

# **Proposed Revisions to Balancing Principles Statement, Procurement Guidelines, ABSVD and BSAD**

## **Following Annual Consultation**

### **A Report by National Grid**

**In accordance with Condition C16 of  
its electricity transmission licence**

**31st January 2011**

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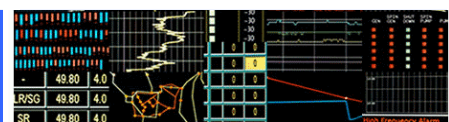
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## Executive Summary

National Grid has carried out an annual review of the Balancing Principles Statement (BPS), Procurement Guidelines (PGs), Applicable Balancing Services Volume Data Methodology Statement (ABSVD) and Balancing Services Adjustment Data (BSAD) documents. This review has been conducted in accordance with Standard Condition C16 of National Grid Electricity Transmission licence.

As a result of the annual review, National Grid proposed changes to the four documents via an industry consultation document published on the 20<sup>th</sup> December 2010.

Industry responses to the consultation were requested by the 24<sup>th</sup> January 2011. One response was received.

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

## Recommendation

Following industry consultation, National Grid recommends that the Authority approves the revised versions of the BPS, PGs, ABSVD and BSAD in Appendices G to J; these versions incorporate both the revisions originally proposed by National Grid and the changes to the revisions following industry consultation.

If the Authority does not approve the changes highlighted in Appendices G to J, the existing versions of the statements will remain in place.

Subject to approval by the Authority by 28<sup>th</sup> February 2011, the proposed changes will become effective from 1<sup>st</sup> April 2011.



## 1 Introduction

In accordance with its licence obligations under Standard Condition C16 of the National Grid Electricity Transmission licence, National Grid has consulted with the industry on the proposed changes to the Balancing Principles Statement (BPS), Procurement Guidelines (PGs), Applicable Balancing Services Volume Data Methodology Statement (ABSVD), and Balancing Services Adjustment Data (BSAD) documents.

The consultation document can be found in Appendix E, with the four original change marked documents in Appendix A to D.

National Grid consulted the industry on the following proposed changes:

- BPS: Deletion and rewrite of section 9 to clarify and simplify
- PGs: Insertion of description of Constraint Management Services and housekeeping changes
- ABSVD: Insertion of description of a Fast De-load Service and housekeeping changes
- BSAD: Housekeeping changes

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

## 2 Industry Responses

There was a single response from industry parties; EDF Energy.

The questions in the consultation and the EDF responses are shown in Appendix F.

### 2.1 Proposed Changes

Appendix A to D contains change marked versions of the documents issued in the original consultation.

Appendix A: Balancing Principles Statement



Appendix B: Procurement Guidelines

Appendix C: Applicable Balancing Services Volumes Data Methodology Statement (ABSVD)

Appendix D: Balancing Services Adjustment Data Methodology Statement (BSAD)

Following the consultation and industry comments, revisions have been made to the documents in Appendices A to D; the revised changed marked versions of the documents are listed below.

Appendix G: Balancing Principles Statement

Appendix H: Procurement Guidelines

Appendix I: Applicable Balancing Services Volumes Data Methodology Statement (ABSVD)

Appendix J: Balancing Services Adjustment Data Methodology Statement (BSAD)

## 2.2 Industry Feedback on Consultation Document

Industry response to the consultation questions are shown below, together with National Grid's view; only the consultation questions which provided rationale for responses are shown (i.e. questions 2, 3, 5, 6, 9, 11 and 12).

*Consultation Q2 - Do you agree that the changes proposed to the BPS, shown above and in Appendix A, should be made?*

**Industry Response:** In principle, yes, but further clarification is required. The section 9 text as written states that NGET will necessarily return a BM Unit to PN following a BOA that extends to the wall. However, NGET may wish instead to extend the previous BOA to continue the balancing action. Sections 8 and 9 should make this clear.

### **National Grid's View:**

National Grid notes the support for the clarification of Section 9.

National Grid considers that the insertion of the words "Where appropriate" at the start of Section 9 would further clarify that only certain BOAs will be returned to PN level (i.e. when the BOA is not being continued).

The revised Section 9 now reads (additional wording underlined):



Where appropriate, BMUs that have been BOAed up to the wall will be returned to PN, when the BM window has been extended by the subsequent issue of BOAs in line with submitted dynamics, provided parameters and prices have not changed as described in Section 8.

*Consultation Q3 - Do you have any other comments in relation to the changes proposed to the BPS?*

**Industry Response:** References to License in text, website names and website references should be corrected to Licence.

**National Grid's View:**

There is a reference to License on page 24 of the BPS; this has been amended to Licence. The website links in the BPS currently refer to:

<http://www.nationalgrid.com/uk/Electricity/Balancing/transmissionlicensestatements/>

which have been amended to:

<http://www.nationalgrid.com/uk/Electricity/Balancing/transmissionlicencestatemnts/>

and the website has been updated accordingly.

Parties attempting to access the original link will be redirected automatically to the correct page. The links in the Procurement Guidelines, ABSVD and BSAD have also been updated.

*Consultation Q5 - Do you agree that the changes proposed to the PG's, shown in table 2 and in Appendix B, should be made?*

**Industry Response:** In principle, yes, but we believe additional clarification would be beneficial: The definition of a "Constraint Management Service" refers to the transmission system being unable to transmit power supplied to the location of demand due to congestion. This describes an interruption rather than a constraint. We suggest that a constraint should be defined in terms of a requirement to alter particular flows of power that would otherwise occur onto, within, and potentially off the transmission system in order to maintain safe and secure operation of the network. For example, "... when the system is unable to transmit power from all those generators wishing to generate to the location of demand for that generation due to congestion, taking into consideration the requirement for system security and balancing procured by the System Operator"

**National Grid's View:**



National Grid notes the support for the changes to the Procurement Guidelines.

National Grid considers that further clarity requested on Constraint Management Services can be obtained by expanding the original wording, as shown below (additional wording underlined):

Constraint Management Services – These services are required when the system is unable to transmit some of the power ~~supplied~~ generated to the location of demand and maintain safe and secure operation of the network, due to congestion at one or more parts of the transmission system, potentially necessitating the alteration of power flows on the network. The technical requirements for such a service will be specific to the location of the constraint and will be defined in the relevant Commercial Services Agreement.

*Consultation Q6. Do you have any other comments in relation to the changes proposed to the PG's?*

**Industry Response:** We would welcome more clarity and consistency in use of the terms “bilateral” and “contract” throughout the LC16 statements. “Bilateral Contract” is a defined term, while “Contracts” that are bilateral are something different. We think the intended distinction is between bilateral contracts made following mainly or entirely bilateral negotiation, perhaps described as Custom Bilateral Balancing Contracts, and bilateral contracts made as part of a market based tender process, perhaps described as Market or Standard Bilateral Balancing Contracts. None of these to be confused with Bilateral Connection Agreements.

The web link at Part E section 4 doesn't appear to work:  
<https://ng.corpwww.net/uk/Electricity/Balancing/pg/>.

#### **National Grid's View:**

All balancing services contracts are “bilateral” in that they are agreed between two parties, i.e. National Grid and the Service Provider. Some contracts are entered into following a tender process, whereas others are as a result of a “bilateral” negotiation, i.e. only one service provider can provide the service or the service offered by the provider is relating to their specific capabilities, and as such a tender would be unnecessary. Section 2 (Procurement Principles - paragraphs four and five) of the PG's describes a market based contract as one when there is sufficient market competition while a negotiated “bilateral” contract will be procured when there is insufficient market competition. Table 1 in the PG's identifies the various balancing services we procure and the



means of procurement for each service (either a market based contract, a bilateral contract, or both).

The link in Part E, section 4, of the PGs has been updated to:

<http://www.nationalgrid.com/uk/Electricity/Balancing/transmissionlicencstatements/>

*Consultation Q9: Do you have any other comments in relation to the changes proposed to the ABSVD*

**Industry Response:** We note that the Fast De-Load Service is introduced, but is not mentioned in the other LC16 statements consulted upon.

**National Grid's View:**

The Fast De-load service is used to manage constraints. As there are several types of services we use for constraint management and some of these are bespoke, they are collectively described as constraint management services and are not specifically described in the PGs. However, for clarity, the description of Fast De-Load service in ABSVD has been amended to show the link to the constraint management service (additional wording underlined):

Fast De-Load Service (a type of constraint management service) - Energy volumes as a result of an instruction to fast de-load will be calculated in accordance with the relevant Commercial Services Agreement.

*Consultation Q11: Do you agree that the changes proposed to the BSAD, shown in table 4 and in Appendix D should be made?*

**Industry Response:** Reference in Section 3.1 on page 9 to “services from interconnectors” should be changed to “services via interconnectors”, consistent with the reality that interconnectors are connectors that do not in themselves create or use balancing energy. Referring to Ofgem’s recent decision of 4 November 2010 on BSC Modification P259 concerning frequency response provided via interconnectors:

“We consider that there is sufficient clarity from legislation that an interconnector is a TSO. Under both the Second and Third Package an interconnector is defined as a transmission line and the definition of TSO includes interconnections. As a consequence, interconnector flows are neither classed as production (generation) nor consumption (demand), but part of the overall transmission infrastructure facilitating the wider market.”

**National Grid's View:**





The requested change in BSAD has been amended (additional wording underlined):

system-to-system services (including services via ~~from~~ Interconnectors, Constraint Management & Balancing service and Emergency Assistance service)

*Consultation Q12: Do you have any other comments in relation to the changes proposed to the BSAD?*

**Industry Response:** We would welcome clarification on the definition of services provided via interconnectors. It might be useful to distinguish interconnectors as physical entities from interconnector owners who administer flows on them?

**National Grid's View:**

This is an area of change at present due to forthcoming European legislation, but we would expect services provided by interconnectors to play a part in the efficient and economic balancing of the system and for system security purposes. We will revisit this at an appropriate date in the future.

### 3 Proposed Way Forward / Recommendations

National Grid has carefully considered the industry response to the changes proposed by National Grid in the consultation, and has provided its views at the end of each relevant subsection in section 2.2.

As a result of the industry response, National Grid has, where appropriate, revised the proposed changes. These changes to the proposed revisions have been incorporated into BPS, PGs, ABSVD and BSAD, as shown in Appendices G to J. These changes have been shown after 'accepting' the proposed revisions.

National Grid recommends that: the Authority approves the proposed changes to BPS, PGs, ABSVD and BSAD in Appendices G to J respectively.



## **Appendix A: Marked-up BPS for Proposed Changes (Pre-Consultation)**

Please see a separate document



## **Appendix B: Marked-up Procurement Guidelines for Proposed Changes (Pre-Consultation)**

Please see a separate document



## **Appendix C: Marked-up ABSVD for Proposed Changes (Pre-consultation)**

Please see a separate document



## **Appendix D: Marked-up BSAD for Proposed Changes (Pre-consultation)**

Please see a separate document



## **Appendix E: Original Consultation Document**

Please see a separate document

## Appendix F: Industry Response to Consultation

### 14 Appendix E - Consultation Questions

National Grid invites responses to this consultation by 24th January 2011. The responses to specific consultation questions (summarised below) or any other aspect of this consultation can be provided by completing the following proforma.

Please return the completed proforma to [balancingservices@uk.ngrid.com](mailto:balancingservices@uk.ngrid.com).

<b>Respondent:</b>	<b>Rob Rome</b>
<b>Company Name:</b>	EDF Energy
<b>Does this response contain confidential information? If yes, please specify.</b>	No

No	Question	Response (Y/N)	Rationale
1	<i>Do you agree that the changes proposed to the BPS, shown in table 1 have been implemented correctly to the BPS in Appendix A?</i>	Y	
2	<i>Do you agree that the changes proposed to the BPS, shown above and in Appendix A, should be made?</i>		In principle, yes, but further clarification is required. The section 9 text as written states that NGET will necessarily return a BM Unit to PN following a BOA that extends to the wall. However, NGET may wish instead to extend the previous BOA to continue the balancing action. Sections 8 and 9 should make this clear.
3	<i>Do you have any other comments in relation to the proposed changes to the BPS?</i>	Y	References to License in text, website names and website references should be corrected to Licence.
4	<i>Do you agree that the changes proposed to the PG's, shown in table 2 have been implemented correctly in the PG's in Appendix B?</i>	Y	
5	<i>Do you agree that the changes proposed to the</i>		In principle, yes, but we believe additional clarification would be beneficial:



No	Question	Response (Y/N)	Rationale
	<p><i>PG's, shown in table 2 and in Appendix B, should be made?</i></p>		<p>The definition of a "Constraint Management Service" refers to the transmission system being unable to transmit power supplied to the location of demand due to congestion. This describes an interruption rather than a constraint. We suggest that a constraint should be defined in terms of a requirement to alter particular flows of power that would otherwise occur onto, within, and potentially off the transmission system in order to maintain safe and secure operation of the network. For example, "... when the system is unable to transmit power from all those generators wishing to generate to the location of demand for that generation due to congestion, taking into consideration the requirement for system security and balancing procured by the System Operator"</p>
6	<p><i>Do you have any other comments in relation to the changes proposed to the PG's?</i></p>		<p>We would welcome more clarity and consistency in use of the terms "bilateral" and "contract" throughout the LC16 statements. "Bilateral Contract" is a defined term, while "Contracts" that are bilateral are something different. We think the intended distinction is between bilateral contracts made following mainly or entirely bilateral negotiation, perhaps described as Custom Bilateral Balancing Contracts, and bilateral contracts made as part of a market based tender process, perhaps described as Market or Standard Bilateral Balancing Contracts. None of these to be confused with Bilateral Connection Agreements.</p> <p>The web link at Part E section 4 doesn't appear to work:  <a href="https://ng.corpwww.net/uk/Electricity/Balancing/pg/">https://ng.corpwww.net/uk/Electricity/Balancing/pg/</a>.</p>
7	<p><i>Do you agree that the changes proposed to the ABSVD, shown in table 3 have been implemented correctly in the ABSVD in Appendix C?</i></p>	Y	
8	<p><i>Do you agree that the</i></p>	Y	





No	Question	Response (Y/N)	Rationale
	<i>changes proposed to the ABSVD, shown in table 3 and in Appendix C should be made?</i>		
9	<i>Do you have any other comments in relation to the changes proposed to the ABSVD?</i>	Y	We note that the Fast De-Load Service is introduced, but is not mentioned in the other LC16 statements consulted upon.
10	<i>Do you agree that the changes proposed to the BSAD, shown in table 4 have been implemented correctly in the BSAD in Appendix D?</i>	Y	
11	<i>Do you agree that the changes proposed to the BSAD, shown in table 4 and in Appendix D should be made?</i>	N	Reference in Section 3.1 on page 9 to “services from interconnectors” should be changed to “services via interconnectors”, consistent with the reality that interconnectors are connectors that do not in themselves create or use balancing energy. Referring to Ofgem’s recent decision of 4 November 2010 on BSC Modification P259 concerning frequency response provided via interconnectors:  “We consider that there is sufficient clarity from legislation that an interconnector is a TSO. Under both the Second and Third Package an interconnector is defined as a transmission line and the definition of TSO includes interconnections <sup>10</sup> . As a consequence, interconnector flows are neither classed as production (generation) nor consumption (demand), but part of the overall transmission infrastructure facilitating the wider market.”
12	<i>Do you have any other comments in relation to the changes proposed to the BSAD?</i>	Y	We would welcome clarification on the definition of services provided via interconnectors.  It might be useful to distinguish interconnectors as physical entities from interconnector owners who administer flows on them?

We note the use of the word “license” rather than licence throughout the document.



## **Appendix G: Marked-up BPS for Proposed Changes (Post-Consultation)**

Please see a separate document



## **Appendix H: Marked-up Procurement Guidelines for Proposed Changes (Post-Consultation)**

Please see a separate document



## **Appendix I: Marked-up ABSVD for Proposed Changes (Post-Consultation)**

Please see a separate document



## **Appendix J: Marked-up BSAD for Proposed Changes (Post-Consultation)**

Please see a separate document