

BSSG – 24 August 2007

Agenda

- ◆ Introductions
- ◆ Recap
- ◆ Frequency Response
- ◆ Reactive
- ◆ Next steps

Frequency Response

- ◆ Information
 - ◆ Utilisation report
 - ◆ CAP158

Utilisation information – CAP158

- ♦ Identified issue:
 - ♦ Publication of utilisation information is too close to the submission of monthly prices, not providing enough time to perform a thorough analysis
- ♦ Potential solution
 - ♦ Change submission
 - ♦ Could be made later in the month
 - ♦ Issue of some months only having 18 working days
 - ♦ Earlier publication of information
 - ♦ Current process uses IO14 data
 - ♦ Can be made earlier
 - ♦ Using some non-validated information
- ♦ CAP158 proposes utilising 'interim' data; some will be validated

Frequency Response

- ◆ Information
 - ◆ Utilisation report
 - ◆ CAP158
 - ◆ Reporting of BOA costs
 - ◆ Similar format to current reporting of BOA volumes
 - ◆ Reporting delayed by 2 – 3 months due to changes in internal processes
 - ◆ Intention is to report it into the FFR Market Report
 - ◆ Industry information consultation
 - ◆ Please feed all comments into the consultation
 - ◆ Replies required by 14 September
 - ◆ E.g. provision of 'real time' information on who / what is selected
 - ◆ Help coordinate requirements, priorities, coordinate appropriate developments

Frequency Response

- ◆ More frequent price submission
 - ◆ Potential to increase using current systems and process
 - ◆ Using current systems and processes, estimated maximum frequency is weekly
 - ◆ Weekly submissions will require additional staff (8 – 12 man days per month)
 - ◆ Intraday price changes not possible with current system

Frequency Response

- ◆ Frequency response products
 - ◆ Separate procurement of low and high response products (currently P&H or P&S&H)
 - ◆ Currently over procure certain products due to the method of procurement
 - ◆ Potential to procure products separately
 - ◆ Introduce additional products, potentially low and high products
 - ◆ New products would depends on the units capability

Frequency Response

- ◆ Separate low and high response products
 - ◆ The potential size of the problem

£M	Due to PSH constraint	Lower bound	Upper bound
Primary	2.58	1.935	3.23
Secondary	0.98	0.735	1.22
High	3.11	2.33	3.89
Annual cost estimate	6.67	5.00	8.34

Non delivery size

- ◆ Criteria for assessing non delivery
 - ◆ Incident based
 - ◆ Specific 'poor performer' identified
- ◆ Provides peak output less than 80% of expected
- ◆ 80% - 90% fall into good performance
 - ◆ Rough calculation estimates a £2 million non-provision cost
 - ◆ 15% of mandatory providers under perform by 20%
 - ◆ 3% of expected volume not provided

Non delivery size – name and shame

- ◆ Option to name and shame providers who have a derogation
 - ◆ Providers may have valid reasons for non-provision
 - ◆ Derogation process should pick up providers who can not provide – short and long term
 - ◆ What affect will the name and shame have?
 - ◆ Would require all industry agreement that we publish information

Frequency Response

Product Separation
FFR issues

Product Separation

- ◆ National Grid is already able to procure separate products (e.g. low or high only)
 - ◆ Via FFR
 - ◆ Website has been updated to clarify this to participants (<http://www.nationalgrid.com/uk/Electricity/Balancing/services/balanceserv/freqresponse/ffr/>)
 - ◆ Parties already signed up on this basis
 - ◆ Via a CSA
 - ◆ Where the design of the plant lends it to do other, non-mandatory services
 - ◆ Must still be able to provide and make available the mandatory service (if required by Grid Code)
 - ◆ Parties already signed up on this basis

FFR Provider Feedback

- ◆ Firm contracts maybe unattractive to providers due to loss of flexibility for a full month at fixed prices
 - ◆ Lost opportunity if real time prices mean the unit should be at full output
 - ◆ Running out of merit at a loss, if real time prices mean the unit should be off
 - ◆ Either could be worsened by market price changes
 - ◆ Ability to fix a running pattern /cover a traded position until tender has been accepted/rejected

FFR Provider Feedback

- ◆ Preference for
 - ◆ a single contract structure
 - ◆ a single procurement mechanism
 - ◆ common pricing structure

FFR Providers Issues

- ◆ National Grid would like to invite BSSG to:
 - ◆ Discuss whether these are common issues to providers and are the right issues to be considering
 - ◆ Identify which are the key issues
 - ◆ Suggest solutions to address these issues

Contact Details

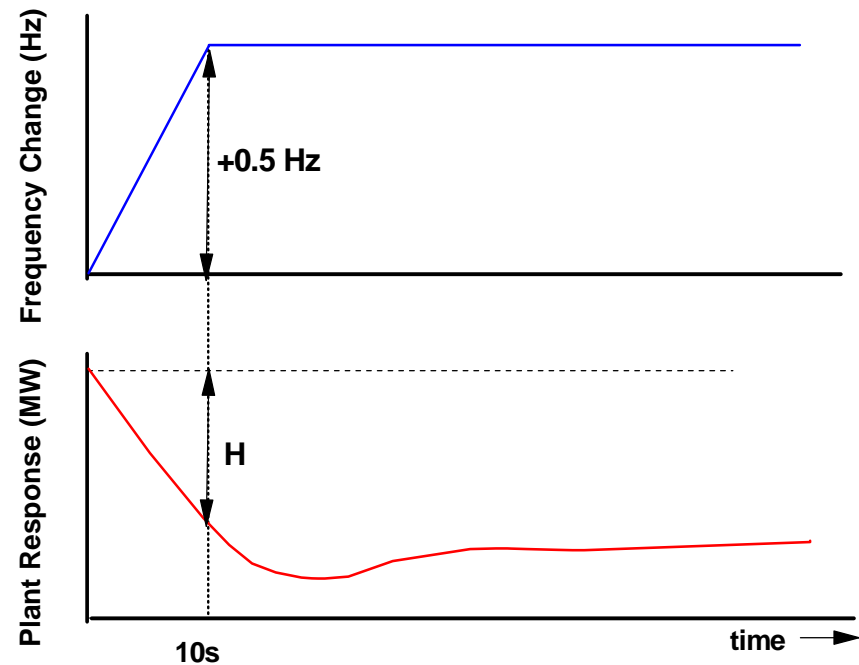
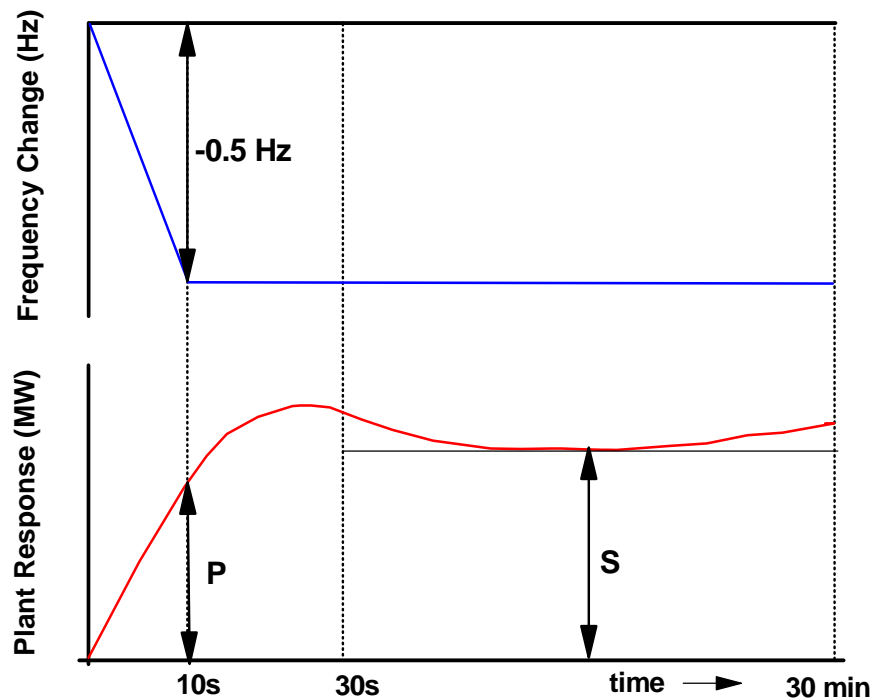
- ♦ If you would like to provide feedback confidentially, please contact:
 - ♦ Your account manager
 - ♦ Amanda Lewis
 - ♦ amanda.lewis@uk.ngrid.com
 - ♦ John Perkins
 - ♦ john.perkins@uk.ngrid.com

Energy Pricing

- ◆ No further evaluation of this has been undertaken over and above CAP107

Grid Code Modification

- ♦ Modification aims to clarify the response criteria in light of recent industry comment
- ♦ Grid Code consultation is D/07 – ends 31 August



Reactive Power

- ♦ Tender timescales
 - ♦ Current assessment process would need drastic change
 - ♦ Would require framework agreement
 - ♦ Removes annual income certainty
 - ♦ More frequent tender process
- ♦ Reference price
 - ♦ Already exists for tenders >12months
 - ♦ Would it make tender assessment more complicated?
 - ♦ Allowing change of tender prices post-acceptance removes benefits of firm costs
- ♦ Tender assessment
 - ♦ Latest TR20 was 5-6wk internal assessment (30 tenders)
 - ♦ 5wk then of contract negotiation
 - ♦ Needs further work