

**Balancing Services Standing Group (BSSG)
Minutes from Meeting 30th June 2010**

Attendees

Present

David Smith (DS), National Grid – Chair
Emma Clark (EC), National Grid - Technical Secretary
Neil Rowley (NR), National Grid – National Grid
Shafqat Ali (SA) – National Grid
Malcolm Arthur (MA), National Grid
Ivo Spreeuwenberg (IS) National Grid
Raoul Thulin (RT), RWE
Simon Tweed (SW), EirGrid (teleconference – part meeting)
Brian Williams (BW) EirGrid (teleconference – part meeting)
Lisa Waters (LW), Waters Wye Associates Ltd (teleconference)
John Costa (JC), EDF
Chris Proudfoot (CP), Centrica (teleconference)
Guy Philips (GP) E.ON

Apologies

Garth Graham (GG) SSE

1. Introductions

Introductions were made around the group. DS went over the agenda for the meeting.

2. Approval of Minutes

RT had two comments on the minutes which were duly noted. DS advised that the minutes would be amended as appropriate and the group had no further comments.

3. Assessment of CAP076/CAP048/CAP144 Payments

DS introduced this item by explaining that it was born out of industry comments from CAP170 that the payment arrangements for CAT 1 to 4 operational intertrips, as introduced by CAP076, are not cost reflective and need reviewing. DS advised that whilst CAP170 is live, it is National Grid's view that a change cannot be raised to payment arrangements. Furthermore, comments had been received by National Grid questioning the payment levels for planned/unplanned interruptions as introduced by CAP048 and CAP144.

MA presented to the group an over view of CAP076. The intention behind the original mod was to provide clarity in the various types of operational intertrips and provide certainty in the payments received for these intertrips.

Dependant on the type of operational intertrip, there are currently two types of payments received; capability and tripping. In addition to the payments, certain intertrip categories have their post tripping imbalance volumes removed using Applicable Balancing Services Volume Data. The group discussed the rationale behind the level of payments and whether they were appropriate.

JC asked how the payments are calculated and MA responded that the payments are indexed annually using RPI with the capability fee being paid per settlement period and the tripping fee being a one-off set payment per generator trip. The rationale behind the payments were that the capability fee was aiming to compensate the generator for providing the intertrip equipment with the tripping fee representing the market costs and risk of plant damage post trip.

The group generally agreed that the capability fee is there to cover the cost of providing and maintaining the intertrip equipment with the current costs generally reflecting the costs of provision.

RT added that the original tripping fee was derived using indicative methods and not using specific criteria. How to determine the tripping payment element that is intended to cover plant damage is always a debate about how big the risk is with regard to plant damage. One option would be to determine the payment post event when the level of plant damage is known (as much as possible). IS pointed out that there are benefits to National Grid in having fixed costs in the CUSC; one major benefit is in assessing the economics of upgrading the system versus the cost of installing an operational intertrip. If these fixed costs were removed from the CUSC and replaced with unknown post event costs, the economic assessment would be very difficult to undertake.

MA moved on to current issues for CAP076 which centred around how cost reflective the administered prices are. GP noted that there might be value in looking at this in further detail and RT added that cost analysis would need to be varied out in order to correctly examine cost effectiveness. IS asked if there were any ex-ante costs for insurance for plant damage, to which RT commented that some companies may have insurance but there is doubt over whether the risks of plant damage is insurable. NR asked if there is mileage in developing a pounds per megawatt figure to get it less generic or something that generally better reflected the size and type of generation that was impacted. JC stated that it was far too generic and then asked the question of how many intertrips there had been. MA replied that it is single figures – less than 5.

Action – National Grid to find out what CAP076 used to determine costs
Action – How could an ex-post option work and what are the issues with it

At this point ST advised that it was difficult to follow the discussion over teleconference so he and BW left the meeting.

MA outlined that at present there was no arming fee for operational intertrips. The group discussed the benefit of implementing an arming fee; RT commented that at present the arming of an operational intertrip is free to the SO but imposes increased risks on the generator. Therefore the inclusion of an arming fee would offset the increased risk to the generator and ensure that the system operator considered the economic impact of its actions when compared to alternative options

MA brought up the issue of what was the arming fee compensating the generator for and at what level should it be. IS pointed out that arming happens regularly whereas tripping is very rare with the costs incurred post trip.

As an overview, MA asked the group if they believed the CAP076 mechanism needed review and/or improvements. GP replied that there is no harm in reviewing. MA added that the residual market cost risks included in the tripping fee could be considered. DS commented that tripping payments at least need to be reviewed.

Action – MA to look at methodology to come up with a value for market risk of generator tripping and then discuss that number.

DS queried whether the group should consider placing all commercial intertrip payment arrangement in CUSC. RT pointed out that where there is a choice of generators, the most efficient is sought out and commercial intertrip is another means of offering a service to National Grid. DS added that if intertrip is the right economic solution then it should reduce overall costs. RT responded that there needs to be a mechanism so there is competition to which NR queried if there was enough competition. In response to this RT stated that if people know what they're competing against this it may encourage more competition and it comes down to transparency.

MA moved on to discuss CAP048 and CAP144. DS advised the group that Simon Lord from First Hydro Company has views on this and will present these views at the next meeting as unfortunately he was unable to attend this meeting. Whilst discussing compensation arrangements, MA asked the group if they believe that compensation payments are what they should be. RT asked if this was a matter for the BSSG to discuss and if it should be a discussion for the Transmission Access Review. MA pointed out that it was a CUSC issue and therefore although not strictly BSSG business it did fall under the similar debate as CAP076. DS added that the terms of reference for BSSG, which includes a review of CAP048 and CAP144 payments had been signed off by the CUSC Amendments Panel.

JC commented that CAP144 compensation is more market based and asked how much of an issue extra wind connecting under connect and manage arrangement would cause. GP advised that if there was a less secure connection as a result of connect and manage then CAP048 would not apply. MA suggested that it might be possible to look at harmonising CAP048 and

CAP144 arrangements. MA pointed out that CAP408 or CAP144 did not have ABSVD associated with the volumes. RT pointed out that ABSVD is not provided as the CAP048 and CAP144 are not balancing services. DS concluded that the group could continue this discussion at the next meeting with Simon Lord.

4. Review of CAP169 relating to Ofgem's comments and discussion of offshore reactive issues.

NR presented to the group on CAP169 issues. NR asked the group for their views on the key points. GP queried whether it would be useful for a DNO to come into the group to discuss, possibly United Utilities. MA advised that a representative from United Utilities Electricity Services joined the CAP169 Working Group as an observer, but that they would be unable to talk for the other DNO's so it would not be particularly constructive. DS suggested that it could be raised at the DCUSA Panel as the appropriate parties are represented there.

The group moved on to discussing the Working Group Alternative Amendments for CAP169. MA made the point that if a distribution company needs an embedded generator to create Mvars due to system constraints then, on the face of it, they should pay. MA noted that to up the implementation of CAP169 alternative NG paid for distribution and transmission Mvars. MA pointed out that it was not for this group to recommend that distribution companies should pay. RT noted that embedded generators can still provide a service to National Grid, in which case National Grid should pay. NR highlighted that he will engage DCUSA in order to progress this matter.

Action – NG to discuss issue with DCUSA Panel

IS then presented to the group on compensating the variable costs of obligatory reactive power provision at the onshore interface point and explained that he was giving an introduction to this subject as a result of the need to explore the options more thoroughly in an appropriate forum. GP highlighted that it would be useful to know the pros and cons of the options for compensating variable costs of reactive power provision at the interface point. IS advised that this is what the group should consider as part of the discussions. With regard to Reactive Compensation, GP queried if this could be discriminating between onshore and offshore generators, and if that discrimination is due discrimination. IS responded that for onshore it is recovered through residual component and for offshore the costs are targeted at the offshore generator. IS added that variable costs cover maintenance and running costs but do not cover losses and that he could provide figures if the group felt that it would be useful. IS concluded by stating that a brief paper summarising the points raised in the discussion could be provided.

Action – NG to provide brief paper on offshore reactive issues including pros and cons of the options and the indicative costs.

5. Next Steps (inc Future Meetings)

DS advised that National Grid would start work on the actions and that the next meeting is planned for 25th August and more details would be sent out nearer the time.

6. AOB

No AOB