

Commercial Balancing Services Group Issues Paper

Introduction

The consultation titled “managing intermittent and inflexible generation in the balancing mechanism” was published on 20 September 2011 and closed on 18 October 2011 to which 23 responses were received.

The key theme of the responses is that most of the respondents believed that the balancing arrangements for wind are not sufficient due to the following:

- Renewables wish to maximise ROCs and Levy Exemption Certificates (LECs) – exemption on tax from the Climate Change Levy
- Submission of a high BM bid price is currently the only method of providing a signal to SO that they do not want to participate
- Historically, wind did not participate in the BM due to being small in capacity and number
- It is not necessarily in their business model to participate – potential high cost, lack of trading function
- Power Purchase Agreements can prevent participation without penalties

The majority of the respondents wish to see continued use of commercial mechanisms to instruct non BM active generation, rather than widespread use of emergency instructions or interference with the pricing of bids and offers. However, there was recognition that there were issues which should be addressed in the short to medium term. These are set out below.

Scope of issues

The issues below were identified by the industry having merit for further discussions:

- 1) **Physical Notifications (PNs) and “Power available”** - Consider the obligations on generators to follow their PN and also discuss the concept of “power available” which could be used as a proxy for PN submissions insofar as they are used in the calculation of bid/offer volumes for Settlement.
- 2) **Deemed Output** – Consider whether “deemed output” can be used where a renewable generator has been curtailed in a constrained zone to allow the payment of ROCs.
- 3) **BM Participation Flag** – Consider whether the current signals for non BM participation are appropriate and whether a BM Participation Flag can be introduced.
- 4) **Payment Provisions** – Consider whether embedded (BELLA) generation can be curtailed whilst providing payment for such service – e.g. market index bid pricing

- 5) **Power Purchase Agreements** – Consider whether a supplementary agreement can be added to existing PPAs to take into account participation within the Balancing Mechanism.
- 6) **Dynamic Parameters** – Consider whether the dynamic parameters for wind generation requires reviewing.