

EB GL ARTICLE 26 PROPOSAL– RESPONSE PROFORMA

NGESO invites responses to this consultation by **23:59 Monday 17th June 2019**. The responses to the specific consultation questions (below) or any other aspect of this consultation can be provided by completing the following form.

Please complete this form regarding the proposal titled: “**EBGL Article 26: Proposal for Defining and Using Specific Products for balancing energy and balancing capacity**”.

Please return the completed form to europencodes.electricity@nationalgrid.com

Respondent:	DAMIAN CLOUGH	
Company Name:	ELEXON	
Does this response contain confidential information? If yes, please specify.	NO	

No	Question	Response	NGESO Comments
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1	<p>Do you agree with our proposal to maintain STOR and BM for Balancing?</p> <p>Please provide rationale.</p>	<p>As NGESO are the System Operator for GB Transmission we think they are best placed to indicate what its future requirements will be to balance the system in the most economic and efficient way and to the required standards.</p> <p>To better justify the need for these Specific Products we feel that NGESO need to emphasise the reasons why balancing the GB System may be harder than for other EU countries.</p> <p>If all countries are facing the same difficulties in balancing their systems and insist on using Specific Products then that indicates that the problem lies in the design of the Standard Products and not problems which are unique to GB or more of an issue to NGESO.</p> <p>At the moment a lot of the rationale in the NGESO proposal concentrates on potential difficulties if only Standard Replacement Reserve products were used for Balancing such as the uncertainty over the quantities of reserve which will be available and the lead time between notification of auction results and actual dispatch. This will be the same for every EU country that uses Replacement Reserve so therefore it is important to state why this is a particular problem for GB.</p> <p>For example it isn't stated within the NGESO consultation document that GB is an Island with currently limited interconnectivity with neighbouring EU electricity markets. Managing Rates of Change of Frequency (RoCoF) will be more challenging than continental EU countries due to the lack of inertia, therefore differences between forecasts of Generation and Demand and actual volumes has more of an impact.</p> <p>Increased use of intermittent generation coupled with reductions in the use of coal for long sustained periods (cite recent 2 week record), means that there is considerable uncertainty in Generation levels and the lack of inertia compounds the problem if forecasts of Generation and Demand are wrong or there are late unpredictable changes (i.e. a generator tripping off).</p> <p>We feel that by changing your proposal to note the unique challenges faced by GB in balancing, makes your case for the need for Specific Products more compelling.</p>	<p>NGESO thanks Elexon for this useful feedback. We have added to the proposal to explain why implementing the RR product may be harder for GB than for our European counterparts.</p> <p>A key difference between GB and continental Europe is that many European TSOs have an Automatic generation control (AGC) system which can automatically respond to system events, meaning that less volume needs to be procured in advance. In some cases the design of existing specific products in Europe are also more aligned with that of the standard products, leading to a less complex transition from specific to standard products.</p> <p>Of course, the RR product will be the first standard product to be implemented. Given that this product has an activation time of 30 minutes it is logical that most TSOs will have to continue to use specific products with faster activation times at least until the faster standard products (mFRR and aFRR) are implemented. TSOs will have a continued need to procure volume at different lead times given that unforeseeable events can always occur, and the RR product was not intended to be used to meet all of these needs.</p>
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2	<p>Do you have any other comments on the proposal?</p>	<p>If NGESO continues to use STOR as a Specific Product they need to ensure that the use of this product does not distort the market for other Standard products.</p> <p>If Specific Products are deemed necessary by NGESO, NGESO should seriously consider whether Specific products should be procured in a similar way and under similar timescales as Standard products to avoid any potential distortion.</p> <p>NGESO would face far more risk in not being able to balance the System due to these Specific Products not being allowed, than the potential increased balancing risk moving away from the current procurement strategy?</p> <p>We agree with Ofgem's following comment in the Guidance document on ESO Roles and Principles "We expect the ESO to support the market to self-balance where possible, thereby minimising the ESO's own role as residual energy balancer."</p> <p>If STOR is tendered ahead of time, how will NGESO assess what quantity to procure?</p> <p>If Specific products are to be used then it is crucial that the market is provided with timely and transparent data to make informed decisions and help them self-balance. For example if STOR is intended to continue, NGESO could provide real time information on the dispatch of Non BM STOR.</p> <p>The total cost of balancing actions should also be reflected in the Imbalance price and taken into account when dispatching.</p> <p>Therefore to summarise. We support the future use of Specific Products but if they are to be used then a level playing field must be created with Standard products to avoid distortion. The market must also be provided the same level of transparency of data as Standard products under similar timescales wherever possible.</p> <p>The use of BMRS to publish this data is the obvious medium and will avoid fragmentation of data.</p>	<p>NGESO agree that a level playing field is important upon the implementation of standard products. Much of the obligations in the EBGL are focussed on achieving this goal to ensure that Balance Service Providers (BSPs) are participating in a fair market.</p> <p>Ellexon's point around timely and transparent data is a good example of this. EBGL sets out clear requirements for the timely publication of data for balancing services and NGESO are working to ensure that these are complied with.</p> <p>NGESO also agree that alignment between standard and specific products where possible will contribute to an optimal balancing market. As referenced in the proposal, we are committed to reforming our balancing services to allow for closer to real-time procurement and to ensure that standard and specific products complement each other. It must be recognised that the reform of these services is a fundamental change to the existing balancing services which needs to be fully thought through and tested with market participants. We have committed to this work in the ESO forward plan.</p>