

Minutes

Meeting name	Balancing Services Standing Group
Date of meeting	30 th November 2011
Time	10:00 – 14.00
Location	National Grid House, Warwick

Attendees

Name	Initials	Company
Craig Dyke	CD	National Grid
Emma Clark	EC	National Grid
Tariq Hakeem	TH	National Grid
Shaf Ali	SA	National Grid
Tim Truscott	TT	National Grid
Simon Lord	SL	FHC (by teleconference)
Sarah Owen	SO	Centrica
John Costa	JC	EDF
Cem Suleyman	CS	Drax
Kathryn Coffin	KC	ELEXON (by teleconference)

Apologies

Name	Initials	Company
Raoul Thulin	RT	RWE
Garth Graham	GG	SSE

1 Introductions/Apologies for Absence

1. CD made introductions around the group and advised that he had taken over as the new BSSG Chair, but that his role was soon to be changing and that there would be a new chair in place for the next meeting.

2 Approval of Minutes from the last meeting

2. No comments were received on the minutes and they were approved.

Action: EC to publish minutes on website.

3 Consultation on Loss of Transmission Access

3. TH explained that the consultation on compensation arrangements had closed on 21 October and had received 10 responses, many of which had mixed views. TH began by discussing the areas that had received a broad consensus, including not excluding islanded sites from compensation. SA queried if this relates to partial shutdowns, to which TH confirmed that it is where a partial shutdown is not declared. JC noted that there are clear distinctions between the two.
4. TH asked the group for their views on an additional compensation period following restoration of access and pointed out that 5 out of 8 respondents supported an additional compensation period, although there were mixed views on the length of the period.

5. TH moved on to the views on Question 8 in the consultation regarding the current compensation arrangements. TH advised that most respondents felt that compensation based on the current TNUoS arrangements was not appropriate. JC suggested that the issue is around whether the compensation period should be extended to 36 hours, and whether it would still be applicable to claim for 36 hours if the Transmission system is only down for 2 hours, for example. CD highlighted that the incentives to restore access need to work both ways. JC commented that the BSSG agreed previously that there should be an incentive for generators to come back on as soon as possible. SL advised that his position had changed and is now driven by SQSS changes, in that it is clear that different generators have different standards of connection with weaker connected generators likely to be disconnected for longer periods and therefore it is appropriate that the compensation mechanism is not based on a bid-offer. TT added that SQSS would not change the standard or the way the systems run. SL noted that the connection standards should be the same and that he believed that National Grid should be paying and not consumers. SL added that standards vary depending on the size of the power station. CD argued that this was not true and that it is customer choice. CD added that any connection that is not customer choice does not have restrictive clauses. SL queried if this was now fit for purpose in a world where different power stations have different connections. CS agreed with SL's points and added that loss of earnings should be compensated and that National Grid is responsible for the faults under this (if the plant is disconnected). SL commented that it does not work where there are different standards of connection and that some power stations are more vulnerable than others.
6. KC noted that the BSC's Trading Disputes process had been mentioned, but clarified that this relates to errors in BSC Settlement data or processes and so is unlikely to be relevant to the BSSG's discussions. KC noted that she is the lead analyst for BSC Modification Proposal P276¹ (Introduce an additional trigger/threshold for suspending the market in the event of a Partial Shutdown). The CUSC's compensation arrangements currently exclude Partial Shutdowns of the Transmission System, on the basis that the existing BSC arrangements automatically suspend normal market operations during a Partial Shutdown (e.g. the Balancing Mechanism is suspended and a single imbalance price applies). The P276 Workgroup is developing an additional BSC threshold below which normal market operations would continue during a Partial Shutdown. This is intended to avoid having to suspend the market for small, localised Partial Shutdowns. As part of this work, the BSC Group is considering what compensation should apply to Suppliers and/or generators who are not issued with black start instructions but who are in imbalance (and therefore exposed to normal dual cashout prices) as a result of a Partial Shutdown in which the market is not suspended. KC noted that the Group is debating whether such compensation should sit in the BSC, or should be considered under CUSC governance as an extension to the existing CUSC arrangements for access interruptions. KC noted that the Group may also conclude that there would be merit in separately looking at the issue of Supplier compensation in more general terms (e.g. not just for Partial Shutdowns but including other types of access interruptions such as Demand Control). KC queried whether there was scope to join up the thinking about the principles underpinning the different types of compensation in the BSC and the CUSC. CD echoed KC's comments and added that there are also discussions ongoing regarding compensation for Emergency Instructions in addition to the P276 group and the BSSG work. CD concluded that a high-level discussion on these areas is required. KC highlighted a possible BSC modification on Emergency Instructions. TH noted that Emergency Instructions are paid on bid offer prices 'to the wall' and that discussions are therefore predominantly about whether anything should be paid in addition. SL commented that compensation levels should be the same as it comes down the same issue, whether it is a disconnection or a Bid Offer Acceptance. SL added that it is not equitable that

¹ Link to P276: <http://www.elexon.co.uk/Pages/P276.aspx>

power stations are treated in different ways and that the discussions need to focus on what standards of connection there should be. SL also mentioned that there is a potential SQSS change being developed around different levels of generator connection. JC agreed with SL's view. SL noted that there is an element of Connect and Manage within these discussions. SL added he was considering proposing a CUSC modification around loss of access to the system and compensation for such an event.

Action TH: Compile a 1 page summary of the various compensation mechanisms that result from loss of access to the system. Include a flowchart to illustrate the scenarios. Consequential action to consider forming a cross-codes group if summary/flowchart concludes that a holistic approach is appropriate.

7. SL suggested the possibility of raising a CUSC proposal to start the discussions. KC queried whether a wider 'first principles' discussion would be useful. SL added that the issues go beyond the codes and concern SQSS as well. KC suggested that the issue of supplier compensation could form part of the discussions, in that currently the suppliers do not receive compensation if they lose power and there have been various BSC proposals raised to deal with this which have been rejected. TT commented that demand control is due to there not being adequate generation on the system, which would be the fault of the supplier for not ensuring that enough generation is available. JC added that balance of exposure is more relevant than compensation. CD explained a scenario as an example and TH highlighted that EDI's (Emergency Deenergisation Instruction) will be compensated under CAP144. JC confirmed with CD that an Emergency Instruction and/or Emergency Deenergisation Instruction is a last resort for National Grid to which CD agreed.
8. TH moved on to looking at the question in the consultation regarding the scope of temporary physical disconnection in situations where disconnection is in part due to a users' internal station configuration. JC commented that there is a lack of clarity and that there is nothing in the CUSC regarding this, and therefore it has become National Grid's interpretation. TT responded that CAP48 was raised to deal with compensation for loss of access. JC commented that precedence has already been set as National Grid has previously paid out for a station transformer fault that subsequently resulted in loss of a BMU at a power station. SL noted that a prudent operator should have two sources of power supply and that they should plan their outages as part of their risk management. SL added that as long as National Grid is presenting the station with the ability of two supplies, if one supply is on an outage when the other goes, the fault lies with the station. JC made reference to the CUSC and that it didn't exclude compensation for station transformers trips. TT pointed out that compensation is based on Transmission Entry Capacity (TEC) minus unaffected Connection Entry Capacity (CEC) however JC stated that this is only because there is no equivalent Transmission "Exit" capacity charge else it would have also been in the compensation calculation.
9. TH concluded the presentation by summarising that there had been agreement in terms of aligning CAP48 and CAP144 but that there are differing views on other aspects. TT suggested that a proposal could be raised in light of the conclusions of the group regarding alignment. SA pointed out that subsequent wider discussion could change the situation. SL suggested that a proposal did not need to be progressed until the wider discussions have taken place. CD advised that a summary of the discussions today could be included in the consultation, but that the next steps would be to take the consultation to a wider group for further assessment and to look at overall compensation for different instructions. SL suggested holding a workshop in February to progress the discussions. SA suggested publicising this potential group with BSC parties to ensure a good participation. CD noted it could be held on the

afternoon of the February Operational Forum. JC stated that the agreed positions attained to date should be formed into a position paper to help progress to a modification and aid industry by avoiding having the same debates and arguments again.

10. The group discussed the duration of the initial compensation period and whether 24 hours is sufficient. SL suggested that instead of specifying a certain number of hours, it should be however long the generator is off for, capped at one week. SL added that compensation for long-term periods may not continue at the initial rate. CD advised that this issue would be brought forward in the paper. JC commented that the issue is with regard to how long the loss of access is for and not how weak the connection is. SL added that the compensation beyond 24 hours is inadequate as it currently stands as it is only a refund of TNUoS. JC suggested having a sliding scale of compensation after the 24 hour period so it is not a substantial step down to the TNUoS refund. The rest of the group agreed that this idea should be discussed and developed further.
11. The group then ran through the key questions in the consultation to ensure that a position had been reached on each one:

Question 1: The group agreed that the principle regarding alignment had been established which included capturing the emergency instruction and it was decided to put this on hold for now whilst the other issues were progressed.

Question 2: JC suggested that this should be made clearer and the answers provided in the consultation potentially demonstrated a lack of understanding of the question. The group agreed that the question should be reworded to *'Do you think that compensation should be payable where disconnection could be in part down to a users' internal station configuration'* and checked with respondents if their answer would still be the same if the consultation response indicated some ambiguity in the answer..

Question 3: The group were happy with this question.

Questions 4 and 5: TT noted that the initial compensation period becomes less of an issue if a sliding scale is introduced. JC added that it should not be an 'initial' period but should be compensation based on market price.

Questions 6 and 7: SO reiterated that the answers to these questions may change if there is a sliding scale and JC suggested that the level of compensation needs to be developed in more detail.

Questions 8 and 9: SO again noted that these questions would be affected by the introduction of sliding scale, as would the remaining questions listed in the consultation.

12. SA concluded that the key element to consider is the sliding scale and that this would be included in a 'position paper' that would be contained as an appendix to the consultation.

13. There was no AOB from the group. EC confirmed that the next meeting was due to be held on 18 January 2012 and that meeting dates for the rest of 2012 would be circulated shortly.