Balancing Services Standing Group (BSSG)

Minutes and Actions Arising from Meeting
Held on 10th November 2010

Present:		
David Smith	DS	Chair, National Grid
Emma Clark	EC	Technical Secretary, National Grid
Tariq Hakeem	TH	National Grid
Stephen Curtis	SC	National Grid - Teleconference
Malcolm Arthur	MA	National Grid
Neil Rowley	NR	National Grid
Steve Lam	SL	National Grid
Tim Truscott	TT	National Grid - Teleconference
Nolan Robertson	NRb	National Grid
Jo Barker	JB	National Grid – part meeting
Raoul Thulin	RT	RWE
John Costa	JC	EDF
Garth Graham	GG	SSE - Teleconference
Lisa Waters	LW	Waters Wye – Teleconference - part meeting
Apologies:		
Guy Philips	GP	E.ON
Chris Proudfoot	CP	Centrica

1 Introductions

Introductions were made around the group and DS confirmed the housekeeping arrangements and the agenda for the day.

2 Approval of Minutes

The minutes from the previous meeting held on 29th September 2010 were APPROVED.

Action: EC to publish minutes on National Grid website (post meeting comment – action completed on 10th November 2010)

3 Update on actions following review of CAP076/CAP048/CAP144 Payments

TH ran through his presentation. On the issue of risk and insurance GG noted that generators were sceptical about getting meaningful insurance to cover these interruptions events and that there are some risks that maybe deemed uninsurable. When discussing CAP76 compensation options and noting the Authority's previous determination on CAP076 alternatives, GG noted that the Authority is not bound by its previous decisions, as demonstrated with BSC Modification Proposal P93 and the subsequent approval of P250.

Moving on to the issue of risk resulting from an intertrip firing, SC asked for clarification on intertrip events and highlighted that there are system risks that different generators are exposed to. GG felt that the question was down to the level of risk and compensation. RT added that for category 2 arming, there is always an element of SO choice as to whether the intertrip is armed

or whether the System Operator can take pre-fault generator actions. SC commented that a fixed price compensation mechanism is required as it is not possible to make an economic judgement without knowing what this fixed cost was. SC added that there is a point where it is not economic to have the intertrip and it is better to reinforce the system.

GG suggested that the points highlighted (in the presentation) under issues of having post event compensation regarding 'reducing incentives on generators to take appropriate risk mitigation measures' and 'costs borne by wider industry with no opportunity to influence risks', are incorrect as the burden of proof (for the post event claim) was based on 'good industry practice' as defined in the CUSC / Grid Code / BSC. Thus if a generator making a post event claim had not taken appropriate risk mitigation measure, and this was not considered 'good industry practice', then they faced the risk that their claim would not be paid. MA pointed out that the comments on the slides are Ofgem's views and not those of National Grid. MA added that if generators needed to have the capability of full load throw off in the Grid Code, then there is a question of how the generator can prove that the damage was caused by an intertrip. MA added that the capability has to be inherent in the plant. GG noted that there is damage caused in everything that a generator does, including wear and tear and that this is already factored into costs which in turn flow through to the market. The difference is over who should pay that cost when its not caused by the generator. When the plant experiences a full load throw off as a result of the action of others (and not the generator) such as in the case of CAP076/ CAP048/CAP144 etc., there was a case for the party causing the full load throw off to compensation the generator for that cost. RT highlighted that ultimately this is a service and it could be done under commercial terms. MA highlighted that the argument is the extent of what the damage is, to which JC responded that all generators are different and an ex-ante figure will not be accurate. JC suggested that the main issue is whether compensation should be calculated ex-ante or ex-post and that it comes down to what level of claim is acceptable to National Grid. RT commented that there is a problem with trying to combine standard wear and tear and exceptional circumstances and that they should be kept separate in order to come up with a solution. MA posed the question of whether CAP76 excludes the right to ask for further compensation. LW advised that it would not be economic to force small players to go to court to prove losses. GG noted that a process for calculating and validating ex-post generator cost claims existed already via the Fuel Security Code claims process set out in the BSC so there was no need to reinvent it from scratch if ex-post claims were made for CAP076/ CAP048/CAP144 events. DS summarised the options of how this issue can be taken forward, either (i) to not change anything, (ii) to take an ex-ante approach to compensation, or (iii) to look at an ex-post process. The group agreed that a change was required and that the ex-ante approach could be improved, but, with the exception of National Grid, agreed that the ex-post approach would be preferable. DS asked the group if it would be pragmatic to develop both approaches as CUSC Amendments. JC noted that the issue with ex-ante is that it is unknown and thus likely to be wrong. RT added that the wear and tear costs would be generally known and that there is no need to leave all costs to be dealt with ex-post. JC agreed with this and added that it is about what can be accurately determined.

MA suggested that an approach could be developed to recognise different generators such as Combined Cycle Gas Turbines and coal-fired generators. MA acknowledged that a 'one size fits all' approach is likely to be less

accurate. LW suggested that such an approach could be considered discriminatory; RT remarked that the current arrangements could be considered discriminatory as differences in generation characteristics are not reflected in the compensation.

DS summarised that the group can see a way forward in improving the ex-ante approach by developing a more accurate ex-ante Amendment, with an Alternative looking at a post-event approach. The group agreed with this approach. RT voiced a concern that by developing the amendment as mainly looking at ex-ante then it could place limitations on looking at other options; e.g. ex-post. MA advised that it would be discussed further at the next meeting.

Action: TH to develop a draft paper on for baseline improvements to CAP76 to look at improving the ex-ante approach to compensation and consider an Alternative to look at post-event compensation

Action: TH to obtain legal view on CAP76 and if it excludes the right for generators to request further compensation.

On the point of planned outages under CAP48, SC advised that increased clarity on planned and unplanned outages is still required and there was discussion around whether this clarification should be in the CUSC. SC asked if the unplanned part of CAP48 and CAP144 are aligned to which TH advised that they are. Discussion continued regarding unplanned and planned and RT noted there is a degree of overlap in the difference between a planned loss of access to the transmission system and suddenly losing access and that agreement needs to be reached and the difference between a controlled, instructed loss, and unplanned. SC queried the difference between the unplanned part of CAP48 and CAP76, and MA advised that CAP76 has ABSVD whereas CAP48 and CAP144 do not. There were further discussions around the mechanisms between CAPs 48, 76 and 144 and TT noted that none of them were used for the purpose of energy balancing. GG asked about emergency instructions but TT advised that this would not necessarily be an energy balancing issue. SC added that compensation under CAP144 is only applicable to the emergency deenergisation part. GG suggested that all three need to be discussed further in this capacity. LW highlighted that care needs to be taken under Connect and Manage and generators will connect and security standard may not be there. MA asked the group what the concern is with tying together the market price for all three and GG advised that it may not feasible to do in one amendment and that the industry would need to be consulted. RT noted that within the Balancing Mechanism window, the market price bears no resemblance to the system buy price. DS advised that it will be important to be mindful in the amendment of where they differ and that a decision on consultation can be made when drafting the amendment. SC highlighted that there are twice as many CAP48 claims as payments but GG noted that this does not mean that the claims are invalid and could indicate an issue with dealing with the claims and subsequent payments. GG also noted that he had raised at the CUSC Panel recently the issue of potential under reporting of CAP48 claims by National Grid.

Action: SC to liaise with TH to provide clarifications on definitions for planned and unplanned for CAP48.

4 Reactive Power Amendment Proposal

SL presented to the group on the background of this proposal. When discussing the proposed solution, SC suggested re-wording the point of allowing generators with a reactive range just short of the Grid Code range to be despatched to 'allow National Grid to despatch all embedded generators'. GG noted that the wording needs to be considered carefully. DS advised that currently due to CAP169, any reactive despatch network restriction on an embedded generator means that National Grid cannot despatch them. DS briefly summarised CAP169 for the benefit of the group's understanding of the reactive power Amendment Proposal and noted that CAP169 went further than it was intended. MA highlighted that CAP169 unintentionally placed restrictions on National Grid to instruct any network restricted generators, including those with a limited restriction across a small part of the Grid Code defined range. GG added that the DNO may have placed a network restriction on the generator to provide a reactive service rather than a restriction from the generator itself. GG also asked whether it was optional for the generator to comply with such reactive instructions from National Grid. DS responded that it would be mandatory for a generator to comply with such instructions, however, they would be paid for their metered output.

When discussing the proposed options to deal with this issue, GG advised that he preferred the option of amending the CUSC to insert the reactive despatch network restriction into the definitions and amend the Grid Code as a consequential change to the CUSC. GG suggested that this option is preferable as the CUSC has better governance arrangements and there is a more robust code in which to define this. SC asked whether this option would mean that there were two definitions of a reactive despatch network restriction as there would be a danger of complicating things further. SL replied that there would be a technical definition within the Grid Code and an alternative definition of the restriction in the CUSC. However, the Grid Code clause BC2.8.5 which prohibited National Grid from despatching such restricted generators would have to reference the CUSC definition of a restriction. NR suggested that the first option (changing the Grid Code definition) would be more suited to the Grid Code as it is a technical definition. RT added that an obligation on the DNO to notify National Grid of technical restrictions would sit comfortably in the Grid Code. RT added that notification should always be given but the commercial consequences should be placed in the CUSC. DS summarised that the general consensus amongst the group is to make an amendment to the CUSC where possible, whilst keeping the technicalities in the Grid Code.

Action: SL to consider alternative legal text for the next BSSG meeting.

5 Update on Offshore Reactive Issues

NR gave a brief update on Offshore Reactive and advised the group that he is in the process of drafting a consultation. NR presented 2 operational reactive despatch scenarios that had been verbally discussed with Bridget Morgan of Ofgem, and confirmed that the consultant will contain these issues. The issues centre on the impact on the reactive market resulting from National Grid despatching OFTO assets (cost free to National Grid) in place of generator assets that incur the Default Price Mechanism. The group did not disagree that, given the current regime around the reactive market, the despatch of cost free OFTO assets was consistent.

Action: NR to have draft consultation ready for December meeting

6 Reactive Compliance Monitoring

NRb presented on reactive compliance and informed the group of a breakdown in communication in respect of informing the industry of the implementation of National Grid paying for reactive services where providers had failed to comply with instructions. RT asked for clarification on the process and JB discussed the detail of the payment rules. RT felt that this was unacceptable for National Grid to decide payment rules unilaterally and suggested that it should be set out in the CUSC and open to debate. JB advised that there is currently an internal review of what the CUSC allows National Grid to do and advised that the Grid Code provides further detail. RT noted that it seemed self-evident that payment rules are in the CUSC and not open to re-interpretation.

Action: NRb to examine the CUSC with regard to payment rules and consider if an amendment may be necessary to avoid different interpretations.

Action: NRb to forward email to RT regarding reactive compliance (post meeting comment – action completed 10th November 2010)

7 Relevant Updates

MA briefed the group on recent developments. MA started by informing the group that CAP182 ('Provision of Frequency Response from DC converters') was in the process of being withdrawn by National Grid. MA advised that this is due to Ofgem's recent decision on the related BSC modification P259; Ofgem had rejected the modification, one reason being that interconnectors should not be treated the same as generators. As the intention of CAP182 was to treat interconnectors the same as generators for the provision of frequency response, it was thought prudent to withdraw the modification. MA informed the group that a letter would be sent from National Grid to the CUSC Panel Secretary informing of the intent to withdraw support for the CAP182 Amendment.

MA moved on to advise the group that CAP170 ('System to Generator Operational Tripping Scheme') had been rejected by the Authority on 5th November 2010 and that this may link in with the CAP76 discussions which the group may wish to discuss further at the next meeting. MA also advised that the Code Governance Review final Amendment Reports were sent to the Authority on 9th November 2010 and a decision is expected by 14th December 2010.

MA finished by advising that a technical sub-group had been set up for the Frequency Response Working Group and that the European Pilot Network Code dealing with the 'Requirements for Grid Connection Applicable to all Generators' will need to be considered as it has a system inertia requirement in it. JC highlighted that the European Network Codes will have huge impacts on the Grid Code, CUSC and BSC and will take precedence over them to which MA and the rest of the group agreed. DS advised that a presentation is being given at the next Grid Code Review Panel on this subject and it will be considered as to the effects on the domestic codes.

Action: Look at implications of CAP170 Authority rejection in relation to CAP76 at next meeting.

Action: Consider implications of European Code for discussion at BSSG.

8 Next Steps

DS confirmed that the next meeting is scheduled to take place on 14th December 2010 at National Grid House, Warwick.

9 AOB

No AOB