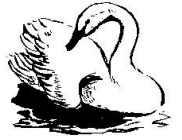


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**Short-Term Operating Reserve (STOR) Development – Outline Change Proposals Document (OCP-02) – Invited Views**

STOR is one of the grid ancillary services from which energy storage plants derive revenue. Swanbarton has chosen to respond to this invitation, in its capacity as a specialist energy storage consultancy. We regard the terms of the STOR service as being fundamental to the encouragement of new entrants. New entrants are required to cater for the future needs of the electricity grid and the establishment of an ancillary service-base suited to low carbon operation.

Our responses are as follows:

**Question 1** – Do you consider that the response time permitted for Reserve Providers to respond to an OCP should be increased from the current 10 Business Days, to 20 Business Days? If not, could you recommend a more appropriate timescale?

Within reason, increasing the time available will allow more views to be captured. We support the 20 business-day allocation, considering it sufficient.

**Question 2** – Do you consider that a period of 20 Business Days following receipt of responses to an OCP from Reserve Providers is an appropriate timescale for National Grid to give due consideration to these responses and notify of its intention to either withdraw or modify the proposals, or implement them via the publication of a DCP? If not, could you recommend a more appropriate timescale?

Our view is that 20 business-days should improve National Grid's ability to consider and modify such proposals.

**Question 3** – Do you consider that an increased period of 20 Business Days would be more appropriate than the current timescales in the interests of arriving at a mutually beneficial negotiation of Special Condition(s) or contract prices? If not, could you recommend a more suitable timescale?

As above.

**Question 4** - Do you consider that a period of 60 Business Days is appropriate when considering the timescales within which National Grid should notify a

Reserve Provider that a contract will be terminated following circumstances of multiple Events of Default which could lead to that termination?

As above, the proposal is reasonable.

**Question 5** - Would you consider a Remedial Plan to be a welcome introduction to the Standard Contract Terms?

Introduction of an opportunity for the concerned service provider to remedy the affected plant, whilst retaining their existing contract would reduce service-providers risk. Hence we support the introduction of a Remedial Plan process.

**Question 6** - Do you have any comments with regards to the proposed Remedial Plan process, particularly with regard to the timescales?

The timescales set out by National Grid are suitable, however we would question whether 20 business days are sufficient for new market entrants, potentially with complicated funding arrangements, to obtain the required authorisation from project partners.

**Question 7** - Would you consider the introduction of Cure Plan to be a welcome introduction to the STOR contractual framework?

Similarly to the remedial plan, the cure plan reduces the risk for new market entrants, where that entry comes at a capital cost. Uncertainty regarding contract terms with National Grid following extended commissioning work increases risk for the provider and our view is that the cure plan enables a suitable reduction in risk.

**Question 8** - Do you have any comments with regards to the proposed Cure Plan process, particularly with regard to the timescales?

The timescales allowed appear sufficient.

**Question 9** - Do you consider that long-term Reserve Providers should have the opportunity to 'opt out' of the provision of STOR during the extended period(s) of Availability Windows?

Given that existing providers may have supply arrangements outside of the Availability Windows, it is reasonable to allow them to opt-out.

**Question 10** - Do you consider a period of 15 Business Days following publication of a relevant ITT Pack appropriate for Reserve Providers to notify National Grid of their intention to 'opt out' of expanded Availability Windows?

Our view is that this is sufficient.

**Question 11** - Do you consider that it would be appropriate for National Grid to amend the SCTs such that a BM Provider is required to submit an Offer Price identical to the Contract Bid-Offer Price, with an Event of Default to be incurred for failure?

In the interest of maintaining an even playing field between reserve providers, regardless of participation in the balancing mechanism, we consider this appropriate. The existing situation puts new entrants, many of which will not participate in the Balancing Mechanism, at a disadvantage.

**Question 12** - Do you consider it appropriate that National Grid should be giving consideration to developing the non-BM despatch systems to facilitate a STOR market whereby all Reserve Provider can reduce their utilisation prices within day?

Whilst this proposal might initially be considered to provide an ability for STOR providers to respond to competition and lower the total cost of the STOR service, our view is that this would be counter-productive.

This is because many of the technologies introduced by new entrants will be of small capacity relative to existing providers. Given that there is a forecast need for increasing levels of reserve services, it is in the interest of the consumer to encourage new market entrants. If there was a need for these new entrants to employ energy managers (to manage prices on an inter-day basis), then their overheads would increase. This puts new providers, who already need to pay back invested capital, at further disadvantage.

If the new providers have a borderline investment case, as at the start of many industries, then investments will be deferred or will be invested elsewhere. If the new providers are cost-competitive from the start, then the extra cost of overheads will be reflected in higher availability and/or utilisation prices.

**Question 13** - Do you have any comments with regards to National Grid's proposals to introduce a tri-partite Direct Agreement in the interests of facilitating the necessary funding for new STOR plant and apparatus?

No response is submitted.

**Question 14** - Would you welcome the publication of a draft set of 'standard' Aggregator terms on the National Grid website?

The preparation of accessible information such as this will facilitate new entrants.

**Question 15** - Do you consider that Aggregator terms should be developed as part of Workstream 1A of the wider reserve review?

No response is submitted.

**Question 16** - Would you welcome further detail of the Assessment Principles applied to the week-ahead assessment of flexible STOR tenders?

If this is an area where existing providers have requested clarification, then it should be provided.

**Question 17** - Would you consider the inclusion of an annual utilisation limit based on the number of running hours to be a useful development?

A greater flexibility in specifying the limiting parameters of reserve services is welcomed. The specification of limits by providers in terms of either the frequency of starts or hours run, in particular, will be useful for new and existing entrants.

**Question 18** – Do you have any comments with regards to the housekeeping amendments proposed?

No response is submitted. We do however note that the terms and definition of STOR are not easily understood by non-native speakers. Investment in reserve services may be discouraged, relative to other countries.

**Question 19** – Do you have any comments regarding the proposed Tender Round dates for 2011 and the Seasons/Years that are proposed to be available for tender in each?

Many new entrants will be bidding to provide more than one reserve service. Our view is that tender round dates should be aligned with the other reserve services.