

**System Management Action**

**Flagging Methodology Statement**

**Version Date: [05<sup>th</sup> November 2009]**

## **Version Control**

<b><u>Date</u></b>	<b><u>Version No.</u></b>	<b><u>Notes</u></b>
<b>20.3.01</b>	<b>1.0</b>	<b>Initial version</b>

The System Management Action Flagging Methodology Statement has been developed by National Grid Electricity Transmission plc ('National Grid').

Where National Grid amends the process for flagging balancing services, National Grid will promptly seek to establish a revised Statement incorporating the changes in accordance with [paragraphs [8(a)] and [8(b)]] of Standard Condition C16 of the Transmission Licence.

In the event that it is necessary to modify this Statement in advance of issuing an updated version of this document, then this will be done by issuing a supplement to this Statement.

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## **PART A: INTRODUCTION**

### **1. Purpose of document**

The purpose of this Statement is to set out the means which the licensee will use to identify (using reasonable endeavours) balancing services that are for system management reasons.

In the event that it is necessary to modify this Statement in advance of issuing an updated version of this document, this will be done by issuing a supplement to this Statement.

This Statement refers to a number of definitions contained in each of the Grid Code, the Balancing and Settlement Code and the licence. In the event that any of the relevant provisions in the Grid Code, the Balancing and Settlement Code or licence are amended, it may become necessary for National Grid to modify this Statement so that it remains consistent with the Grid Code, the Balancing and Settlement Code and the Transmission Licence.

In any event, where National Grid's licence or statutory obligations or the provisions of the Grid Code, the Balancing and Settlement Code are considered inconsistent with any part of this Statement, then the relevant licence or statutory obligation or code provision will take precedence.

Unless defined in this Statement, terms used herein shall have the same meanings given to them in the Transmission Licence, the Grid Code and/or the Balancing and Settlement Code as the case may be.

## **PART B: Flagging**

### **2. SO Flagged**

#### Balancing Settlement Code

From the 5<sup>th</sup> November 2009, under the Balancing and Settlement Code [Section Q 5.3.1 (d)] and [Section Q 6.3.2 (b) (iii)], National Grid is required to determine which balancing services should be classified as SO-Flagged.

To that end, National Grid will determine which balancing services have been taken for system management reasons and will subsequently classify the appropriate services as SO-Flagged.

#### System Management

System Management means;

1. any balancing service used by National Grid that partially or wholly resolves a transmission constraint;
2. any system-to-system balancing service used by National Grid in respect of electricity flows over an interconnector to avoid adverse effects arising on the National Electricity Transmission System, from significant load profile changes.
3. any system-to-system balancing service used by a Transmission System Operator (TSO) other than National Grid, for the purposes of resolving a system operation issue in a connected transmission system.

#### Transmission Constraints

Transmission constraints and the processes National Grid employ to resolve them are discussed in Part D of this document. However, in summary, transmission constraint occurs when there is a limit on the ability of the national electricity transmission system, or any part of it, to transmit the power supplied

onto the national electricity transmission system to the location of demand. Any balancing service taken by National Grid in order to avoid power flow exceeding a limit will be considered as resolving a transmission constraint.

### **3. The balancing services that will be SO Flagged**

Balancing services are defined in the Procurement Guidelines which National Grid is required to establish in accordance with Standard Condition C16 of the licence. The purpose of the Procurement Guidelines is to set out the kind of balancing services which National Grid may be interested in purchasing in the role of system operator, together with the mechanism by which National Grid envisages purchasing such balancing services.

The following balancing services will be assessed to determine which of them were used for system management reasons, and consequently, should be SO Flagged:

#### Forward contracts

The following forward-trading actions will be assessed in accordance with the System Management Action Flagging Methodology:

- energy related products;
- pre gate balancing transactions ('PGBTs'); and
- system-to-system services.

#### Bid Offer Acceptances

All Bid-Offer Acceptances taken within the balancing mechanism in relation to Balancing Mechanism Units (BMUs) will be considered to determine whether they were used for system management reasons.

#### Option contracts

BM Start-Up option contracts used by National Grid to facilitate access to MWs from BM Units that would not have otherwise run and are unable to start-up within Balancing Mechanism timescales, will be assessed in accordance with the System Management Action Flagging Methodology.

Where National Grid determines that a BM Start-Up option contract has been taken for the purposes of system management, the costs associated will not be included within the Buy Price Adjuster (BPA) of the Balancing Service Adjustment Data (BSAD).

### Emergency Instructions

In certain circumstances, National Grid may need to take emergency actions which exceed the bids and offers available to it in the Balancing Mechanism in order to maintain the integrity of the transmission network in accordance with BC2.9 of the Grid Code. If such action is taken, National Grid will analyse the action post event and determine the energy profile of the emergency action. National Grid will then determine whether these actions are taken for system management reasons and will SO flag them accordingly.

### System-to-generator operational intertripping

The system-to-generator operational intertripping service may, in certain circumstances, result in the automatic tripping of Generating Units(s). The contract details associated with a System to Generator Operational Intertripping Scheme are contained in section 4.2A of the CUSC. This is considered to be a system management service and will consequently be SO flagged. However, this service is administered through the CUSC and therefore such energy volumes will be provided through BSAD as unpriced volumes.

## **4. Forward trades and Bid Offer Acceptances**

There is a distinction between how National Grid will flag balancing services taken in the forward market and those taken in the balancing mechanism.

Individual balancing services actions used, outside the balancing mechanism will be SO Flagged at inception, in accordance with the principles set out above. This includes any system-to-system balancing services. Whether such balancing services are SO Flagged will be contained within the Balancing Service Adjustment Data ('BSAD') and submitted in accordance with the Balancing Service Adjustment Data methodology statement.

However, due to the demands of real time power system management, it is not practicable to manage the SO Flagging of Bid-Offer Acceptances in the same way. Therefore, in real time, National Grid will identify BMUs that are being used to manage transmission constraints, and any Bid-Offer Acceptances taken on those units will be automatically SO Flagged. For the avoidance of doubt, if the use of the BMU has not been assessed as resolving a transmission constraint, any associated Bid-Offer Acceptance will not be SO Flagged. Whether such balancing services are SO Flagged will be contained within the Acceptance Data in accordance with section Q, Paragraph 5.3 of the Balancing Settlement Code.



## **PART C: Other Issues**

### **5. Flagging methodology accuracy**

National Grid considers the flagging methodology described within this document to be a pragmatic solution that will accurately identify the majority of transmission constraints. However, there may, on occasion, be actions that resolve transmission constraints that are not correctly identified by the System Operator. Conversely there may be instances where National Grid incorrectly identifies an action as resolving a transmission constraint.

Where there has been an incorrect SO flag applied to any balancing service taken outside of the Balancing Mechanism, National Grid will promptly amend the SO flag in accordance with the existing Balancing Service Adjustment Data provisions (section Q, paragraph 6.3 of the Balancing and Settlement Code). However, National Grid will not amend incorrect SO-Flags applied to Bids Offer Acceptances.

In order to provide confidence to the industry, National Grid will report the accuracy of the Flagging Methodology 6 months after the implementation of the System Management Actions Flagging Methodology. Thereafter, National Grid will as a minimum, report annually on the accuracy of the flagging methodology.

### **6. Failure of Balancing Mechanism System and backup**

There may, under exceptional circumstances be occasions when National Grid's ability to flag balancing services it has taken for system management reasons will be reduced.

On occasions when the Balancing Mechanism system (main system) is unavailable and National Grid is using its back up system, there may be a reduction in the general level of accuracy of National Grid's SO-Flagging. Any loss of accuracy will be due to the increased burden upon National Grid to maintain the integrity of the transmission system, resulting from utilising a back up system with less functionality than the main system.

In addition, in the unlikely event that there is a simultaneous failure of the main system and the back up system, National Grid will not be able to engage in SO flagging since the loss of both systems would make it impractical to undertake this activity.

## **7. Modifications to the methodology statement**

National Grid will review the System Management Action Flagging Methodology should there be any significant changes to the information systems used, the processes employed by National Grid to manage transmission constraints, or any other change that in National Grid view will have an impact on the effectiveness the methodology. National Grid will also review the System Management Action Flagging Methodology should the authority direct National Grid to do so.

National Grid will seek to revise this Statement in accordance with paragraph [8] of Standard Condition C16 (Procurement and use of balancing services) of the licence should a modification be required.

## **PART D: TRANSMISSION CONSTRAINTS**

### **8. Definition of transmission constraint**

Any balancing service that partially or wholly resolves a transmission constraint will be classified as a system management action and SO flagged.

A transmission constraint is defined as: any limit on the ability of the national electricity transmission system, or any part of it, to transmit the power supplied onto the national electricity transmission system to the location where the demand for that power is situated, such limit arising as a result of any one or more of:

- (a) the need not to exceed the thermal rating of any asset forming part of the national electricity transmission system;
- (b) the need to maintain voltages on the national electricity transmission system; and
- (c) the need to maintain the transient and dynamic stability of electrical plant, equipment and systems directly or indirectly connected to the national electricity transmission system.

and used by National Grid to operator the national electricity transmission system in accordance with the National Electricity Transmission System Security and Quality of Supply Standard referred to in standard condition C17.

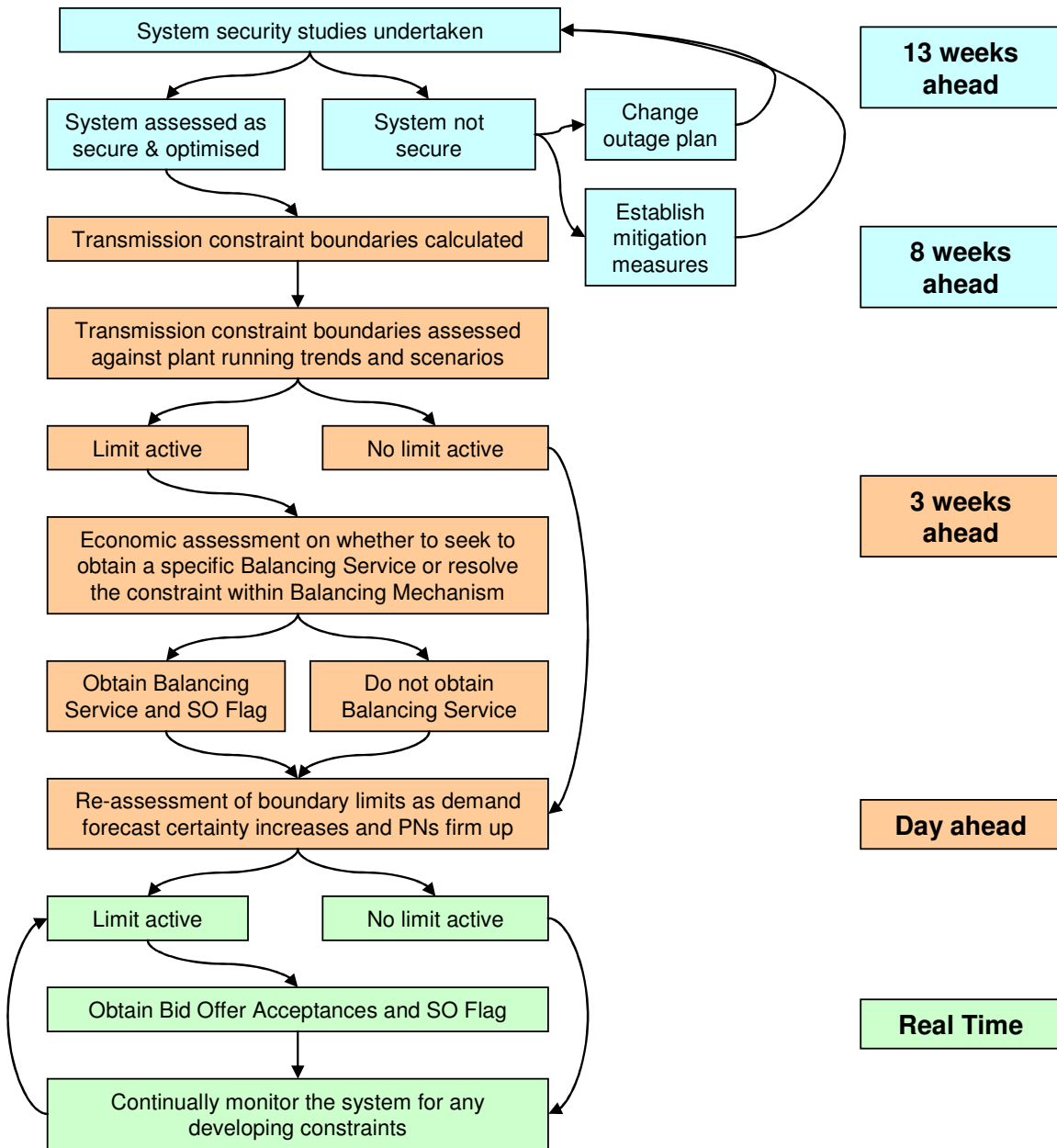
### **9. Transmission constraint management process**

National Grid has determined that the System Management Action Flagging Methodology should be incorporated within National Grid's existing transmission constraint management process. Therefore the following section briefly outlines the transmission constraint process and highlights when SO flagging will occur within it. However, it should be noted that the intention is not to provide a definitive description of the transmission constraint process but rather provide a context for the SO flagging process. A detailed description of

the transmission constraint process can be found in National Grid's Balancing Principles Statement.

This process is summarised in Chart A below.

Chart A:



## Transmission constraint management description

The following is a description of the transmission constraint management and flagging process illustrated above.

In “year ahead” timescales, National Grid seeks to minimise transmission constraints through careful planning of transmission outages. Transmission constraints are calculated and optimised as necessary from 13 weeks ahead, down to day ahead timescales and in pre Gate Closure control phase, with the objective of ensuring system security at the minimum cost while meeting National Grid’s system maintenance and construction requirements:

- Step 1, Using National Grid’s forecast of demand, BMU availability/running, BMU prices and the transmission outage plan; system security analysis studies are undertaken. These studies involve the use of system analysis models that can determine system voltage, thermal and stability conditions.
- Step 2, From these studies, system security is assessed. If security can not be achieved, the outage plan will be reviewed and revised accordingly.
- Step 3, Transmission constraint boundaries will be identified and further studies will be undertaken to calculate the limits of the acceptable power flows across the boundaries in accordance with the GB Security and Quality of Supply Standard.
- Step 4, At the day ahead stage, following receipt of the initial Physical Notification data, an economic assessment on whether to obtain a specific balancing service in the forward market, or in the balancing mechanism is undertaken to deal with any forecast transmission constraints. If it is economic and efficient to obtain such a service in the forward market, the balancing service will be SO Flagged when it is purchased.

## Control Phase – Pre Gate Closure

Step 5, National Grid will undertake further security analysis studies as it gains greater certainty as to likely system conditions, through demand forecasts and generator Physical Notifications.

Step 6, The outcome of these studies could result in National Grid making further use of balancing services, through either BM start-up or PGBTs. Whether this is appropriate will depend upon the options available to National Grid to resolve the constraint and the most economically efficient choice. In the event that a balancing service is used, the action will be identified as SO flagged at the point of purchase.

#### Control Phase – Real Time

Step 7- System security is continually monitored in real time through the use of on-line system security analysis studies based on actual system conditions.

Step 8- BMUs offering Bid-Offer Acceptances that could be purchased should a transmission constraint materialise in real time are identified. National Grid will flag the relevant BMUs.

Step 10- Any Bid-Offer Acceptances subsequently purchased on the flagged BMUs will automatically be identified as SO Flagged.