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Dear Industry Colleagues

LETTER ON INDUSTRY DEVELOPMENTS

Background

National Grid as the System Operator (SO), procures a range of balancing services to manage the electricity transmission system on an economic and efficient basis. To achieve this, we work with industry participants to design services that will increase competition and deliver value for consumers.

There are a variety of work streams and industry changes that are taking place, details of which can be found below. This letter aims to highlight to participants the obligations that National Grid will be subject to and for providers to consider where these may have an impact on them.

Our intention is that by highlighting these broader industry developments, providers can ensure whilst tendering that they minimise their exposure to risk, and that the SO minimises the possibility of providers failing to deliver the contracted service.

Optional STOR Pricing

On 28th November, National Grid and Elexon published a circular which outlined an issue with the submission of Non-BM STOR costs which is used in the calculation of imbalance prices. We want to take this opportunity to provide some clarity on the optional STOR service.

As part of the STOR service, Non-BM providers can submit tenders as either Committed or Flexible. Where a unit is contracted as Committed, they must make the service available for all STOR windows. Flexible units have the ability to finalise their availability at the week-ahead stage, by Friday 10am. Where a Flexible unit has declared unavailable or had its availability rejected by National Grid, it can subsequently make itself available within week prior to a specific STOR window as an optional service. Should the unit be instructed when it is optional, it will be paid at the Optional Energy Utilisation Price which can be different to the Energy Utilisation Price. Further details on this can be found in clause 3.2.3 of the STOR Standard Contract Terms¹.

¹ https://www.nationalgrid.com/sites/default/files/documents/STOR%20Standard%20Contract%20Terms%20Issue%2010%2028Effective%20from%201%20April%202017%29%20%281%29_0.pdf

Medium Combustion Plant Directive

Draft legislation is being taken forward by Government to implement the EU Medium Plant Combustion Directive (MCPD) by amending the Environmental Permitting Regulations 2016 (EPRs). The aim is to introduce permits and emission limits on certain plants depending on age, size, type and fuel.

Where providers believe they may be impacted, we would suggest contacting DEFRA in the first instance to clarify. Secondly, we would highlight the availability requirements for the various balancing services. For STOR in particular, there is a requirement for at least 85% availability from Committed and accepted Flexible units over the STOR year. These are assessed on both a monthly and yearly basis to determine payment and applicable penalties. National Grid will continue to assess tenders as per the Assessment Principles and no derogations will be applied to those providers who are affected by the implementation of MCPD. Providers must ensure that they are able to deliver the contracted requirements should they be successful in their tender.

Use of ABSVD for non-BM Balancing Services at the metered (MPAN) level – P354

A BSC modification, [P354](#), has been raised to require the System Operator to provide data on the volume of energy delivered by Non-BM providers for all balancing services to the Settlements Administration Agent (Elexon). The volume of delivered energy would then be allocated to the appropriate Supplier account and remove any imbalance payment to the Supplier. The proposed implementation date is 1st April 2019, the start of STOR year 13.

We would encourage all balancing services providers to follow the progress of the modification and familiarise themselves with what the proposed implementation would mean for their balancing services tender, particularly with regard to any contractual arrangements they may have with a Supplier. Should the modification be approved, National Grid will be required to carry out its obligations. Non-BM providers should be aware that for any period following the implementation date, delivered energy volume will be subject to ABSVD.

Wider Access to the BM (BSC modification P344 and Grid Code modification GC0097)

For information, there are two modifications to implement Project TERRE into GB, which aim to put in place the arrangements for equal access for both BM and non-BM participants. National Grid is seeking to utilise these modifications to also implement wider access to the BM. In effect this delivers the requirements of BSC modification P355 (BM-Lite) which has now been placed on hold, ensuring consistent market access arrangements across both the BM & TERRE and avoiding multiple workgroups tackling the same topic.

In summary there are various developments in industry and some which will place obligations upon National Grid as System Operator to fulfil. Providers should keep abreast of these developments and assess any potential impact and evaluate their tenders accordingly.

For any queries on the content of this letter, please contact your Account Manager in the first instance

Yours sincerely,

Robert Smith