nationalgrid

THE POWER OF ACTION

Short Term Operating Reserve (STOR)

CBSG

December 2010

Background

- CUSC Panel Meeting - 26 November
  - Panel Member commented on the lack of a manual workaround solution for Short Term Operating Reserve highlighted by the recent STOR consultation process and contrasted that with the manual workaround proposed by National Grid for CAP182.
- National Grid proposed that this issue be taken to the CBSG for discussion.

OCP-02 Proposals

- Sub-para 2.3 of the SCTs requires BM Providers to submit an Offer Price of not more than the contract Bid-Offer Price
- Could be implied that SCTs do not prevent a BM Provider from submitting an Offer Price of less than the Contracted Price
  - Non-BM provider commercially disadvantaged
- Proposals did not seek to amend the existing terms, but sought to provide clarification that the intention is for the Offer Price to reflect the Contracted Price
  - Set out in the explanation and tender guidance document
- Issue #5 of SCTs to become effective from 1st April 2011

OCP-02 Further Views Invited

- Is it appropriate for National Grid to develop non-BM despatch systems?
  - to facilitate a STOR market whereby all Reserve Providers can reduce their utilisation prices within day
- 12 of 15 respondents supported this
  - More economic and efficient
- 2 respondents did not support the proposal
  - Introduces complexity and additional overheads which could discourage smaller new entrants

Next Steps

- We consider that the development of non-BM systems:
  - Offers a more economic solution to the procurement of STOR
  - Offers a solution to long-term contract holders with indexation methodologies who may find themselves “out of the market”
- Investigating the scope/timescales for upgrading despatch and settlement systems
  - In addition to ascertaining if a manual workaround offers a viable interim solution
- Implementation of any new framework will be considered with further industry consultation in 2011
  - Settlement Period / STOR Window / Daily / Weekly basis
  - Implementation timescales