



The logo for the Office of Gas and Electricity Markets (Ofgem), consisting of the word "ofgem" in a white, lowercase, sans-serif font inside an orange rounded rectangle.

# Self-Balancing

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# Overview

- Self balancing occurs when a portfolio generator deviates from FPN to compensate for changes within his portfolio.
- This opportunity is not available to single generating units or suppliers

# Self-Balancing

- NGC notifies Ofgem of all Significant Incident Reports
- For portfolio generators, deviations from FPN could constitute self-balancing
- Ofgem is concerned with all incidents of self balancing within generation portfolios and/or generating stations

## Consequences: Safety

Self balancing could:

- Prejudice the safety of the transmission system if there is a breach of safe operating limit and/or generation exceeds the safe stability limits
- Cause plant to be tripped or forced off the system; and
- Damage equipment connected to the system

# Consequences: Competition and Prices

- May displace bids or offers in the Balancing Mechanism;
- Could lead to inefficient or inappropriate balancing actions by NGC;
- May increase the cost of balancing the transmission system. This could have an impact on:
  - BSUoS charges;
  - Imbalance Prices
- Distort competition by providing inaccurate economic signals to the market

# Consequences: Grid Code

- Contravention of Grid Code, BC.2.5.1  
Physical Operation of BM Units
- In particular, BC.2.5.2.2:  
*“except in the circumstances provided for in BC2.5.2.3, BC2.5.2.4, or BC.9, no BM Unit is to be Synchronised or De-Synchronised unless:-*
  - (a) a Physical Notification has been submitted to NGC prior to gate Closure indicating that a Synchronisation or De-Synchronisation of that BM Unit; or*
  - (b) NGC has issued a Bid-Offer Acceptance requiring Synchronisation or De-Synchronisation of that BM Unit”.*

# Consequences: Generation Licence

- Breach of condition 5 of your generation licence which states that;

*“The licensee shall comply with the requirements of every Grid Code in so far as it is applicable to it’.*

# Consequences: Enforcement Action

- Where the Authority is satisfied that a Licensee is in breach, or is likely to be in breach of its Licence he has a duty to take enforcement action.
- Such action is taken under section 25-27 of the Electricity Act (1989)
- Two types of enforcement order: provisional orders and final orders
- An enforcement order can set out what the Licensee should, or should not, do in order to secure compliance.

# Consequences: Enforcement Action

- Under Section 25(5) of the Electricity Act (1989) the Authority may not make a final order to confirm a provisional order if he is satisfied:
  - that the duties imposed on him by section 3A to 3C preclude the making or, as the case may be, the confirmation of the order;
  - that the most appropriate way of proceeding is under the Competition Act;
  - that the licence holder has agreed to take and is taking all such steps as it appears to the Authority for the time being to be appropriate for the licence holder to take for the purpose of securing or facilitating compliance with the condition or requirement in question; or
  - that the contraventions were or the apprehended contraventions are of a trivial nature.

# Consequences: Financial Penalties

- Under section 27A of Electricity Act (1989) the Authority can impose a financial penalty on any electricity licence-holder that has breached or is breaching its licence conditions.
- Any penalty imposed must be “reasonable in all the circumstances of the case” and can be up to 10% of the licence-holder’s turnover

