

Minutes

Meeting name	Commercial Balancing Standing Group (CBSG)
Date of meeting	3 rd September 2014
Location	National Grid House, Warwick

Attendees

Name	Initials	Company
Mike Edgar	ME	National Grid (Chair)
Jade Clarke	JC	National Grid (Technical Secretary)
Adam Sims	AS	National Grid
Liena Vilde (Part-meeting)	LV	National Grid
Sarah Hall (Part-meeting)	SH	National Grid
Ed Mellish (Part-meeting)	EM	National Grid
Peter Bingham (Part-meeting)	PB	National Grid
David Preston (Part-meeting)	DP	National Grid
Campbell McDonald	CM	SSE
Hannah McKinney	HM	DONG Energy
Bjarne Beck	BB	DONG Energy
Paul Hinksman	PH	RWE
Zoltan Zavody	ZZ	Renewable UK
Lee Taylor	LT	GDF Suez

Teleconference

Lisa Waters (Dial-in)	LW	Waters Wye
John Costa (Dial-in)	JCo	EDF
John Prendergast (Dial-in)	JP	RES
Simon Reid (Dial-in)	SR	Scottish Power

All presentations and supporting papers for the CBSG meeting can be found at:

<http://www2.nationalgrid.com/UK/Industry-information/Electricity-codes/Standing-groups/Commercial-Balancing-Services-standing-group/>

1 Introductions/Apologies for Absence

1. The Chair welcomed the group to the meeting.

2 Review of Actions & Minutes from previous meeting

2. The minutes of the previous meeting were accepted and are now available on the National Grid website.
3. There were no actions from the previous meeting.

3 Review of the CBSG Terms of Reference – Adam Sims

4. AS stated that originally the aim of the CBSG was to develop specific areas and was focused on outcomes. AS noted that in order to get the best value from the CBSG, changes to the Standing Group's Terms of Reference are proposed. These changes aim to develop the group into more of a discussion forum which will be open to discussion of all areas of development of non-mandatory balancing services and will be used to give updates to the CBSG from National Grid. AS welcomes comments from the CBSG on the revised Terms of Reference provided alongside these minutes.
5. HM questioned whether this group will be limited to discussion of non-mandatory services. AS noted that the CBSG will be used primarily for discussion of non-mandatory services and mandatory services will be discussed under the Balancing Services Standing Group (BSSG). AS also noted that there would be a crossover in some discussions such as Rapid Frequency Response between the CBSG and the BSSG as there would be discussions about both its capability and its pricing element.

ACTION: CBSG members to provide comment on revised Terms of Reference.

6. ZZ questioned whether there could be a list of discussion topics and services within the Terms of Reference which shows what the group's priority topics are and what is within scope for discussion. ME noted that the group would need to maintain a forward looking scope of work and this list would be developed to accompany the Terms of Reference. AS proposed sending out a list of topics which would be considered within scope to the CBSG and the group could rate these in order of priority to them.

ACTION: JC to send out list of potential discussion topics to the CBSG to rate in order of their priority.

4 System Operability Framework – Liena Vilde

7. LV noted that National Grid have four energy scenarios which were published within their Future Energy Scenarios document, these are; Gone Green, Low

Carbon Life, Slow Progression and No Progression. LV explained that System Operability Framework (SOF) is a process that takes on board the Future Energy Scenarios (FES) and system performance requirements and assesses what the changes presented in the FES mean in terms of system operability. This framework will look to see how generation is changing compared to a baseline to see what additional capabilities are required compared to last year. LV noted that this is intended to be an annual process which will consider system dynamics for the next twenty years.

8. LV noted that as part of the Framework, a load duration curve is created using available data inputs. These help National Grid to predict what services would be required in the future, at what level and how much of the time. This load duration curve measures the amount of Non-Synchronous that is expected to be meeting the demand against the percentage of time, this allows you to predict the percentage of time the system limits may be exceeded and certain services will be required. LV presented an example of how this would be used based on the Slow Progression scenario to the CBSG. ME clarified that this system limit could move depending on the technical constraints on the system.
9. LV presented to the CBSG the topics that have been looked at this year and the affected subjects and consequences of these.
10. LV presented results of the System Operability Framework under the four future energy scenarios and discussed the services which would be required at certain times in the future.
11. ZZ questioned whether the graph presented means that Rapid Frequency Response will be mostly required in 2019/2020. CM stated that if this service is required in 2019/2020, this requirement needs to be clarified as generating plants may not currently be designed for this; for example, their mast foundations may not be adequate.
12. HM stated that it is important to use those services that are currently available, this will help give the qualitative information needed to assess the benefits. HM also noted that there needs to be a viable business case for introducing new services, even if they are mandatory.
13. ME noted that internally, National Grid recognises the need to establish the value of these services for parties to consider an investment case.
14. LW asked how National Grid would consider how embedded generation could engage in the provision of services. ME noted that National Grid are currently working with distribution companies in relation to reactive capability and voltage control which may present opportunities for embedded generation.
15. LW commented that DNOs may have different incentives to the rest of the industry and may be more focused on meeting other requirements rather than being the most economic from a system wide perspective. LW suggested that National Grid as SO should find a means to see what embedded generators can offer as well as the DNOs. CM argued it may not always be possible for embedded generation to provide reactive services because of DNO network restrictions. ME noted the discussions within the CBSG and agreed that National Grid would set out existing engagement for reactive services from embedded generation and consider how best to engage with embedded resources more generally

ACTION: National Grid to set out current engagement for reactive services and consider arrangements to engage with embedded resources more generally.

16. LV presented an overview of results which need to be done now, for example; RoCoF relay setting changes will limit RoCoF as an operability risk, however alternative loss of mains protection approaches must be explored for new connections.
17. LV noted that this is just a technical assessment of the System Operability Framework and that we welcome views on how we can deliver it in an economical and sustainable way. LV invites views from the CBSG on how this is presented.

5 Updates on future developments – Various

Supplemental Balancing Reserve – Peter Bingham & David Preston

18. PB noted that National Grid produced their Future Energy Scenarios in the summer and concluded at the time that the requirement for additional reserves this winter was minimal – hence the trail for a small volume of DSBR. PB stated that since publication there have been some issues that have introduced additional uncertainties in the security of supply outlook for the winter, such as recent power station fires, nuclear power plant shutdowns and a closure announcement from another power station. Therefore, National Grid therefore has opened a tender for the Supplemental Balancing Reserve service to meet requirements for Winter 2014/15. PB stated that there would be a separate tender in October for services in 2015.
19. PH raised concern over the timings of the SBR tenders and questioned whether there would be enough time to announce the results of the first tender for 2014/15 before commencing the second tender for 2015/16. PB welcomed the feedback and noted that there may be a timing issue and that he would consider the implications.
20. LW stated that it would be helpful for National Grid to clarify their volume requirements for the 2014/15 SBR tender. PB noted that National Grid will determine their requirements in October following the conclusion to the DSBR tender and when there is more certainty of generator availability in October.
21. LW questioned whether National Grid would raise a modification on replacement pricing as, with a new service starting over winter peak, a lot of plant could be displaced. PB noted that National Grid will not be raising a modification on this. He added that SBR is intended to be used as a last resort, ideally via the BM – the risk of SBR being used is small, and the risk of this causing other marginal plant to be disadvantaged is even smaller. PB added that ideally sufficient capacity would be made available in the market such that SBR is never called and the concerns expressed would not then materialise.
22. ME noted that the opportunity to discuss this in detail is limited within the CBSG meeting and that PB will be available for any specific questions about the Supplemental Balancing Reserve tender.

Spread Indexed Constraint Management Contracts – Sarah Hall & Ed Mellish

23. SH advised that National Grid is considering a change to the pricing structure on constraint management process and is requesting feedback from the CBSG whilst this is still in development. SH noted that after conducting initial analysis, it suggested that if contracts are priced in a different manner, it may be better value for the consumer. This would involve introducing a new structure which would introduce paying a top up fee so that the payments more accurately reflect the service.
24. EM explained that the new structure would involve National Grid and a service provider agreeing a strike price level and National grid would make a payment when CDS/CSS falls below the strike price level. This ensures that the service provider is appropriately rewarded and National Grid do not make a payment when CDS/CSS is above the strike price level. EM requested feedback from the CBSG on how easy the contracts are to price and what information would be required to do so.

ACTION: CBSG attendees to provide information to EM or SH on how easy the contracts are to price and what information would be required from National Grid to do this.

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Ed Mellish: edward.mellish@nationalgrid.com

25. PH noted that National Grid has a requirement for the two week process, leading up to day ahead and questioned whether there is any risk around this. SH noted that National Grid will still use the balancing mechanism and trading although when these contracts are considered, they are compared by price with the alternatives.
26. PH asked whether National Grid would be publishing the strike prices for this service. SH explained that this would depend on the circumstance of the contract noting that information on bilateral discussions would not be disclosed although with a tender process National Grid would be transparent. LW also questioned how the strike price would be derived if there was no competition, SH clarified that this would be done by bilateral agreement.

Commercial Intertrips – Adam Sims

27. AS noted that there are particular areas in the country that National Grid are looking to engage in Commercial Intertrips, mainly within Scotland and the North East. CM stated that this had been going on for a while and questioned what work had been done on this. AS noted that design work had taken longer than anticipated and that there is other ongoing work.

Reactive Power Market – Adam Sims

28. AS gave an update on the current reactive power services, specifically Enhanced Reactive Power Service (EPRS). AS noted that EPRS continues to run, although there has been no tenders for this since 2011 and that this will need reviewing soon. AS stated that there have been system trends which show that this may need procuring in the future.
29. JC questioned whether National Grid needs to tender for this service, as there have been no tenders since 2011, it may not be required. AS noted that trend analysis shows that this service could potentially be more useful in the future and National Grid may see more value in tenders.

Frequency Response and Response Energy Payment – Adam Sims

30. AS gave an update on BSSG considerations and the next steps of Response Energy Payment (REP) for information. It was highlighted that some generators were pricing themselves out of the response market. Some argued that the REP is not calculated in a cost reflective way. AS noted that National Grid are finalising which option they will propose and raise a CUSC Modification at the September CUSC Panel meeting. If accepted by the Panel and progressed to a Workgroup, requests for Workgroup nominations will be sent out to industry.
31. HM questioned whether there is due or undue discrimination with this proposed change to the calculation of the REP. ME stated that this will most likely be considered by a Workgroup set up to develop the Modification. ME also noted that there may be alternatives to the Proposal developed by a CUSC Workgroup.
32. AS gave a short update on Rapid Frequency Response (RFR) stating that National Grid s currently undertaking a cost/benefit analysis based on the 2014 System Operability Framework (SOF) work. This will be discussed at the Grid Code Review Panel in November and an update will be provided to the CBSG in December.

6 AOB

33. There was no AOB at this meeting

7 Next meeting

34. AS proposed that the CBSG next meet during the first week of December.