

Fast Reserve Market Information Delivery from (February-2020)

(December-19)

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1

Introduction

To Firm Fast Reserve Tender

1. Firm Fast Reserve

Fast Reserve provides the rapid and reliable delivery of active power through an increased output from generation or a reduction in consumption from demand sources, following receipt of an electronic dispatch instruction from National Grid Electricity System Operator (ESO). Fast Reserve requires all units to have the capability to commence service delivery within two minutes following instruction, at a rate of 25MW per minute or greater and provide a minimum of 25MW. Fast Reserve is an additional energy balancing service used to control frequency changes.

Fast Reserve may be provided as either a Firm service, procured through a tender process, or as an Optional service. Submitted tender prices are compared to the costs of alternatives to deliver the equivalent level of Fast Reserve. This report provides information about the volume of, and time periods over which, Firm Fast Reserve is required to current and potential providers.

To be an eligible service provider for Firm or Optional Fast Reserve you must have demonstrated your Fast Reserve capability to the ESO's reasonable satisfaction. This includes accepting instructions via National Grid ESO's dispatch platforms.

2. Highlights

In December, 17 tenders were received. These were month ahead tenders and comprised:

- Two tenders for EFA 1 & 2
- Two tenders for EFA 3, 4, 5 & 6
- Seven tenders for EFA 3, 4 & 6
- Six tenders for EFA 5

Ten tenders were from UKPR, two from Centrica, two from Electricity North West, two from VPI Immingham and one from First Hydro. Following the December assessment, we have contracted:

- 94MW from BALOO-1 for January 2020 EFA 1 & 2
- 50MW from ENWL-2 for January 2020 EFA 1 & 2
- 94MW from BALOO-1 for January 2020 EFA 3, 4 & 6
- 90MW from AGCR6 for January 2020 EFA 3, 4 & 6
- 60MW from AGCR5 for January 2020 EFA 3, 4 & 6
- 60MW from AGCR4 for January 2020 EFA 3, 4 & 6
- 60MW from AGCR3 for January 2020 EFA 3, 4 & 6
- 60MW from AGCR2 for January 2020 EFA 3, 4 & 6
- 70MW from ENWL-2 for January 2020 EFA 3, 4, 5 & 6

The increased requirement of fast reserve during EFA blocks 3, 4, 5 & 6 to 600MW continues until March 31st, 2020. We have also extended the requirement of 150MW of fast reserve during EFA block 1 & 2 to the 31st March 2020.

The January-20 tender round is a month ahead tender round only and is for the procurement of fast reserve volume during EFA blocks 1, 2, 3, 4, 5 and 6 for January-20. This assessment will use the new assessment principles shared on the website and in the webinars. There is a risk that we may not conclude this tender round due to the implementation of the Clean Energy Package CEP. We are currently working with Ofgem to agree a way forwards and will provide further updates on early January.

We will no longer be running long term tenders to move in the direction of closer to real time procurement.

Update in the new year regarding derogation from Ofgem regarding CEP. Webinar details in section 3 Market Developments.

More details on the tenders that have been accepted or rejected are available from the post-assessment tender reports at: <https://www.nationalgrideso.com/balancing-services/reserve-services/fast-reserve?market-information>

The Fast Reserve Assessment Principles Report and other useful reports are available at: <https://www.nationalgrideso.com/balancing-services/reserve-services/fast-reserve?how-to-participate>

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Key Points

This Market Information Report is relevant for tenders submitted in January-20 for delivery from February-20.

Tenders from eligible service providers for Firm Fast Reserve should be submitted by Tuesday 7th January for all tenders.

National Grid will notify service providers of the outcome of the tender assessment by Monday 20th January.

Tenders should be submitted using the latest Tender Submission Form on the Coupa E-Tender platform. If you have not registered in Coupa or received an invite to the event, please contact your Account Manager in the first instance. If you have any questions about the event, email: Commercial.Operation@nationalgrideso.com

For a monthly cost summary of services procured please follow the below link to the Monthly Balancing Services Summary (MBSS), which gives a breakdown of costs by service including the Firm and Optional Fast Reserve costs: <https://www.nationalgrideso.com/balancing-data/system-balancing-reports>

This report is under continuous review and development, therefore if you have any comments or suggestions of information you would like to see in the future reports, please contact your account manager or email the assessment team: box.AncillaryAssessment@nationalgrideso.com



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Market Information

1. Firm Fast Reserve Requirement

The data used to produce the graphs of the Firm Fast Reserve requirement and contracted volume for each delivery month is available in the [Fast Reserve Market Information Data spreadsheet](#).

The following figures show the existing contracted Fast Reserve volume per month and per day Furthermore, for the certainty of available Fast Reserve volume its preferable to have a continuous contracted service during the Fast Reserve requirement window

Figure 1. The monthly Fast Reserve requirement for EFA Blocks 3, 4, 5 and 6 against our current contracts for the next 12 months.



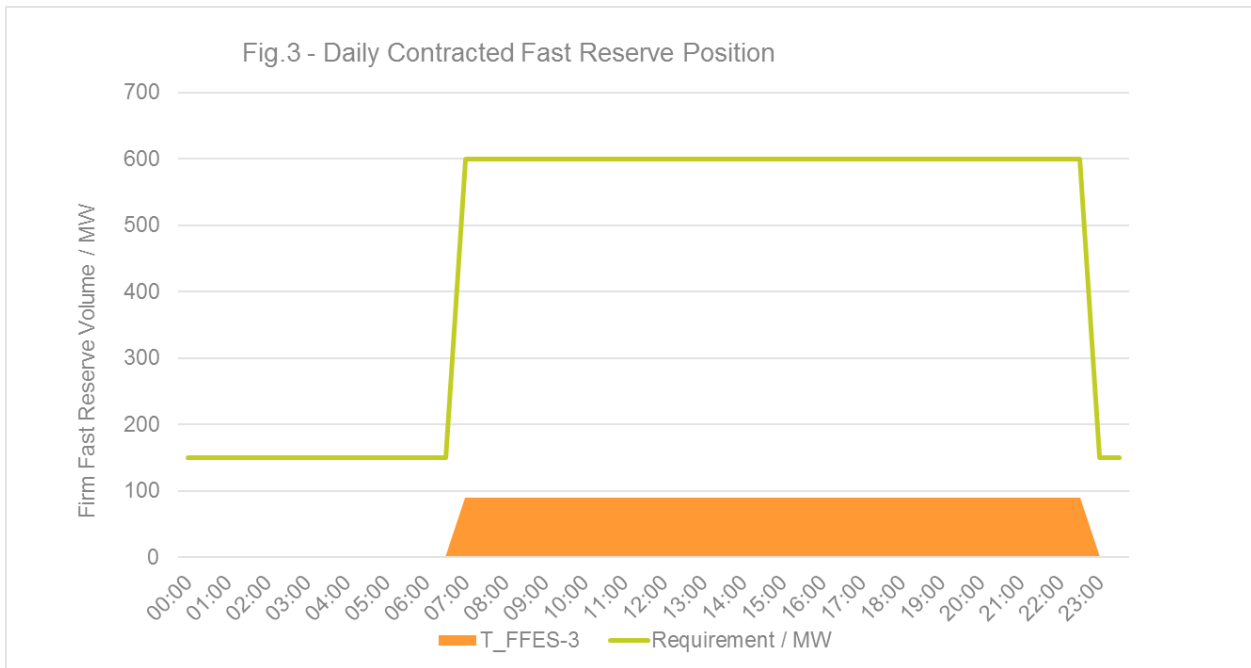
Figure 2. The monthly Fast Reserve requirement for EFA Blocks 1 and 2 against our current contracts for the next 12 months



Table 1. 12 month requirement

Month	Additional Optimal Max Firm Requirement (MW)	EFA Block 1	EFA Block 2	EFA Block 3	EFA Block 4	EFA Block 5	EFA Block 6
Feb-20	510	150	150	510	510	510	510
Mar-20	510	150	150	510	510	510	510
Apr-20	300	0	0	300	300	300	300
May-20	300	0	0	300	300	300	300
Jun-20	300	0	0	300	300	300	300
Jul-20	300	0	0	300	300	300	300
Aug-20	300	0	0	300	300	300	300
Sep-20	300	0	0	300	300	300	300
Oct-20	300	0	0	300	300	300	300
Nov-20	300	0	0	300	300	300	300
Dec-20	300	0	0	300	300	300	300
Jan-21	300	0	0	300	300	300	300

Figure 3 shows our requirement and contracted Fast Reserve by day for delivery for February-20



2. Fast Reserve Utilisation Data: Excel Spreadsheet

2.1 Monthly utilisation volumes

The monthly utilisation volume in the excel spreadsheet is based on the aggregate of all accepted offers for Firm and Optional services, from BM and NBM units to provide Fast Reserve. Please note the data is for the total utilisation for the whole month across all settlement periods and is not the average utilisation by settlement period.

This utilisation data is available on a per settlement period for the last 12 months. This will allow all participants to complete their own analysis on utilisation, on any period they wish to tender in for.

Please note the utilisation graphs have been removed, in favour of the data in the associated excel spreadsheet. Feedback on this approach, is appreciated.

2.2 Utilisation volumes by price band

Within the excel spreadsheet, the utilisation by price band gives the total volumes of BM and NBM Fast Reserve utilisation for the financial year to date broken down into price bands. The price information is based on all accepted offers for Firm and Optional services, from BM and NBM units to provide Fast Reserve.

2.3 Utilisation durations by time bands

The information on utilisation durations, counts all accepted offers for Firm and Optional services, from BM and NBM units based on the Fast Reserve instruction duration. It is expected that this data will remain relatively static from month to month. The data provided is the summation of Fast Reserve utilisation instructions since 1st April 2016.

2.4 Contracted Volume

The Contracted volume, which is illustrated in figures 2 to 4, is provided in table form.

2.5 24 month requirement

The requirement for the next 24 months is outlined in the excel spreadsheet, this includes a current overview of the requirement per EFA block. This is the requirement for the whole period and does not reflect any procurement strategy that may be employed by the System Operator. Information on short term procurement decisions can be found in the relevant market information report.

3. Market Developments

Article 6(9) of the recast Electricity Regulation within the Clean Energy Package

NGESO has submitted a derogation request to Ofgem in respect of Article 6(9) of the recast Electricity Regulation within the Clean Energy Package. Article 6(9) requires NGESO to procure balancing capacity at no more than one day ahead, for a contract length of no more than one day and this it intended to bring the procurement of balancing capacity closer to real time. The derogation request, if granted, will allow NGESO to procure on an up to one month ahead basis (rather than an up to one day ahead basis) and our discussions with Ofgem in respect of this derogation request and the legal framework are ongoing. The outcome of these discussions with Ofgem may have an impact the next Fast Reserve Tender Round in relation to the conclusion of contracts so we want to inform you that whilst we are launching the next Fast Reserve tender round as planned there could be impacts on this and future tender rounds. We will provide you with a further update on this tender round in early January 2020.

There will be a follow up Webinar on Wednesday 8 January 2020 14:00 | 1 hour | (UTC+00:00) Dublin, Edinburgh, Lisbon, London. Dial in details below

Join meeting <https://uknationalgrid.webex.com/uknationalgrid/j.php?MTID=m7f2e292a325dbe8fec190287fea035cb>

Join by phone

+44-20-7108-6317 UK London Toll

+1-210-795-1110 US Toll

Access code: 593 568 721

3.1 Use of Applicable Balancing Services Volume Data (ABSVD) for non-BM Balancing Services at the metered (MPAN) level

On 18th June 2018, the Authority, (Ofgem) approved the proposed modification to the BSC P354 for implementation on 1st April 2020 as a standalone BSC Systems Release. The modification will allow the Transmission Company to provide ABSVD for non-BM Balancing Services providers to BSC Central Systems for allocation to the appropriate Supplier BM Unit to correct their Energy Imbalance position. More details on the proposal and the Authority's approval can be found on Elexon's website:

<https://www.elexon.co.uk/mod-proposal/p354/>

3.2 Embedded benefits

There have been both Connection and Use of System Code (CUSC) modifications (CMP264 and CMP265) and Balancing and Settlement Code (BSC) modifications (P348 and P349) that will have significant impacts on the payments and transmission charges for smaller embedded generation (under 100MW). These changes are being introduced through a three-year phased implementation, beginning on 1st April 2018. Further details can be found on Ofgem's website.

<https://www.ofgem.gov.uk/publications-and-updates/embedded-benefits-decision-industry-proposals-cmp269-and-cmp270>

<https://www.ofgem.gov.uk/publications-and-updates/embedded-benefits-impact-assessment-and-decision-industry-proposals-cmp264-and-cmp265-change-electricity-transmission-charging-arrangements-embedded-generators>

<https://www.ofgem.gov.uk/publications-and-updates/embedded-benefits-decision-industry-proposals-p348-and-p349>

3.3 Electricity Balancing Guideline (EBGL)

On the 8th October Ofgem notified NGESO that the exemption request we had submitted from Article 16.6 (pre-agreement of utilisation prices) of the EBGL had been declined. In their decision letter, Ofgem stated that we have until 31st January to comply with this requirement. As of that date, we will no longer be able to use prices that were submitted in tenders for any units that are despatched. Providers will then be required to submit their energy prices in real-time via their relevant despatch systems. The removal of utilisation prices from contracts is a fundamental change that requires the ESO to amend both assessment principles and Standard Contract Terms and will form part of an OCP.

3.4 Fast Reserve OCP (Outline Changed Proposal)

NGESO will be launching a consultation process through an OCP shortly which will be published on the Fast Reserve Website. This is designed to identify those areas within the existing Fast Reserve service that require change and to ensure compliance with Article 16.6 of the EGBL code, P354, CEP and other changes. Views will be invited from the industry on each of the areas highlighted in the document, in addition to any other issues that industry members consider worthy of raising with a view to improving the Fast Reserve Service.



A

Appendices

Reason Codes

A. Reason Codes

The table below provides guidance as to the reasons that a tender has been rejected. They can be matched against the numbers in the 'Reason Code' section of the Post Tender Report.

No.	FR Reason Codes	Definition
1	Price not beneficial across tendered period	The price submitted was too high and did not provide any contract benefit against alternative actions.
2	Tender was not beneficial across any duration of the tender period	The tender submitted was not considered beneficial when evaluated against the forecasted cost of alternative actions over any duration of the tender period.
3	Multiple tenders received for the same unit	Only the most valuable tender of the total group of submitted tenders was considered.
4	Beneficial but the benefit is lower than that of other tenders	While the tender submitted was considered as beneficial, on this occasion there were tenders that provided a higher benefit.
5	Beneficial but requirement already satisfied	While the tender submitted was assessed as beneficial, the benefit was not determined as sufficient for us to contract above our procurement requirement.
6	Does not meet tender prerequisites and rules	Please refer to the 'Technical requirements' and 'How to participate' sections using the following link to determine the criteria necessary to participate in the FR market. https://www.nationalgrideso.com/balancing-services/reserve-services/fast-reserve?how-to-participate
7	Beneficial but desired procurement volume already satisfied	While the tender submitted was considered beneficial, the desired procurement volume has already been met (or sits below marginal unit)

Where appropriate, new reasons will be added following each tender round.

B. Tender Calendar

Below is the market calendar for 2020.

Tender Round	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20
Month Ahead	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21

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