

Minutes

Meeting name	Balancing Services Standing Group (BSSG)
Date of meeting	4 th September 2013
Location	National Grid House, Warwick

Attendees

Name	Initials	Company
David Preston	DP	Chair
Louise McGoldrick	LM	Technical Secretary
Graham Stein	GS	National Grid
Rebecca Yang	RY	National Grid
Tom Derry	TD	National Grid
Campbell McDonald	CM	SSE – Teleconference
Guy Philips	GP	E.ON
Hannah Mckinney	HM	EDF
Joe Warren	JW	Open Energi
John Costa	JC	EDF
Lee Taylor	LT	GDF SUEZ Energy UK – Europe
Paul Brennan	PB	Waters Wye
Simon Reid	SR	Scottish Power – Teleconference
Stephen Galsworthy	SG	Open Energi

Apologies

Name	Initials	Company
Cem Suleyman	CS	Drax – Teleconference
Garth Graham	GG	SSE
Lisa Waters	LW	Waters Wye
Michael Preston	MP	Soni Ltd
Mike Edgar	ME	National Grid

All presentations and supporting papers for the BSSG meeting can be found at:

<http://www.nationalgrid.com/uk/Electricity/Codes/systemcode/workingstandinggroups/>

1 Introductions/Apologies for Absence

19. The Chair welcomed the group and advised ME was not available to chair the meeting, further apologies were noted and introductions made.

2 Review of Actions

20. **Minute 4: AW to confirm Grid Code timescales and obtain further information on the Grid Code Changes.** TD confirmed timescales during the Rapid Frequency Response presentation, agenda item 3. **Action: Closed**
21. **Minute 9: AW to investigate a materiality matrix based on MWh.** RY confirmed materiality as part of agenda item 4. **Action: Closed**

3 Rapid Frequency Response

22. GS explained the background of the Frequency Response Technical Sub-group (TSG), and the conclusions and recommendations which were included within the Frequency Response Workgroup Report. The Frequency Response Workgroup Report was submitted to the Grid Code Review Panel and CUSC Panel in January 2013. GS concluded with a summary of the current position for Rapid Frequency Response. TD advised that Grid Code changes, and some minor CUSC changes will be required for the Mandatory Rapid Frequency Response and that it is anticipated that an Industry Consultation will be drafted in Quarter 4 2013, with implementation of code changes expected 2015/16, but this would be subject to Authority approval.
23. HM asked for clarification on the assumptions that had been made in determining the future response requirements by simulation for Low, Average and High Wind conditions. GS confirmed that the sub-group had developed what it believed to be a "reasonable" generation pattern to be considered in its analysis and that a range of wind conditions had been taken into account. GS highlighted that varying the assumptions varies the response requirements that are derived. The group sought clarification as to whether speeding up the delivery of primary response was a "nice to have", and when does it become a mandatory requirement. GS confirmed that speeding up the delivery of primary response gave significant benefits and that the TSG had found that for the scenarios it examined the incremental improvement reaches its peak value where response is delivered in 4 or 5 seconds. Response rates of less than 5 seconds deliver less incremental benefit under these simulated conditions and would be expected to be more challenging to implement. GS confirmed that it was envisaged that a new requirement would apply to "non synchronous plant" and that this term was intended to include HVDC interconnectors as well as wind for example.
24. GS mentioned since the TSG conclusions other technical issues have assumed a higher profile and that National Grid has started to actively manage the maximum secured Rate of Change of Frequency (RoCoF) on the system. If a rate of change in frequency is high enough embedded generators could be shut down causing a cascade failure. In response to questions, GS confirmed that National Grid was looking to limit the rate of change. In future system inertia will be lower and that in windy conditions for example frequency will change at a faster rate than it does today, meaning more rapid frequency control capability is likely to be required. GS confirmed

that there is a live consultation on this area; entitled “GC0035 Frequency Changes during Large Disturbances and their impact on the Total System¹.” Please find the link below for further information.

25. GS confirmed that National Grid's current view is that the value of Rapid Frequency Response will grow from 2015 onwards, and that there is likely to be a steady growth in the number of periods where a certain volume of Rapid Frequency Response is required over the following years. It was further explained that there are no plans to implement any obligated requirement retrospectively. BSSG members raised concerns about what was meant by retrospective as projects may be already underway and with the intention of connecting in 2015 and queried whether it will be the intention to impose the mandatory obligations on those projects. The group discussed whether other financial information could be provided to confirm that a project was committed to a certain date instead of using the connection date.
26. TD gave a summary on Code changes for Mandatory Rapid Frequency Response and confirmed that no Code changes have been identified to implement the Commercial Rapid Frequency service. CM raised concerns whether the implementation timescales took account of the Electricity Balancing System development changes. TD envisaged minimal system changes and that implementation timescales would be consulted upon. It was also confirmed that there would not be a requirement to change the procurement guidelines and that the payment structure would not be revised to support the new products. TD confirmed that it is the intention to make the Grid Code changes and implementation dates for the mandatory service within the Grid Code CC Appendix 3.
27. TD confirmed that the cost benefit analysis will be updated for publication in the consultation document, GS & TD requested members to provide information on costs and timescales to be sent to cusc.team@nationalgrid.com by the end of September. BSSG requested that an agenda item be put on the next BSSG meeting to discuss the updated cost benefit analysis.

Action: BSSG members to forward cost benefit information to cusc.team@nationalgrid.com by end of September.

Action: Frequency Response cost benefit analysis to be placed on the next BSSG meeting agenda.

4 Frequency Response Energy Payment

28. RY outlined that at the last BSSG meeting National Grid considered that the Frequency Response Energy Payment should be reviewed to establish whether it is suitable for renewable generation and put forward 3 options for discussion. RY confirmed that the options put forward were solely to address the Renewable Obligation Certificate (ROCs) issue and requested the BSSG members to review these options and put forward any alternatives for consideration. RY stated that the materiality for this issue is as follows; for 2012/13: Low Frequency £24 million (approx), High Frequency £11 million (approx), Net £13 million. RY also confirmed dispatch figures, Low Frequency 420 GWhr and High Frequency 330 GWhr.

Action: BSSG members to consider any Frequency Response Energy Payment alternatives and email them to cusc.team@nationalgrid.com.

¹ <http://www.nationalgrid.com/uk/Electricity/Codes/gridcode/consultationpapers/>

29. HM commented that Frequency Response payments are broken down into a Holding Payment and a Response Energy Payment and it is the Holding Payment potentially which has most relevance to renewable generation and that the options outlined may not be an incentive for the renewables to provide the service. RY recognised that a different energy payment methodology for renewable does not guarantee a reduction on Holding Payment; however it would remove one of the barriers for renewables to participate in the frequency market and to increase competition. HM commented that the goal is to reduce the total BSUoS charge for the industry. The BSSG members requested National Grid to provide information as to how much Holding Payment had been paid in 2012/13 and information on how the algorithm would be aligned as a result of costs changing.

Action: National Grid to provide information on Holding Payments paid in 2012/13.

Action: National Grid to explore changes to the algorithm as a consequence of the costs changing.

30. Concerns were raised whether or not by providing different mechanisms for payment to different generators would distort competition. RY stated she would seek legal advice on this issue. GP mentioned that a fourth option could be for individual pricing and that this had been previously put forward by Eon but the change had been rejected by Ofgem. For information please find below a link to CAP 107 entitled; "Redefinition of Response Energy Payment"². GP also raised whether CUSC can incorporate an optional mechanism or the new mechanism should be mandatory for certain generators as the existing one.

Action: National Grid to seek legal advice on the competition issue

Post Meeting Update: NG Response

Our view, which we have discussed with our lawyers, is that it is appropriate to consider the energy payment methodology for frequency response given the developments in renewable generation in recent years. These developments have had an impact on the likelihood of these services being dispatched in relation to renewable generators and it is therefore timely to consider whether a revised methodology should be developed which takes into account the impact of these developments namely ROC and CfD. Given that these developments affect only renewable generators, we consider that this is a difference between renewable and other generators which may justify a different approach to the payment methodology which reflects this. Therefore we don't believe this would cause any concern of distorting competition.

Action: National Grid to confirm whether CUSC can incorporate an optional mechanism for energy payment.

5 Any other business

31. There were no AOB items from the group.

6 Next Meeting

32. The next BSSG meeting will be held on 23rd October 2013 at National Grid's offices in Warwick.

² http://www.nationalgrid.com/uk/Electricity/Codes/systemcode/amendments/amendment_archive/101-150/

