

Phase 2 Frequency Response Trial Update

July 2019

The logo for nationalgridESO, with 'nationalgrid' in blue and 'ESO' in yellow, set against a white background with a yellow wave graphic below it.

Dear industry colleagues,

As you may be aware, Phase 1 of our frequency response auction trial has been running since 13th June. With this email, we would like to bring you an update on Phase 2.

Our frequency response auction trial is enhancing our understanding of how procurement of services closer to real-time can realise significant benefits for system operation, market participants, and GB energy consumers. We are working closely with our auctioneer partners, EPEXspot, to develop the auction platform and technology that will enable this.

The products being procured through the Phase 2 auctions

We have carried out additional work on the detail of the products we will procure through Phase 2 and, after further modelling and market intelligence, we can confirm that this will be a dynamic frequency response product where we procure a bundle of equal amounts of primary (P), secondary (S) and high (H) frequency response. The Phase 1 low frequency static product will run alongside this P=S=H product in the Phase 2 auction.

Further details of the Phase 2 product are as follows:

- This will be a standardised dynamic Firm Frequency Response (FFR) product, which bundles primary, secondary, and high response
- There will be a duration of 30 minutes for positive and negative energy changes, meaning:
 - Primary response responds within 10 seconds, with delivery for 30 seconds (positive energy change)
 - Secondary response responds within 30 seconds, with delivery for 30 minutes (positive energy change)
 - High response responds within 10 seconds, with delivery for 30 minutes (negative energy change)

- Providers will bid a single MW value which must no higher than the lowest of their pre-qualified values for Primary, Secondary or High
- Providers will be paid for availability for the MW value they clear in the auction at the clearing price. Providers may deliver more response, up to their prequalified values, but will not be compensated for delivery beyond the amount cleared in the auction.
- The product can be provided from an aggregated portfolio
- Any assets or portfolios of assets which have been pre-qualified for PSH in MFR or FFR will be deemed to have passed testing for this auction product up to their pre-qualified capacity
- Service stacking will not be possible; providers must choose whether to enter this market or the monthly FFR tender

The decision to move to this service – from the original collection of low static, high static, low dynamic, high dynamic – is driven by our intentions for the new frequency response product suite. With regards to the new products, our focus is to ensure we are stimulating growth in the right markets and ensure a sustainable transition between existing/interim and enduring services. Therefore, we have taken the view that, rather than introduce a new interim set of products for Phase 2 that would ultimately be replaced by the new frequency response product suite, it is more appropriate to use a standardised version of FFR to limit change. This decision also removes the need for additional testing before participation in this auction.

Further detail will be communicated via contractual documents and FAQs in due course. If you have questions, this please contact us via futureofbalancingservices@nationalgrid.com or, if you have one, through your account manager.

Opportunities to participate in testing with EPEXspot

To support the introduction of Phase 2 of the frequency response auction trial, we would like to invite you to join us in a testing process before go-live. This testing will involve a mock auction process to allow all parties to practice their internal processes around data collection, file formatting and timeline structures.

The timescales for the mock auction process are as follows:

- COP Tuesday 13th August, deadline for expressions of interest
- Wednesday 14th August, participants receive further information about the nature of the auction and the format requirements of sell orders
- 14:00 Friday 23rd August, deadline for submitting completed sell orders to NGESO

- Friday 6th September, results of the mock auction are communicated to participants

To allow the mock auction to run as smoothly as possible, the number of participants is limited to 25, and each participant may submit information for up to three units. Please note that this restriction will not apply in the “go-live” phase and is purely to facilitate the mock auction process.

We invite you to respond to futureofbalancingservices@nationalgrid.com by 17:00 Tuesday 13th August 2019 expressing your interest and indicating the number of units you would like to include in the mock auction.

There is no formal template for your expression of interest. In your email, please use the subject title: EPEX testing – expression of interest.

We will also run a live online training session alongside the testing process. This will incorporate learnings from the mock auction with EPEXspot and improve the learning experience of all interested parties. This session will be recorded and shared on our website to be accessed at a later date by those parties unable to attend the live session. More information on the date and time of the live training session will be communicated in due course.

Thank you for your continued interest in the frequency response auction trial. We look forward to hearing from you.

**Kind regards,
National Grid ESO**

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