nationalgrid

CONSULTATION DOCUMENT

GB ECM-19

Charging for Large Loss Frequency Response

Note of Clarification

5 July 2010

Summary

National Grid published consultation document ECM 19 – Charging for Large Loss Response on 11 June 2010. In discussion with the industry since this date, several parties have requested further information on the analysis undertaken in the document. To help parties understand the impact of the various approaches, National Grid has put together a simple spreadsheet calculator that will allow users to run their own scenarios based on the same assumptions used in the consultation.

In addition to this, there are certain areas of the consultation document which merit further clarification to ensure that interested parties have all the information they need to make an informed decision on the approaches proposed.

Clarifications

Transmission Spurs

The consultation stated in section 5.8 that National Grid considered that the response required to cover the risk of a transmission spur should not be apportioned to generators connected to that spur, as generators had no control over transmission investment decisions and hence could not manage their exposure. It has been noted in discussions, however, that generators choosing to connect to such spurs could be creating additional response costs whilst benefiting from a lower local TNUoS tariff, and the alternative approach to recovering this cost is insufficiently detailed in the consultation. For clarity, the alternative approach would be for National Grid to identify the total risk on each spur on the system so that the connected generators could be charged for their proportion of the additional cost, as follows.

In the banded commodity charge approach, the spur risk would set which charging band the generators connected to it were in, and hence which MWh rate they would pay. For example, if four 300MW generators were connected to a single spur, there would be a 4 x 300 = 1200MW risk to cover. Ordinarily, the 300MW generators would have a banding term of 0 (from Table 4) and therefore pay nothing, however in this case they would fall within the 900-1200MW band and hence would have a banding term of 1.38.

In the capacity charge approach, the spur risk would be used in the calculation to arrive at a total charge for the spur, which would then be split amongst the connected generators in proportion to their individual loss risks. For example, if two 300MW and two 450MW generators were connected to a single spur, the loss risk of (2 x 300) + (2 x 450) = 1500MW would be used to calculate a charge using the formula in 5.8.2. This would then be split between the four users, with two paying 300/1500 x the charge and two paying 450/1500 x the charge.

National Grid welcomes comments on both the above approaches.

Definition of Loss Risk

The formula for calculating required response in section 5.1 may not adequately define the LossRisk term. For clarity, this is the size in MW of an individual generator's infeed loss in a balancing period. In general this will be the BM Unit Metered Volume as defined in the BSC, except in those cases where National Grid considers that there is a credible single loss risk that would affect multiple BMUs, e.g. where multiple BMUs are fed by a single energy source. In the capacity charging calculations in section 5.8.2, $LossRisk_i$ can be either the highest or the average of an individual generator's infeed loss within a day. The example analysis in section 5.9 assumes a flat demand profile, and hence would be the same for either case. National Grid welcomes comments on the merits of both approaches.

Cost Recovery

In the analysis undertaken by National Grid, a total daily response cost for generation of £391,604 has been used, and it is assumed that demand users would pick up an equal amount.

Capacity Charge

The Recovery Term included in the formula is a correction in case of a divergence between the cost incurred and the cost recovered, and would be zero in the majority of situations.

Banded Commodity Charge

For clarity, this option would band generators by their TEC in MW, but would charge on a MWh basis using different rates depending on the band that the generator was in.

Correction

There is a typographical error in section 5.3, where the estimated circuit saving should be 15km not 10km. This does not change the result of the analysis.

Responses to the Consultation

In order to allow parties to fully consider these clarifications when making their responses, National Grid has extended the deadline from Friday 9th July to **Friday 23rd July 2010**. All responses will be published on National Grid's charging website unless clearly marked confidential.

If you wish to provide comments on this consultation document, responses are preferred via email to: adam.sims@uk.ngrid.com.

Alternatively, parties can send their comments in writing, addressed to:

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