Virtual Lead Party Webinar Questions and Answers

January 2019

Context

National Grid ESO and Elexon co-hosted the introductory webinar on Virtual Lead Parties (VLPs). The webinar provided information on topics including what a VLP is, how to become a VLP, how to bid into the Balancing Mechanism and TERRE including the payment and settlement processes. The slides from the webinar can be found here: https://www.nationalgrideso.com/codes/european-network-codes/meetings/introduction-virtual-lead-party

Following on from the webinar, this is a publication of answers to all the questions that were raised.

Contract Interaction

1. a) What commitment do we have from National Grid that the contracts will be the same for all providers in order to ensure a level playing field? Evidence to date suggests that National Grid is not currently doing this.

   Our intention is to have a framework contract added to the CUSC with standard terms and conditions for all VLPs. This has been proposed through CUSC modification CMP295 which is now out for consultation until 6 February 2019 and includes a draft version of the framework contract. This will ensure that industry has full visibility of the terms and conditions expected of VLPs.

   b) On the VLP and CUSC slide - you referred to a 'bilateral agreement'. However, as it's to be harmonised, these will need to be standard contract terms, so there will be no ability to vary the contract as this would not achieve a level playing field. What are National Grid doing to ensure this? As above

2. Will units in a secondary BMU be able to switch from RR, BM and any other balancing services in the same day (not at the same time)?

   A unit can offer their flexibility in both TERRE and the Balancing mechanism simultaneously but not while providing another balancing service. It is the provider's responsibility to ensure that the data submitted via these markets is accurate and that the bids they have submitted are feasible. At go-live, assets that actively submit price and technical data in the BM cannot participate in or be part of a non-BM framework agreement.

Pre-qualification and registration

3. Does this Elexon process run in parallel with that of National Grid or is it sequential, i.e. what is the total time for both?

   Yes, from a BSC perspective there are no external dependencies stopping parallel BSC / NGESO qualification. The expectation is for Parties to progress both processes in parallel.

4. Is total application time 6 months (4 weeks plus 8 weeks plus 3 months)? Is this the application process for all BMUs, or just VLPs? I assume existing BMUs do not have to register again?

   Total time is up to 5 months if the application is submitted with all the correct data the first time (8 weeks + 3 months). If the application is incomplete, then it will be at least 4 weeks longer.

We intend for the end to end process to be much quicker due to the built-in validations and the level of information needed. The pre-qualification process is the same for BMUs and VLP.

5. When exactly can registration of VLPs begin?

   BSC VLP Qualification will open from 28 Feb 2019 but Balancing Service Volume provision (both BM & RR) will only go live in December 2019 with project TERRE. As new market participants, VLPs will have to accede to CUSC requirements which are dependent on CMP295 modification being approved by Ofgem later this year.

6. Would re-registration of single asset in aggregated portfolio from one BMU to a different one also take up to 6 months?

   This is termed as a post approval change in the EU code EBGL and will take the same process and timescales. i.e., NGESO will check the registration is complete and then approve.

7. Please can you confirm whether existing BMU assets need to register again, in any way, for TERRE access?

   Existing BMUs will not need to re-register with Elexon as such but they will need to inform NGESO of their intention to participate in the TERRE market. They will need to do this by logging into the new pre-qualification system and opting into providing to the RR market. This is similar to when an existing BMU signs a Framework Agreement for STOR, FFR etc. by providing information on their unit(s) e.g. location, capacity, fuel type etc.

8. When you become a VLP, do you become part of TERRE, the BM or both?

   When you register to become a VLP you will have the option of participating in the BM, TERRE or in both markets. If you are larger than 50MW the Grid Code requires that you are an active participant in the BM once you have registered.

9. The slides mentioned that there is already a VLP registered as BMU, how come this VLP did not have to wait for the CUSC modification?

   There is currently no party registered as a Virtual Lead Party because the concept of VLPs or SBMUs does not exist in CUSC. CUSC modification has not been implemented yet. Some aggregators have previously been accepted through the Supplier route and not the VLP route.

10. Is there a BMU made up of non-BM aggregated Units? Already registered

    Not as a VLP under the BSC as this type of party does not exist as yet. Note however that Suppliers can offer aggregated Balancing Services by use of Additional BM Units. BSC has had the functionality for years but 2018 was the first instance of it being utilised.

11. Will a VLP be able to hold Energy Accounts instead of a Virtual Balancing Account, and if so what benefits would accrue?

    Under the P344 arrangements Parties that registered solely as a VLP will be allocated a Virtual Balancing Account.

    It is worth noting that under the BSC a Party can have multiple roles. If a VLP wanted to have an Energy Account, it could undergo BSC Qualification process and register an additional role e.g. a Trading Party. Note that the Trading Party role will place additional obligations upon the Party and have additional costs e.g. Trading Parties pay a higher base monthly fee and contribute to BSCCo cost recovery through Funding Share calculation (please see slide 21).

    Please note that a Party cannot hold an Energy Account and Virtual Balancing Account at the same time as the Energy Account will supersede the latter.

12. Please provide more details on the Credit Cover requirement

    ELEXON is currently updating the Credit Cover guidance note and is due to be published in February 2019. Correspondence will be sent to inform parties when the review process has been completed and the document published.

13. Does the timing for the Balancing Services Register process allow for a smooth transfer of an MSID between two different VLPs?

    Based on industry feedback obtained in the summer 2018 Industry Working Groups the BSC allows 5 WD for due diligence checks by the losing VLP. Also upon feedback from industry feedback the BSC includes a Disputed Allocation process to resolve contested allocations. It is also noted that VLPs can raise change modifications to amend these processes at any time should they feel they are not sufficient.

14. Have these processes considered BMUs with dynamic aggregated portfolios of residential assets? Some of the mentioned timelines seem quite long for potential BMU portfolios that would have changes in capacity more frequently.

    The current P344 arrangements for aggregated portfolios are limited to Half Hourly (HH) SVA Metering Systems. Whilst residential sites are not precluded per say it is noted that the majority of such sites will be Non-0Half Hourly metered and so unable to be allocated to a Secondary BM Unit under the current arrangements.

Payment and Settlement

15. Can you clarify the impact on BRP's should a VLP not deliver energy committed to in the BOA?

    Settlement will calculate adjusts for each impacted Supplier based upon the Balancing Energy Volume delivered by VLPs. Therefore, they will be no impact on BRPs imbalance position by VLPs actions. (Please see slide 51)

16. a) Is there any incentive for faster than 'ideal' ramp for TERRE?
    b) Will battery storage asset be penalised for having 1s ramp rates?

    No +/-5mins is the expected ramp rate, there are no penalties or extra payments for faster services. Deviation volumes will be priced at zero.

17. What if the VLP overdelivers on an instructed RR action?

    If VLP over delivers, then this will results in imbalance volume for the relevant impacted Supplier as adjustments are based on instructed Balancing Energy Volumes.

18. Will TERRE volumes and prices pass through for the calculation of the imbalance price?

    Yes, TERRE volumes and prices are included in the imbalance price calculation. Please note that the calculation itself is not changing. For further details please see the TERRE Education Day (18 Dec 2018) slides.

19. For plants that have longer ramping time than ideal shape hence the volume outside the window will not count towards delivery, will the plants incur non-delivery charges?

    Non-delivery volumes are calculated based upon the dispatched Balancing Energy Volumes (which includes both the paid ‘ideal shape’ volumes and the unpaid ‘additional’ volumes).

Settlement will then create a 'pricing stack' containing all BM and RR Balancing Services Acceptances for that Settlement Period (SP) - RR Acceptances are to be split between 'ideal shape' paid and 'additional' unpaid actions with their associated Balancing Energy Volumes.

Non-delivered volumes are apportioned to Balancing Energy Volume of the Balancing Services Acceptances in the pricing stack. This is done from the highest Acceptance Price first then in decreasing price order.

The Acceptance Price (of the Balancing Services Acceptances) is then compared to the Imbalance price for that SP. Where the Party benefitted from Non-Delivery a 'Non-Delivery' Charge is calculated to reclaim that benefit. Please see slide 48 for an example.

20. What baseline is used for non-delivered volume when only demand is being reduced by a VLP

    The FPN submitted by VLP is the baseline.

21. What are the timelines to enable behind-the-meter assets [metering] in the BM/TERRE?

    Both Issue Groups have been raised as BSC Modifications (P375/376) and first meeting is on Friday 25 January 2019. If you want to join the work group or want further details please see the ELEXON website here (P375) and here (P376).

22. I understand that TERRE will be settled for each 15 min period and underdelivery will be exposed to imbalance price however the imbalance price could be different between 30 min periods so when a ramp for TERRE straddles a change in settlement period how is the settlement (and any penalties) calculated? Also how is the volume delivered deemed to be compliant if some of that volume is delivered outside the 15 min window in question

    As per the slides settlement won't know where the balancing energy volumes will be realised at site (i.e. reduction in demand or increase in generation) and so need both so we can compare against metered volumes and allocate appropriately.

23. If LIBRA accepts a bid, but NG don't issue the instruction and so the provider doesn't deviate from their FPN, will the provider still be paid in full (as if they did deliver the full amount)?

    NGESO has stated that they won't issue an RRI when we have previously issued a BOA (i.e. issued after the BEGCT but before receiving RRA) in the opposite direction (as per slide 36). Therefore:

    - BSC will pay Party in full based upon RRA for the TERRE activation
    - BSC will create a RR Schedule based upon the RRA received from national Grid.
    - BSC will calculate the BOA volumes from the RR Schedule (rather than the FPN) to the BOA and pay the BOA accordingly.

    Provided that the Party delivers the BOA there will be no non-delivery volumes

24. Why must a MSID pair include an Import MSID? There are many sites with just an export MSID that could equally provide TERRE service so why are these not allowed?

    Every generation site will need to have both an import MSID (to measure consumption at times when not generating) and an export MSID (to measure generation when active) registered in settlement. No site will be generating 100% of the time and so an import is needed to capture any consumption. NGESO may have providers with only the export MSID contracted but there will be an import MSID associated with that site they may not have been informed of.

Communication systems and dispatch

25. a) Just to confirm VLP/SBMU will also use EDL?

    b) Does every VLP require the full EDL/EDT communication systems and is there work to change this method to be more API/web-based?
    Yes, VLPs need to have all of EDT/EDL but there are plans to move to the new web API in the future.

26. Are the TSO RR Despatch Guidelines publicly available yet?

    This has not yet been published.

27. There was a discussion about SBMU charges, on the basis that it was unfair that suppliers got 14 BMUs for £100/month, whereas it looked like VLPs would have to pay 14x£60/month for the same. What has happened to this proposal?
    The SBMU monthly charge will initially be set at £60 per month per SBMU but please note that a BSC Specified Charges review (of which SBMU is included) is underway and an Issue Group will be raised imminently where it is likely that the SBMU charge will change.

General questions

28. EBGL Background slide - you referred to recently seeking an exemption on pricing - please provide a weblink to where this exemption can be found. When / how were Grid's intentions to seek a EBGL derogation?

    NGESO is seeking exemption on removal of utilisation prices. We have notified STOR providers of our intention but not yet submitted our application for the exemption to Ofgem.

29. Is Ireland intending to join project TERRE following the creation of their own frequency regulation market/balancing market?

    We are not aware of their intentions.

30. Will TERRE and MARI participation be treated as a 'relevant balancing service'?

    The process for determining the 'relevant balancing services' is owned by Ofgem. Ofgem and BEIS would therefore make the decision with the industry on the classification of TERRE and MARI.

31. Can you publish specific links to applicable pages on both National Grid's and Elexon's websites where this further information can be found please?

    Wider access to the BM roadmap:
    https://www.nationalgrid.com/sites/default/files/documents/Wider%20BM%20Access%20Roadmap_FINAL.pdf

    TERRE and wider access industry update:
    https://www.nationalgrideso.com/sites/eso/files/documents/TERRE%20%26%20Wider%20Access%20December%2018%20Update.pdf

    European Network Codes:
    https://www.nationalgrideso.com/codes/european-network-codes

    Grid Code Modification:

    https://www.nationalgrideso.com/codes/grid-code/modifications/gc0097-grid-code-processes-supporting-terre

Balancing & Settlement Code Modification:

https://www.elexon.co.uk/mod-proposal/p344/

Connection and Use of System Code Modification:

https://www.nationalgrideso.com/codes/connection-and-use-system-code-cusc/modifications/contractual-arrangements-virtual-lead

RR Implementation Guidelines:
https://www.nationalgrideso.com/sites/eso/files/documents/RR%20Implementation%20Guidelines%20v1.0.pdf

Data validation and consistency checking:
https://www.nationalgrideso.com/sites/eso/files/documents/Data%20Validation%20and%20Consistency%20Checking%20Issue%2010%20draft.pdf

EDL message interface specification:
https://www.nationalgrideso.com/sites/eso/files/documents/EDL%20Message%20Interface%20Specification%20Issue%205%20draft.pdf

EDT message interface specification:
https://www.nationalgrideso.com/sites/eso/files/documents/EDT%20Message%20Interface%20Specification%20Issue%205%20draft.pdf