

national**grid**ESO

# STOR Change Proposals Document (CP-10)

# Executive Summary

This Outline Change Proposal (OCP) has been created as the European Balancing Guidelines<sup>1</sup> (EBGL) and System Operator Guidelines<sup>2</sup> (SOGL), collectively referred to in this document as “EU Codes”, have introduced a number of requirements that affect the STOR service. In addition, changes required following the implementation of the new Non-BM despatch platform and general housekeeping changes have been included in this OCP for convenience.

It is envisioned that the changes under this CP can feasibly be implemented by 18 December 2019.

The following items are being proposed as changes to the existing STOR Standard Contract Terms (SCTs):

- Reduction in the maximum response time from 240 minutes to 20 minutes
- Prequalification requirements for STOR
- Facilitate transfer of STOR contracts between STOR providers and consequential impacts on settlements
- Allow optional bids from units that have prequalified for STOR
- Outline data submission requirements for NON-BM units following implementation of new despatch platform, ASDP
- Amend the process to change the contract terms to align with EBGL requirements
- Removal of utilisation prices from contracts
- Housekeeping changes including:
  - Updating SCTs to reflect separation of National Grid ESO (“NGESO”)
  - Clarification on the calculation of the Committed Availability Reconciliation Payment
  - Reduce time for NON-BM instruction/cease acknowledgement from 5 minutes to 2 minutes
  - Changes to notice forms

Responses to this consultation should be sent to

[commercial.operation@nationalgrideso.com](mailto:commercial.operation@nationalgrideso.com)

by 5pm on Friday 1<sup>st</sup> November 2019

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<sup>1</sup> <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32017R2195&from=EN>

<sup>2</sup> <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32017R1485>

## Changing the Standard Contract Terms

The process for formulating changes to the SCTs, including consulting with providers, follows the requirements of paragraph 4.2 of the SCTs, which contemplates the preparation of an OCP and a subsequent DCP, and consultation over a period of 20 Business Days.

However, there are changes outlined in this OCP which comprise or affect terms and conditions related to balancing pursuant to Article 18 of the Electricity Balancing Guidelines, including changes to paragraph 4.2 itself as described below. Accordingly, it has been decided that the process to be followed in relation to this OCP will follow the revised process proposed to be established by the modified paragraph 4.2. This will entail a slightly longer consultation period, and the seeking of Authority (Ofgem) approval to relevant changes.

# Short Term Operating Reserve (STOR)

## OUTLINE CHANGE PROPOSAL

### Reduction in maximum response time

Due to the nature of how STOR can be used, units that have a response time of less than 20 minutes can be used for frequency recovery whereas slower units are used for margin recovery. As a result, units are considered differently in the assessment process and when being despatched.

To simplify this, we propose the new requirements to participate in STOR to be:

- (a) the capability to provide Reserve of at least 3MW (or as may otherwise be advised by NGENSO from time to time);
- (b) the capability to provide Reserve within a Response Time of 20 minutes;
- (c) the capability to maintain response for a Minimum Utilisation Period of 2 hours; and
- (d) the capability to comply in all respects with the Demand Response Services Code (where applicable).

Historically, the large majority of STOR units have a response time of less than 20 minutes and we do not foresee any significant impact on the liquidity and operation of the STOR service.

This change has been shown in paragraph 2.2.2 of the proposed SCTs.

#### Question 1:

Do you agree that the maximum response time for STOR be reduced to 20 minutes?

#### Question 2:

Do you have any general comments on the proposed change to the response time?

### Prequalification Requirements for STOR

In accordance with Article 163 of the SOGL, NGENSO is required to develop a prequalification process for Replacement Reserve (RR) services, under which STOR is categorised.

The Article states that a provider shall be able to submit an application to prequalify, from which point NGENSO will have up to 8 weeks to review the application for completeness. Currently, prequalification is completed with a Framework Agreement, however in order to complete prequalification in accordance with SOGL, further information will need to be provided. From the effective date of the new proposed terms, we will continue to maintain some form of the Framework Agreement but going forward prequalification will take place via an online portal.

Once NGENSO have reviewed the data provided, it will then have up to a further 3 months in which to complete the registration of the company and unit. This will involve registering units with downstream systems in the NGENSO Control room and finalising communication links if needed (e.g. ASDP for new NON-BM providers).

For providers that have already prequalified, i.e. have an existing Framework Agreement in place as of the effective date of the new terms, then they shall be deemed to have prequalified and will not need to complete the prequalification process again as they have demonstrated they can meet the technical requirements of the STOR service.

The process of prequalification in the proposed terms is termed in the SCTs as Registration Procedure, and the key timescales are set out in a new paragraph 1.6. The term Registration Procedure replaces most of the existing references to Framework Agreement throughout the proposed new SCTs.

Another consequence of eventually replacing Framework Agreements with an online portal is that the contents of Framework Agreements either will be migrated into the Registration Procedure or into the proposed new SCTs, for example the Mandatory Works Provisions now appear as a new Section 7.

#### Question 3:

Do you agree that the Standard Contract Terms for STOR should be updated to reflect the requirements set out in EU Codes with regards to prequalification?

#### Question 4:

Do you have any general comments on how the requirements are incorporated?

### Transfers of STOR Contract

In accordance with Article 34 of the EBGL, NGESO is required to allow service providers to transfer their STOR contracts to another service provider, termed as Secondary Reserve Provider in the draft contract terms. Currently, providers are able to substitute units under their STOR contract, but this is limited to another unit that is under their control, and this change will allow STOR contracts to be transferred to an unrelated service provider.

The Article states that a provider can request a transfer of a contract until one hour before the delivery day, which we have defined as by 23:00 before the day that the contract is due to be transferred. Note, a transfer may be requested at more than a days notice and that a whole or part of a STOR contract can be transferred.

On the basis that both providers have completed prequalification, the unit receiving the contract transfer is not or will not be subject to a STOR contract itself, and that the transfer will not endanger operational security, then a transfer will be allowed.

Where a STOR contract has been transferred, then the obligations to deliver the STOR contract shall be placed on the Secondary Reserve Provider i.e. they will be responsible for the availability declarations, submission of data and delivery of the STOR contract etc. This is covered in paragraphs 3.16.14 and 3.16.15 in the proposed SCTs.

For the purposes of payments, which is covered in paragraph 3.7.7, NGESO will continue to make availability and utilisation payments to the original contract holder, Primary Reserve Provider, on the basis of the performance of the Secondary Reserve Provider. The exception to this rule is with regards to the utilisation payment where the Secondary Reserve Provider's unit is a BMU, in which case it will be paid as per the BSC for any Bid-Offer Acceptances issued by NGESO.

The terms of the transfer must be agreed between the Primary and Secondary Reserve Provider, before the Primary Reserve Provider submits it transfer request to NGESO.

The Primary Reserve Provider can submit a request to cancel the transfer at any time, at which point, the obligations to deliver the STOR contract will be placed on it.

The process of a STOR contract transfer is covered mainly in paragraph 3.16 but is referenced throughout the proposed new SCTs, notably in paragraph 3.7.7 in relation to payments. The existing provisions related to unit substitution have been removed.

#### Question 5:

Do you agree that the Standard Contract Terms for STOR should be updated to reflect the requirements set out in EU Codes with regards to allowing the transfer of STOR contracts?

#### Question 6:

Do you have any general comments on how the requirements are incorporated?

### Optional Bids

Currently, only units that have been successful in a STOR tender round are able to offer the service. However, as required under Article 16.5 of the EBGL, any provider that has prequalified for STOR, i.e. demonstrated it has met the technical requirements for STOR and has the necessary systems in place, is able to submit bids to deliver energy for STOR, without having to secure a contract from a tender award.

This offers greater flexibility for service providers on how to operate their units and which markets to participate in, particularly for Non-BM units, as BM units that do not have a STOR contract are able to offer their capacity in the Balancing Mechanism.

The concept of optional bids is set out in paragraph 3.4 but referenced throughout the SCTs.

We propose that the STOR contract terms be updated to allow providers that have prequalified the ability to offer capacity for STOR via optional bids, without having to participate in a STOR tender.

In the proposed SCTs, Mandatory Bids have been defined as those bids submitted either by a BM or NON-BM unit of unit parameters in line with its STOR contract. E.g. Bid-Offer Pair 1 for a BM unit.

**Question 7:**

Do you agree that the Standard Contract Terms for STOR should be updated to reflect the requirements set out in EU Codes with regards to the submission of optional bids?

**Question 8:**

Do you have any general comments on how the requirements are incorporated?

### Data submission requirements for Non-BM providers

Currently, due to the nature of the existing despatch system, SRD, Non-BM providers are only required to make submission of availability and unable to submit any other contract parameters. SRD will be replaced by a new despatch system, ASDP, by December 2019 which will require Non-BM STOR providers to submit additional contract parameters rather than just availability.

As a result, the requirement for the data items that Non-BM providers need to submit has been included in the proposed contract terms, paragraphs 3.3.2 (Mandatory Bids) and 3.4.4 (Optional Bids), as well as additional penalties where any data submitted is not in accordance with the relevant STOR contract. This penalty is the same as currently applied to BM units, where submitted BM Unit Data does not align with the relevant contract.

Additionally, any loss in real time metering from the STOR provider via ASDP, which acts as the heartbeat for the communication link between NGENSO and the STOR provider, will result in a loss of availability payment for any affected Settlement Periods.

**Question 9:**

Do you agree that the Standard Contract Terms for STOR be amended to clarify the data submission requirements for Non-BM units and the consequential events of default?

**Question 10:**

Do you have any thoughts on the additional penalty where there is a loss of real-time metering via ASDP?

**Question 11:**

Do you have any general comments on this proposed change?

### Standard Contract Term change process

Changes to certain provisions of the SCTs which comprise Article 18 terms and conditions (listed in a new Annex to the proposed SCTs for convenience) must be made in accordance with the Article 18 change process of the EBGL. This requires a consultation with stakeholders of at least one month and approval from the Authority (Ofgem) prior to implementation of new terms. This is different to the current process where any changes are proposed by NGENSO and who ultimately decide which changes to implement.

Furthermore, it is proposed to implement the requirement to allow Ofgem to propose changes to those Article 18 terms and conditions by placing an obligation on NGENSO to do so on its behalf if requested.

The changes here are made to paragraph 4.2 of the SCTs, and the opportunity has also been taken to change some of the terminology used so as to better align with what happens in practice.

Question 12:

Do you agree that the Standard Contract Terms for STOR should be updated to reflect the requirements set out in EU Codes with regards to reflect how the Standard Contract Terms are changed?

Question 13:

Do you have any comments on the proposal to allow Ofgem to propose certain changes to the STOR SCTs which would be carried out by NGENSO?

Question 14:

Do you have any general comments on how the requirements are incorporated?

## Utilisation Prices

Currently, providers are required to submit availability and utilisation prices as part of their STOR tenders. These are then considered along with other factors as part of the assessment process to decide which tenders to accept and are the rates at which delivery of the STOR service is paid.

Article 16.6 of the EBGL states that “the price of the balancing energy bids ... shall not be predetermined in a contract for balancing capacity.” This means the utilisation price for STOR can no longer be pre-agreed as part of the tender, but rather submitted in real time.

NGESO are seeking an exemption to this specific requirement on the basis that removal of the utilisation price will lead to greater risk and exposure to volatility in balancing costs. We have submitted our request to Ofgem with supporting evidence and await their decision in early October.

Given that the outcome of our exemption request will not be known until after this OCP has launched but before the new terms are implemented, in the proposed SCTs (and highlighted yellow for ease of reference) we have set out several scenarios on how utilisation prices may be used going forward:

1. Full exemption granted – In this scenario, we will continue to ask for utilisation prices as part of a provider’s tender, and continue to assess and contract as we currently do.
2. No exemption – Under this outcome, we will no longer request utilisation prices as part of the tender, only the availability price along with other tender parameters. Those tenders that are successful would then be required to submit their utilisation prices in real time and this is the rate they would be paid for any STOR instruction. This scenario would apply to both BM and Non-BM units and is covered in paragraph 3.7.6 of the proposed SCTs.
3. Hybrid option – Under this scenario, while no exemption may be granted by Ofgem, providers would still be required to submit utilisation prices as part of their tenders for the purposes of assessment. For tenders that have been successful, providers will then have to submit a utilisation price in real-time, which can be different to the price provided in the tender. Where the price submitted in real-time is greater than the price submitted as part of the tender, then no availability payment shall be made for the relevant availability windows. Where the price submitted in real-time is less than or equal to the price submitted as part of the tender, then availability payment shall be made for the relevant availability windows. This scenario would apply to both BM and Non-BM units and is covered in paragraphs 2.3.10, 3.7.1, 3.7.6 and in the reserve availability payment formulae (as new item URP) in Section 6 of the proposed SCTs.

This proposal is to ensure that units that have been successful in a tender, do not seek to earn revenues only from the availability payments by making their utilisation prices unattractive for STOR instructions, while at the same time allowing providers the flexibility to change their prices should they wish to do so.

While the EBGL sets out that NGESO must comply with its requirements from 18 December 2019, it is not explicit as to any need for differential treatment between contracts awarded before and after this date. On the basis that no exemption is granted by Ofgem and we introduce either scenario 2 or 3, if these were only applied to contracts awarded after December 2019 (i.e. from TR40 onwards) this would result in the STOR service being delivered by different providers on different terms, based on when their contracts were awarded. As a result, our proposal is, if no exemption is granted, then whichever scenario we choose to go with, i.e. either option 2 or 3, we will apply this to all STOR contracts from 18 December 2019, regardless of when they were awarded. This means that contracts awarded before this date (i.e. from TR39 and earlier) would need to be amended under the Change in Law provisions of the SCTs in order to comply.

### Question 15:

Do you have any general comments on the requirement to remove utilisation prices from contracts?

Question 16:

In the event that no exemption is granted, what are your thoughts on our proposal under scenarios 2 and 3?

Question 17:

Do you have any other general comments on how this requirement is incorporated into the SCTs?

### Housekeeping changes

The following set of changes are not required as part of the EU Codes or the introduction of ASDP.

- As part of Legal Separation, the STOR Standard Contract Terms need to replace all references to National Grid Electricity Transmission plc with National Grid Electricity System Operator Limited (NGESO). This has been done throughout the proposed SCTs.
- A query was raised on the calculation of the Committed Availability Reconciliation Payment (CARP) based on its description in the current SCTs (Issue 11). As part of this change, we propose a clarification stating that all STOR contract within a STOR year, shall collectively be subject to the formula for the CARP. This is set out in clauses 3.7.9 (addition of sub-point (b)), and the inclusion of the phrase *“and there are no further STOR Contracts in force in relation to the same Contracted STOR Unit in that STOR Year”* in clauses 3.7.10 and 3.7.11. Previously, these clauses were 3.5.7, 3.5.8 and 3.5.9 respectively. No change has been made to the formulae in paragraph 3 of Part B to Section 6 or paragraph 4 of Part C to Section 6.
- Currently, Non-BM providers, are required to acknowledge a STOR Instruction and Cease Instruction within 5 minutes. We propose to reduce this to 2 minutes to align it with BM units so the instruction of STOR is harmonised across all units. This change is reflected in 3.5.2 and 3.5.5 of the proposed SCTs.

Question 18:

Do you have any comments with the proposed housekeeping changes?

## Responses

NGESO welcomes responses from the industry on any of the issues raised in this Outline Change Proposals Document, in addition to any other issues that industry members consider worthy of raising with a view to improving the way in which the STOR service normally operates.

Any questions regarding the content of this Outline Change Proposals Document should be directed to [haarith.dhorat@Nationalgrideso.com](mailto:haarith.dhorat@Nationalgrideso.com).

All responses to this document should be emailed to [commercial.operation@nationalgrideso.com](mailto:commercial.operation@nationalgrideso.com) by no later than 5pm on 1<sup>st</sup> November 2019. Please note that unless marked as 'Confidential', all responses will be published on the NGESO Website.

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