

**Balancing Services Standing Group (BSSG)
Interconnector Frequency Response Working Group
Minutes from Meeting 12th May 2010**

Attendees

Present

David Smith (DS), National Grid – Chair
Emma Clark (EC), National Grid - Technical Secretary
Neil Rowley (NR), National Grid – IC Frequency Response Proposal Lead
Raoul Thulin (RT), RWE
Simon Lord (SL), First Hydro Company
Craig Dyke (CD), National Grid
Lisa Waters (LW), Waters Wye Associates Ltd (teleconference)
John Morris (JM), EDF
Malcolm Arthur (MA), National Grid
Chris Proudfoot (CP), Centrica
Ewan Stott (EW) Scottish Power
Claire Maxim (CM) Eon
Olaf Islei (OI), Ofgem (teleconference – part meeting)
Charlotte Ramsay (CR), Ofgem (teleconference – part meeting)
Emmanouela Angelidaki (EA), Ofgem (teleconference – part meeting)

Apologies

Louise Schmitz (LS) EDF
Mark Pearce (MP) National Grid
Rob Smith (RS) Britned

1. Introductions

DS informed the group that Ofgem are unable to join until 1pm. Introductions were made at 1pm for the benefit of Ofgem who joined the teleconference.

2. Approval of Minutes

The group had no further comments regarding the minutes from the meeting on 12th April 2010 and they were approved.

3. Interconnector Frequency Response

NR highlighted that this was the fifth meeting on IFR and that the intention is for the draft report to be finalised today and raised to the CUSC Panel tomorrow. NR began by addressing the individual comments made on the report.

NR first discussed Garth Graham's point that the report is based on a CUSC Working Group template, but that we are not a Working Group as defined in the CUSC, and instead should fit under the BSSG. RT pointed out that we are

referred to as a Working Group under the TOR. NR agreed to draft something in line with this point.

NR discussed CM's points and agreed that 1.3 and 1.4 should be reworded slightly.

MA questioned the inclusion of the Legal Text in this report. There was discussion around the problems that this may cause and the group agreed that it would be appropriate to include Draft Legal Text for illustration purposes only.

NR asked the group if the report was acceptable and what was expected.

All agreed that the report was a good summary. NR confirmed that he would make final minor amendments and group agreed that they did not need to see the final draft again.

MA pointed out that he will be presenting Modification Proposal P259 that looks to improve the process of allocating ABSVD volumes to interconnectors at the BSC Panel on 13th May 2010 and the first modification group meeting will take place on 25th May 2010.

MA bought up the draft CUSC Amendment Proposal that was circulated regarding the Provision of Frequency Response from Interconnectors and the intention to raise the amendment at the next CUSC Panel. The amendment states that the proposal will go to working group; this is to ensure that the industry has the ability to raise working group alternatives. RT commented that Working Group alternatives would be preferable to consultation alternatives. MA highlighted that there was not a great deal of detail in the Amendment Proposal and queried the inclusion of Legal text. The Group generally agreed that the inclusion of draft legal text can lead to complicating the assessment proposal as the legal text forms part of the amendment and any changes require an alternative amendment to be raised. Therefore it was agreed that the amendment proposal would reference the IFRWG report and the indicative legal text there in.

OI, CR and EA joined the teleconference at this point and DS welcomed them and introductions were made.

NR briefly explained that Ofgem's input originated from an action to obtain Ofgem's view on the legal implications of the European 3rd Package on whether interconnectors can supply Frequency Response.

OI began explaining his team's role and background on the subject in order to give context to the comments that he wanted to make. He pointed out that, from a policy point of view, implications of the implementation of the 3rd Package was a grey area and questions around classifying BritNed's role as either the owner of a Cable, whether they were a Generator or whether they were a TSO needed to be answered. OI highlighted that it was important to ensure any arrangements for the provision of services are on a basis that there is a coherent understanding between NG, BritNed and TenneT. OI went on to point out that it was his understanding that the draft amendment and modification proposals were treating interconnectors in the same terms as a generator in the GB system. OI advised that the implementation of the 3rd

package and the consequent impact on Interconnectors was under the remit of DECC who will be consulting on the treatment of interconnectors. OI also suggested that it is Ofgem's view that BritNed is a cable and would therefore be certified as a TSO. SL queried whether it would have to provide Mandatory Frequency Response if it was certified as a TSO (although this is not certain) and bought up the changes made in the Grid Code that obliged new interconnectors to provide such services. OI responded that there would be several knock-on effects from this outcome and that it was unlikely that the interconnector classed as a TSO would be obliged to provide mandatory frequency.

OI explained the possible consequences of the implementation of the European 3rd Package and the group discussed the implications of interconnector owners being certified as TSO's and that this could impact the provision of Mandatory Frequency Response. JM stated that as the outcome of the implementation of the 3rd package is uncertain, any code changes required to connect new interconnectors can only be dealt with under the current industry codes. The Group agreed with this opinion and it was agreed that the draft amendment should proceed as proposed to the next CUSC Panel.

OI highlighted that under the 3rd package, a European Network Code will be developed and will be legally binding and come into effect in March 2011 and also that new legal requirements originating from the 3rd package on how cross-border capacity is allocated and managed will be established around 2012-2013. IT stated there are currently two target European models: (1) TSO to TSO whereby each TSO speaks to the Balancing Service provider in their own state; and (2) TSO to Balancing Service provider in member state

JM suggested that one paragraph is inserted to make reference to acknowledging the work that is ongoing and then progress further once the regulations are in place.

CR asked what input there has been from BritNed. DS answered that BritNed raised the issue originally and have been involved in the process. NR added that BritNed is capable of providing energy as a mandatory service. CR explained that Ofgem are seeking transparency on how BritNed would provide the service but will direct questions around this issue to BritNed. OI added that it would not be appropriate for BritNed to enter into arrangements TenneT were not happy with or that did not fulfil Dutch regulations. OI added that Ofgem have concerns on transparency and how BritNed are going to provide Balancing Services

Action: Ofgem to contact BritNed

At this point NR mentioned that a generic approach and solution was being sought overall and that it is worth bearing in mind that the East-West interconnector is currently planned to be connected in 2011.

DS advised that National Grid will raise the CUSC Amendment Proposal and that the BSC modification is due to be presented at the BSC Panel tomorrow (13th May). DS asked the group for their opinions on what options there may be currently. CM answered that we have to have codes that are fit for purpose at the time. OI added that Ofgem have concerns around the arrangements working for all parties and that any solution proposed should be the best one, and not just a compromise based on the timescales we are faced with. LW pointed out that several other modifications would be required if the 3rd package altered the way interconnectors should be treated and that it would be helpful if Ofgem could give advice on what needs to be considered in future. OI advised that he would send a link to Ofgem's website to provide more information around this subject¹.

OI/CR then advised that they were going to speak to BritNed about this issue to ensure they were aware of the implications for them of the 3rd package from Ofgem's view.

DS confirmed that we have to progress on the baseline of the codes as they are at the moment and NR reinforced the point that there is much uncertainty surrounding the 3rd package and the associated impact.

MA asked the group to confirm if they are happy for the Amendment to be formally raised.

Group all agreed that the Amendment should be progressed.

RT queried if BritNed's licence prohibits them from providing the energy. NR responded that whilst this had been raised previously by the Group, it was not recognised as a problem.

4. Next Steps (inc Future Meetings)

DS referred to the terms of reference and highlighted the intention to start considering the next actions on the BSSG terms of reference. Depending on work load this could be assessment of CAP076 and CAP048 payments.

5. AOB

No AOB

¹ Post meeting note: link to Ofgem's GB Electricity Interconnector Policy Consultation <http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=2&refer=Europe>