

Proposed changes to the BSAD methodology statements, and the introduction of the SMAF methodology statement following Industry Consultation

A Report by National Grid

In accordance with Condition C16 of its electricity transmission licence

11th October 2009

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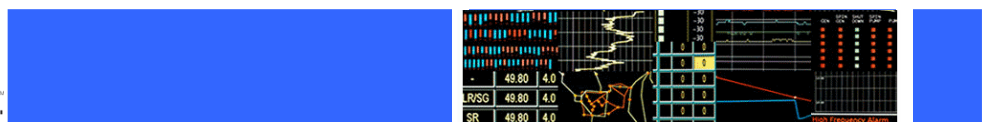
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Executive Summary

National Grid has carried out an industry consultation on proposed changes to the Balancing Service Adjustment Data (BSAD) methodology statement and on the introduction of the System Management Actions Flagging (SMAF) methodology statement. This review has been conducted in accordance with the conditions of Standard Condition C16 of National Grid's Electricity Transmission Licence.

As a result of the industry consultation, National Grid is proposing further changes to the BSAD methodology statement published in the industry consultation document on 7th September 2009. National Grid is also proposing changes to the SMAF methodology statement introduced in the same industry consultation.

There are two drivers for these proposals. First, the approval of BSC modification P217A; Revised Tagging Process and Calculation of Cash Out Prices and the consequential impact upon the provision of Balancing Services Adjustment Data and the Bid Offer Data. Second, from a National Grid review of the consistency of balancing services included within the imbalance price calculation. As a result, National Grid consulted on two versions of the BSAD and SMAF methodology statements. The first versions comprised changes relating to P217A while the second versions, in addition to P217A changes, proposed the inclusion of additional balancing services. It should be noted that both proposed BSAD methodology statements included housekeeping changes, which given the changes resulting from P217A, National Grid believes will improve the quality of the document.

This report provides details of the outcome of the consultation process undertaken by National Grid.

Recommendation

National Grid has carefully considered the industry responses to the consultation, and where we consider appropriate made alterations to the proposed documents.



National Grid recommends that the Authority approves the proposed BSAD and SMAF versions that incorporate the additional balancing services of Emergency Deenergisation Instructions and Commercial Intertrips. These versions are contained within Appendix C and D respectively

If the Authority does not approve the inclusion of the additional balancing services, National Grid recommends that the Authority approves the proposed BSAD and SMAF versions contained in Appendix E and F respectively.

Subject to the approval by the Authority before the 05th November 2009, the proposed changes will become effective from 05th November 2009.



1 Introduction

National Grid has consulted with the industry on changes to the Balancing Services Adjustment Data (BSAD) methodology statement and on the introduction of the System Management Actions Flagging (SMAF) methodology statement in accordance with the conditions of standard condition C16 of the National Grid Electricity Transmission Licence.

The consultation document can be found in Appendix A.

In summary, National Grid has consulted the industry on two broad types of proposed changes:

1. Consequential impacts upon the provision of balancing services and Bid Offer Data from the implementation of BSC modification P217A; Revised Tagging Process and Calculation of Cash Out Prices. Specifically, National Grid will be required to flag balancing services and Bid-Offer Acceptances that are taken for reasons beyond meeting the national supply demand position. This has given rise to the introduction of the SMAF methodology statement. Also, BSC modification P217A will, from the 5th November 2009, alter the BSAD variables provided by National Grid. As a result, changes are proposed to the BSAD methodology statement. In addition, housekeeping changes have also been proposed to the BSAD methodology statement. The BSAD and SMAF methodology statements proposed relating to these changes can be found in Appendices E and F respectively.
2. National Grid has also reviewed the consistency of treatment of balancing services that contribute to the imbalance price calculation and is proposing the inclusion of an additional two services, Emergency Deenergisation Instructions and Commercial Intertrips. It is proposed that these respective services should contribute to the determination of the market length, and hence the determination of the main and reverse cash out price. However due the nature of the services, National Grid is proposing to treat these as unpriced volumes at this time. The inclusion of these services together with the P217A related changes to the BSAD and SMAF methodology statements can be found in Appendix C and D respectively.



This report provides details of the outcome of the industry consultation process undertaken by National Grid.

2 Industry Responses

Responses were received from 4 organisations:

- Centrica
- ScottishPower
- RWE
- E.ON

In addition, National Grid received comments from a P217 Modification Group Member - these have also been considered.

The responses from the 4 organisations can be found in Appendix B.

A high level summary of industry responses to the consultation questions is given in Table 1 below.

Table 1

No	Consultation Question	Centrica	Scottish Power	RWE	EON
1	<i>Do you agree that the changes proposed to the BSAD methodology statement in Appendix B resulting from modification P217A should be made?</i>	Y	Y	Y	Y
2	<i>Do you agree that the SMAF methodology statement proposed in Appendix C should be implemented?</i>	Y	Y	Y	Y
3	<i>Do you agree that Emergency Deenergisation Instruction volumes should be included within the BSAD and SMAF methodology statement as contained within Appendices E and G?</i>	Y	Y	Y	Y
4	<i>Do you agree that Commercial Intertrip volumes should be included within the BSAD and SMAF methodology statement as contained within Appendices E and G?</i>	Y	Y	Y	Y



The industry responses to these questions can be grouped into the following two categories:

1. P217A related (Q1 and Q2);
2. Inclusion of additional balancing services (Q3 and 4);

Section 2 summarises the key comments received and National Grid's response.

2.1 Organisational Responses

All the respondents agreed that the proposed changes to the BSAD methodology statement should be made and that the SMAF methodology statement should be implemented. The majority of respondents acknowledged that these changes were for the purposes of facilitating the implementation of BSC modification P217A.

All respondents also agreed that the additional balancing services of Emergency Deenergisation Instructions and Commercial Intertrips should be included within BSAD and SMAF.

Table 2 shows comments made by E.ON and Centrica.

Table 2

E.ON Comment	Centrica Comments
<p>1) SMAF Methodology Page 6 Part B Section 3 Option Contracts – please reword</p> <p>“BM Start-Up option contracts used by National Grid to facilitate access to MWs energy from BM Units that would not have otherwise run....”</p>	<p>2) Centrica agrees that volumes due to Emergency Deenergisation Instructions should be included in cash out. This would improve the accuracy of NIV when these actions are taken ensuring that the correct imbalance price is selected as the main price.</p> <p>It should be made clear that volumes are only included ‘up to the wall’ (including a definition of ‘up to the wall’).</p> <p>Centrica agrees that volumes due to Emergency Deenergisation Instructions should be included in cash out.</p>



E.ON Comment	Centrica Comments
	<p>This would improve the accuracy of NIV when these actions are taken ensuring that the correct imbalance price is selected as the main price.</p> <p>It should be made clear that volumes are only included 'up to the wall' (including a definition of 'up to the wall').</p>

National Grid's View:

1) National Grid has no objection to the rewording suggested by Eon and has changed the SMAF methodology statement accordingly. Also, National Grid has, within the description of BM Start-Up in the BSAD methodology statement, replaced the MW term used with energy. These changes are visible in all change marked versions contained within the Appendices

2) National Grid agrees with Centrica's comments about clarifying the energy volumes to be included within BSAD from any operation of the additional balancing services. Therefore, within BSAD, we have replaced the wording for Emergency Deenergisation Instructions as per follows;

The volume for inclusion in BSAD will be calculated as the expected energy delivered ~~(SE_{sf}) in accordance with the methodology outlined within the ABSVD Methodology Statement, where s is Emergency Deenergisation Instructions~~ up to the 'wall'.

We have also clarified that the 'wall' means up to the end of the Balancing Mechanism Window Period.

A similar change has been inserted for Commercial Intertrip volumes, which together with the change highlighted to Emergency Deenergisation Instructions can be seen in the change marked version in Appendix C.

It should be noted that the wording change has no impact on the volumes for inclusion; the wording only provides additional clarity.

2.2 The P217 Modification Group Member Comments



The table below summaries the key comments received from the P217 modification group member.

Table 3

P217 modification group member
<ol style="list-style-type: none"> 1. The member questioned the reasons given for providing Emergency Deenergisation Instructions and Commercial Intertrips as unpriced volumes. Although they did acknowledge that there maybe genuine reasons for these being unpriced. 2. The member suggested that the BPA and SPA algebraic formula should be time referenced where appropriate. 3. The member questioned whether the SPA worked example should be negative. 4. The member questioned the absence of any description about Emergency Flagging. 5. The member questioned whether the description provided on how National Grid will flag balancing services outside the balancing mechanism could be misinterpreted. 6. The member questioned whether the 'Difference Payment' should be included within BSAD.

National Grid's View:

1) National Grid believes it right to include the energy volumes (up to the wall) from the operation of Emergency Deenergisation Instructions and Commercial Intertrips given the potential impact upon market length and on the determination of the main and reverse imbalance price.

We also believe that at this time, it is right to include these volumes as unpriced volumes. Emergency Deenergisation Instructions, from the approval of CUSC modification CAP144, linked the payment from such operation to an administered mechanism. While the chosen mechanism is market based it is far from clear that it is appropriate to include this price in the imbalance price calculation.

National Grid enters into bilateral contracts for Commercial Intertrips. The pricing mechanisms for these contracts can vary and can also incorporate additional elements to cover contractual rights and obligations in addition to the Commercial Intertrip service. This can make determination of an appropriate price difficult. National Grid further notes that the costs associated with the commercial intertrip are likely to be significantly higher than energy prices for the same period. Hence, at this time, National Grid does not



consider it appropriate to include commercial intertrip costs in the imbalance price calculation.

2) National Grid agrees that the BPA and SPA formula should contain a time reference. Therefore we have proposed the insertion of the j notation within the appropriate sections of the BPA and SPA formula. These changes are visible within the changed marked versions of the BSAD methodology statement contained within Appendix C and E.

3) National Grid agrees that the SPA worked example should be negative and we have altered the example to that effect. This change is visible within the changed marked versions of the BSAD methodology statement contained within Appendix C and E.

4) The BSC requires National Grid to determine whether Emergency Instructions issued in accordance with BC2.9 of the Grid Code should be Emergency Flagged. The determination of whether to Emergency Flag or not is dependent on whether the action(s) were used for system management reasons or not. Therefore, there is no difference between SO Flags and Emergency Flags except that Emergency Flags indicate that an Emergency Instruction was used to resolve a 'System' issue rather than any other balancing services. However National Grid agree that to add further clarity it is appropriate to reference Emergency flags. Consequently, we are proposing the following insertion to the SMAF methodology statements, within the description of Emergency Instructions; In instances where emergency instructions have been used for system management reasons, National Grid will classify the resulting Acceptances as Emergency-Flagged. For the avoidance of doubt, there is no difference in the meaning of system management for emergency instructions. This insertion can also be viewed within the changed marked versions contained within Appendix D and F.

5) The member specifically questioned whether the following could be misread and interpreted to mean all balancing services outside the balancing mechanism will be SO-Flagged:

"Individual balancing services actions used, outside the balancing mechanism will be SO-Flagged at inception, in accordance with the principles set out above."



National Grid does not believe the sentence provided would be interpreted as described, however for further clarity, we are proposing the following insertion; Individual balancing services actions used, outside the balancing mechanism [for system management reasons](#) will be SO-Flagged at inception, in accordance with the principles set out above.

This insertion can be viewed within the changed marked versions contained within Appendix D and F.

6) National Grid agrees that a 'difference' payment scenario as referenced within BSAD section 7. Re-submission of BSAD is not appropriate to the new form of BSAD variables. Specifically, it would be problematic to assign a valid volume to a 'difference' price when the volume would have been accounted for within the Bid-Offer Acceptance associated. Therefore, National Grid is proposing the removal of 'difference' payments from BSAD. This is shown in Appendix C and E.

However it should be noted that National Grid do not have any contracts operating in this way, and as such this removal has no impact upon BSAD and the imbalance price.

2.3 Additional Changes

Table 4 summarises additional changes to those already discussed.

Table 4

National Grid changes
1) General housekeeping changes for both the SMAF and BSAD methodology statements
2) Removal of the footnote contained within section 2 of the BSAD methodology statement.

National Grid's View:

1) We have made a number of minor changes to both the SMAF and the BSAD methodology statements in order to correct errors in the consulted versions. National Grid considers these to be housekeeping changes that make no significant change to the meaning or the intent of the documents. These changes can be viewed within the changed marked versions contained within the Appendices



2) At the time of consultation on the BSAD and SMAF methodology statement changes there was a live BSC modification, P239 that affected the BSAD variables to be provided by National Grid. Consequently, a footnote was added referencing the dependence of the provision of the Balancing Service Adjustment Cost to the approval of P239. Since that time P239 has been approved and therefore the footnote is no longer required and is proposed to be removed.

2.4 Industry Feedback on Consultation Document

No feedback was received on the consultation document.

3 Proposed Way Forward / Recommendations

National Grid has carefully considered the industry responses to the changes proposed by National Grid, and has provided its views at the end of each relevant subsection in section 2.

As a result of the industry responses, National Grid has, where appropriate, revised the proposed changes. These changes to the proposed revisions have been incorporated in BSAD and the SMAF methodology statements shown in the Appendices.

National Grid recommends that the Authority approves the proposed BSAD and SMAF versions that incorporates the additional balancing services of Emergency Deenergisation Instructions and Commercial Intertrip volumes in Appendices C and D respectively

If the Authority does not approve those versions National Grid recommends that the Authority approves the proposed BSAD and SMAF versions.

Subject to the approval by the Authority before the 05th November 2009, the proposed changes will become effective from 05th November 2009. contained in Appendix E and F respectively.



Appendix A: Consultation Document

Please see a separate document



Appendix B: Industry Responses Received

- Centrica
- ScottishPower
- RWE
- EON



Respondent:	Chris Stewart
Company Name:	Centrica
Does this response contain confidential information?	N

No	Question	Response (Y/N)	Rationale
1	Do you agree that the changes proposed to the BSAD methodology statement in Appendix B resulting from modification P217A should be made?	Y	The changes proposed reflect those required for BSC modification P217.
2	Do you agree that the SMAF methodology statement proposed in Appendix C should be implemented?	Y	The new SMAF methodology statement supports the changes being made as a result of BSC modification P217
3	Do you agree that Emergency Deenergisation Instruction volumes should be included within the BSAD and SMAF methodology statement as contained within Appendices E and G?	Y	Centrica agrees that volumes due to Emergency Deenergisation Instructions should be included in cash out. This would improve the accuracy of NEV when these actions are taken ensuring that the correct imbalance price is selected as the main price. It should be made clear that volumes are only included 'up to the wall' (including a definition of 'up to the wall').
4	Do you agree that Commercial intertrip volumes should be included within the BSAD and SMAF methodology statement as contained within Appendices E and G?	Y	Centrica agrees that volumes due to Commercial Intertrip Volumes should be included in cash out. This would improve the accuracy of NEV when these actions are taken ensuring that the correct imbalance price is selected as the main price. It should be made clear that volumes are

No	Question	Response (Y/N)	Rationale
			only included 'up to the wall' (including a definition of 'up to the wall').
5	Do you have any other comments?	N	



Respondent:	Gary Henderson
Company Name:	SAIC Ltd. (for and on behalf of ScottishPower)
Does this response contain confidential information?	No

No	Question	Response (Y/N)	Rationale
1	<i>Do you agree that the changes proposed to the BSAD methodology statement in Appendix B resulting from modification P217A should be made?</i>	Yes	As P217A has been approved by the Authority for implementation in November 2009, it is appropriate that the consequential changes to the BSAD methodology statement are implemented.
2	<i>Do you agree that the SMAF methodology statement proposed in Appendix C should be implemented?</i>	Yes	As for the BSAD changes, the SMAF methodology statement should be implemented.
3	<i>Do you agree that Emergency Deenergisation Instruction volumes should be included within the BSAD and SMAF methodology statement as contained within Appendices E and G?</i>	Yes	
4	<i>Do you agree that Commercial Intertrip volumes should be included within the BSAD and SMAF methodology statement as contained within Appendices E and G?</i>	Yes	
5	<i>Do you have any other comments?</i>	No	



Respondent:	Bill Reed
Company Name:	RWE Supply and Trading GmbH,
Does this response contain confidential information?	No

No	Question	Response (Y/N)	Rationale
1	<i>Do you agree that the changes proposed to the BSAD methodology statement in Appendix B resulting from modification P217A should be made?</i>	Y	We support the changes as proposed to facilitate the implementation of P217A.
2	<i>Do you agree that the SMAF methodology statement proposed in Appendix C should be implemented?</i>	Y	We support the changes as proposed to facilitate the implementation of P217A.
3	<i>Do you agree that Emergency Deenergisation Instruction volumes should be included within the BSAD and SMAF methodology statement as contained within Appendices E and G?</i>	Y	The proposals with regard to emergency deenergisation instruction volume seem appropriate.
4	<i>Do you agree that Commercial Intertrip volumes should be included within the BSAD and SMAF methodology statement as contained within Appendices E and G?</i>	Y	The proposals with regard to commercial intertrip volumes volume seem appropriate.
5	<i>Do you have any other comments?</i>	N	



Respondent:	Claire Maxim
Company Name:	E.ON UK
Does this response contain confidential information?	No

No	Question	Response (Y/N)	Rationale
1	<i>Do you agree that the changes proposed to the BSAD methodology statement in Appendix B resulting from modification P217A should be made?</i>	Y	
2	<i>Do you agree that the SMAF methodology statement proposed in Appendix C should be implemented?</i>	Y	
3	<i>Do you agree that Emergency Deenergisation Instruction volumes should be included within the BSAD and SMAF methodology statement as contained within Appendices E and G?</i>	Y	
4	<i>Do you agree that Commercial Intertrip volumes should be included within the BSAD and SMAF methodology statement as contained within Appendices E and G?</i>	Y	
5	<i>Do you have any other comments?</i>	Y	SMAF Methodology Page 6 Part B Section 3 Option Contracts – please reword "BM Start-Up option contracts used by National Grid to facilitate access to MWs energy from BM Units that would not have otherwise run...."



Appendix C: Marked-up BSAD methodology statement – P217A and additional balancing services

Please see a separate document



Appendix D: Marked-up SMAF methodology statement – P217A and additional balancing services

Please see a separate document



Appendix E: Marked-up BSAD methodology statement – P217A

Please see a separate document



Appendix F: Marked-up SMAF methodology statement – P217A

Please see a separate document