britain.
Part C, Section 3, final paragraph (page 21)	Amend the description of examples of services that "are currently being developed" to read "may potentially be developed further". Amend the examples given to describe them as <ul style="list-style-type: none"> <li>• "Fast Reserve by Tele switch control of meters</li> <li>• Demand Management"</li> </ul>	Clarification of further services that might be developed in due course.
Part D, Section 2 (page 23)	Delete "on" our web-site and add the word "via" our web-site in its place.	Minor wording change
Table 1 – Balancing Services Summary Table, Ancillary Services, Part 1 Services, Reactive Power (page 24)	Under the column for Means of Procurement delete "Contracts derived from Market Tenders and Bilateral contracts" and replace with "Mandatory Services Agreement pursuant to the CUSC"	More accurate description
Table 1 – Balancing Services Summary Table, Ancillary Services, Part 1 Services, Frequency Response (page 24)	Under the column for Means of Procurement delete "Bilateral Contracts" and replace with "Mandatory Services Agreement pursuant to the CUSC"	More accurate description
Table 1 – Balancing Services Summary Table, Ancillary Services, Part 2 Services, Frequency Response (page 24)	Under the column for Means of Procurement delete "Bilateral Contracts" and replace with "Mandatory Services Agreement pursuant to the CUSC"	More accurate description
Table 1 – Balancing Services Summary Table, Ancillary Services, Part 2 Services, Frequency Response (page 24)	Under the column for Timescales delete "Min Seasonal " and replace with "Min monthly via bilateral contract or tender process"	More accurate description
Part E, Section 1, paragraph 2 (page	Replace "National Grid Company plc" with "National Grid Electricity	Change required to implement the name change

25)	Transmission plc”	for National Grid’s electricity business in Great Britain.
Part E, Section 2, postal address (page 26)	Amend “National Grid Transco” to read “National Grid” and “NGT House” to read “National Grid House”	Changes required to reflect the name change for National Grid’s electricity business in Great Britain.
Part E, Section 2, e-mail address (page 26)	Amend <a href="mailto:BalancingServices@ngtuk.com">BalancingServices@ngtuk.com</a> To read <a href="mailto:BalancingServices@uk.ngrid.com">BalancingServices@uk.ngrid.com</a>	Changes required to reflect the name change for National Grid’s electricity business in Great Britain.
PartE, Section 3,	In line 4 delete “and” and in line 5 insert “and Firm Frequency Response (monthly)”	Firm Frequency Response (monthly) should be added to the list of services procured by tenders.
Part E, Section 4, Volumes of Balancing Services (page 26)  Table 2 (page 26/27)	Delete the current wording and replace with the following - “ Cost and Volumes of Balancing Services procured can be found in the Annual Procurement Report at the following link <a href="https://ng.corpwww.net/uk/Electricity/Balancing/pg/">https://ng.corpwww.net/uk/Electricity/Balancing/pg/</a>  Delete Table 2	Detailed Information on Balancing Services procured taken by National Grid has been provided in Procurement Guidelines Report which is updated annually. This effectively makes the aggregated information currently provided in Table 2 redundant and therefore National Grid is proposing deletion of Table 2.
Part E, Section 6	Delete the first and third paragraphs and replace the first paragraph with the following – “Information provision in the future will be integral to the development of new services and will follow the following principles”	The Transparency Review referred to in the existing paragraphs 1 & 3 has effectively been completed and already resulted in changes to the PGs. National Grid is therefore proposing deletion of paragraph 1 & 3 and replacement with wording that more accurately reflects the current position.
Part E, Section 6, first indented bullet point(page 28)	Replace “National Grid Company plc” with “National Grid Electricity Transmission plc”	Change required to implement the name change for National Grid’s electricity business in Great Britain.
Part E, Section 6, second paragraph (page 28)	Replace “National Grid Company plc” with “National Grid Electricity Transmission plc”	Change required to implement the name change for National Grid’s electricity business in Great Britain.
Part E, Section 7, second paragraph (page 29)	Replace “National Grid Company plc” with “National Grid Electricity Transmission plc”	Change required to implement the name change for National Grid’s electricity business in Great Britain.
Table 3 – Balancing Services Information Provision Summary, Frequency Response (pages 31-32)	Re-number as Table 2.  Under the column for Volume Information delete the second paragraph and replace with “MWh of Primary, Secondary and High Frequency Response held in each day of the Utilisation Month.”	More accurate descriptions.

	<p>Under the column for Price Information add a new first paragraph “Part 1 System Ancillary Service – Holding rates for primary, secondary and high frequency response.” Amend the second paragraph to read “Tendered Commercial Frequency Response – Price of tendered primary, secondary and high frequency response.” Amend the third paragraph to read “The volume of response held will be broken down on a BMU basis.”</p>	More accurate descriptions.
	<p>Under the column for Timescale amend the first paragraph to read “Part 1 System Ancillary Service – Prices will be published monthly”. Add a new second paragraph as follows “Tendered Commercial Frequency Response - Prices will be published when tenders are received.” Add a new third paragraph as follows “System response volume requirement tables will be published monthly.” Amend the existing third paragraph to read “Response volumes will be published monthly.”</p>	More accurate descriptions.
	<p>Under the column for Information Source amend the first paragraph to read “Primary, secondary and high frequency response prices and requirement curves and tables are available on our website.” Delete the current second paragraph and replace with the following “Primary, secondary and high frequency response volumes are available on our website.”</p>	More accurate descriptions.

<b>Proposed BPS changes</b>		
<b>(See Appendix B)</b>		
<b>Section</b>	<b>Change</b>	<b>Comment</b>
Version Control and introductory remarks (page 3)	<p>In paragraph 2 on page 3, add “National Grid” before Website.</p> <p>Amend “National Grid Transco” to read “National Grid Electricity plc” and “NGT House” to read “National Grid House”</p> <p>Amend  <a href="mailto:BalancingServices@ngtuk.com">BalancingServices@ngtuk.com</a>            To read  <a href="mailto:BalancingServices@uk.ngrid.com">BalancingServices@uk.ngrid.com</a></p>	<p>Minor change</p> <p>Change required to implement the name change for National Grid’s electricity business in Great Britain.</p> <p>Changes required to reflect the name change for National Grid’s electricity business in Great Britain.</p>
Part A – Introduction,	In paragraph 1 replace “National Grid Company plc” with “National Grid	Change required to implement the name change

Section 1 (page 6)	<p>Electricity Transmission plc”</p> <p>In the final paragraph replace “National Grid Company plc” with “National Grid Electricity Transmission plc”</p>	<p>for National Grid’s electricity business in Great Britain.</p> <p>Change required to implement the name change for National Grid’s electricity business in Great Britain.</p>
Part B General Principles (pages 9-18)	<p>In the second paragraph replace “National Grid Company plc” with “National Grid Electricity Transmission plc”</p> <p>In section 5 (g) – Communication Failure replace “National Grid Company plc” with “National Grid Electricity Transmission plc”</p>	<p>Change required to implement the name change for National Grid’s electricity business in Great Britain.</p> <p>Change required to implement the name change for National Grid’s electricity business in Great Britain.</p>
Part C Principles Underlying Balancing Measures (pages 19-26)	<p>In paragraph 5 (vi) replace “National Grid Company plc” with “National Grid Electricity Transmission plc”</p> <p>In paragraph 6, sub-paragraph 4 replace “National Grid Company plc” with “National Grid Electricity Transmission plc”</p> <p>In paragraph 8 first sub paragraph replace “National Grid Company plc” with “National Grid Electricity Transmission plc” twice.</p> <p>In paragraph 8 second sub-paragraph replace “National Grid Company plc” with “National Grid Electricity Transmission plc” twice. In the same paragraph in line 4 delete the apostrophe in “it’s”.</p> <p>In paragraph 10 sub-paragraph 6 replace “National Grid Company plc” with “National Grid Electricity Transmission plc”</p>	<p>Change required to implement the name change for National Grid’s electricity business in Great Britain.</p> <p>Change required to implement the name change for National Grid’s electricity business in Great Britain.</p> <p>Change required to implement the name change for National Grid’s electricity business in Great Britain.</p> <p>Change required to implement the name change for National Grid’s electricity business in Great Britain. Minor grammatical change.</p> <p>Change required to implement the name change for National Grid’s electricity business in Great Britain.</p>
Part D Transmission Constraint Management and Response/Reserve Principles (pages 26-36)	<p>In section 2.1 first paragraph replace “National Grid Company plc” with “National Grid Electricity Transmission plc”</p> <p>In section 2.1 second paragraph replace “National Grid Company plc” with “National Grid Electricity Transmission plc” twice.</p> <p>In section 2.1 second paragraph sub-paragraph (l) replace “National Grid Company plc” with “National Grid Electricity Transmission plc”.</p>	<p>Change required to implement the name change for National Grid’s electricity business in Great Britain.</p> <p>Change required to implement the name change for National Grid’s electricity business in Great Britain.</p> <p>Change required to implement the name change for National Grid’s electricity business in Great Britain.</p>

Part E Day Ahead and Within Day Balancing	In section 2 step 6 sub-paragraph (vii) replace “National Grid Company plc” with “National Grid Electricity Transmission plc”.	Change required to implement the name change for National Grid’s electricity business in Great Britain.
Part F Summary of Operational Security Standards	Amend heading to read “Part F SUMMARY OF GB OPERATIONAL SECURITY STANDARDS”	Minor change to reflect post BETTA arrangements.

Consultation questions in relation to the changes:

Q	Question	Response	Rationale
All	Do you support the proposed minor changes?	Yes / No	

### Consultation Responses

Consultation responses should be forwarded to the Balancing Services e-mail address [BalancingServices@uk.ngrid.com](mailto:BalancingServices@uk.ngrid.com) by **5.00pm on 01/03/06**. Comments will be reviewed, and National Grid will then prepare a report to the Authority.

A full copy of all responses will be provided to the Authority and will be made publicly available on the Industry Information web site.

### Attachments

The following appendices are attached to this consultation document:

- Appendix A      Change-marked copy of the PG’s
- Appendix B      Change-marked copy of the BPS