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Dear Ian,

Open letter on BELLA participation in the Balancing Mechanism

Thank you for the opportunity to respond to this open letter consultation.

We recognise that to have more control over constraint costs, and for the benefit of industry and consumers, NG wish to enable greater participation in the BM from embedded generation. In principle, to the extent that embedded generation can be effectively used for constraint management, we believe that generators with BELLAs should be allowed to participate in the Balancing Mechanism (BM), should they wish to do so. However, there should be no compulsion on any BELLA generator to participate in the BM. There should be no mandatory change to BELLAs or compulsory transfer of BELLAs to BEGAs. In addition, it needs to be remembered that there are mechanisms outside of the BM to manage constraints without the need for the obligations required for participation in the BM.

At BETTA, it was clear that the purpose of the introduction of the BELLA was to provide a de-minimis set of arrangements whereby EELPS that did not want to enter into a BEGA could still be required to meet certain technical requirements set out in the GB Grid Code. It was also recognised at that time that it was a matter for the relevant User to choose which of these options was appropriate in relation to each EELPS. These de-minimis requirements are set out in the current BELLA (and replicated here in the consultation document). These requirements mean that generators as small as 10MW are obliged to meet de-minimis Grid Code technical and informational requirements.

We do not believe it would be appropriate to impose any further requirements on these generators simply as a result of the introduction of Connect and Manage or

associated constraint costs. Imposing further requirements would be discriminatory and create disparity between E&W and Scotland. Indeed, the constraint issue is transitory whilst reinforcement of the Transmission network is carried out. We believe that the underlying purpose of the BELLA, established at BETTA, has not changed, therefore that there should be no mandatory change to the BELLA or the requirements on EELPS.

In relation to the current framework, it is our understanding that a BELLA generator is able to participate in the BM under the current arrangements, through the use of a Supplier Additional BM Unit. On the basis that additional equipment would be required for participation, e.g. communications links, it may be appropriate that modifications are made to the BELLA to codify those requirements, if voluntary participation in the BM is carried out. Other than these minor changes, we do not believe it necessary to make other changes to the market arrangements.

As an encouragement for BELLA generators to take part in the BM either through a modified BELLA or by changing to a BEGA, it is worth offering such a one-way transfer (or Mod App) for free.

Finally, with regard to access rights, we do not believe that a BELLA generator should be required to hold explicit access rights to participate in the BM. Such rights would impose an obligation to pay TNUoS charges and result in the loss of embedded benefits. If that was the case, it is not clear that this would not simply be operation under a BEGA.

I hope that you find these comments helpful.

Yours sincerely,

Garth Graham
Electricity Market Development Manager