

GDF SUEZ response to the C16 statements consultations

GDF SUEZ is responding to the Option1 package of questions. Whilst GDF SUEZ does not support the introduction of Supplemental Balancing Reserve (SBR), if National Grid does decide to proceed then we would like the SBR related responses to be considered.

As a general observation, there does not seem to be a sunset clause in any of the C16 Statements. A sunset clause is essential particularly if the capacity mechanism comes in late as this would give the market confidence that the capacity mechanism as currently proposed was not going to be replaced by SBR. The sunset clause would only allow these new balancing services to be procured for winters 2014/15 and 15/16. If there was an ongoing need for SBR and DSBR, there would be a requirement for National Grid and Ofgem to restart the whole consultation process.

Key points

- **SBR should be procured through a market tender and not through bilateral contracts as proposed in the Procurement Guidelines.**
- **National Grid should publish information on the SBR plant that have got a tender and also which plant were unsuccessful.**
- **SBR actions should only be classified as system management actions if they are taken to partially or wholly resolve a transmission constraint.**
- **If Ofgem's cashout reforms are not in place for November 2014, an urgent BSC modification will be need to ensure that the costs of SBR and DSBR feed into cashout.**

Answers to consultation questions

Consultation Question 1-1

Do you agree that the changes proposed to the BPS, shown in Table 1 have been implemented correctly to the BPS in Appendix A?

Yes.

Consultation Question 1-2

Do you agree that the changes proposed to the BPS, shown in Table 1 and in Appendix A should be made?

DSBR – yes.

SBR –no.

Consultation Question 1-3 –

Do you have any other comments in relation to the changes proposed to the BPS under Option 1?

No.

Consultation Question 1-4

Do you agree that the changes proposed to the BSAD, shown in Table 2 have been implemented correctly to the BSAD in Appendix B?

Yes.

Consultation Question 1-5

Do you agree that the changes proposed to the BSAD, shown in Table 2 and in Appendix B, should be made?

DSBR – yes.

SBR – no.

Consultation Question 1-6

Do you have any other comments in relation to the changes proposed to the BSAD under Option 1?

National Grid acknowledges that the costs of SBR and DSBR should feed into cashout prices but is awaiting Ofgem's reform of the cashout arrangements to suggest how. For this reason, National Grid is not proposing to factor the costs of these services into the BPA.

Ofgem has indicated that they will make a decisions on the type of reforms to the cashout arrangements by next Spring. After this, modifications will have to be raised. Due to the complexity of some of Ofgem's proposals and in particular the treatment of reserve option fees, it would seem very unlikely that the necessary modifications that would allow SBR and DSBR to feed into cashout will be in place in time for November 2014.

It is important that these costs do feature in cashout as without this, the market will not be able to see and respond to this scarcity signal. If Ofgem is not able to have the reforms in place by November 2014 then a workaround must be in place in the meantime. This could be achieved with an urgent BSC modification.

Consultation Question 1-7

Do you agree that the changes proposed to the PG, shown in Table 3 have been implemented correctly to the PG in Appendix C?

No - In the procurement guidelines it says that DSBR will be procured via a market tender and SBR through bilateral contracts. The consultation clearly states that SBR will be procured via a tender. The proposed changes to the Procurement Guidelines should be reviewed to ensure that this is clear.

The procurement guidelines also propose that the quantity of Supplemental Balancing Reserve and associated capability prices procured will be published and the quantity and utilisation price of any SBR despatched will be published.

Information should also be published as to which plant have got a tender and also which plant were unsuccessful (and therefore have to remain out of the market) as with this information the market can make an assessment of plant margins.

Consultation Question 1-8

Do you agree that the changes proposed to the PG, shown in Table 3 and in Appendix C should be made?

DSBR – yes

SBR – no

Consultation Question 1-10

Do you agree that the changes proposed to the SMAF, shown in Table 4 have been implemented correctly to the SMAF in Appendix D?

No. GDF SUEZ does not agree that an SBR action should be automatically treated as a system management action.

Intuitively these actions will have been taken to correct a supply shortfall and not for system management reasons. If this clause is to remain in the text then additional words should be added at the end to say "that partially or wholly resolves a transmission constraint".

For further information please contact:

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Appendix M - Response Proforma

National Grid invites responses to this consultation by **11th November 2013**. The responses to the specific consultation questions (below) or any other aspect of this consultation can be provided by completing the following proforma.

Please return the completed proforma to balancingservices@nationalgrid.com

Respondent:	Mari Toda
Company Name:	EDF Energy
Does this response contain confidential information? If yes, please specify.	No

Please indicate your preferred Option, answering the relevant questions accordingly:

Preference	Response Y/N	Question Responses
Option 1 – DSBR and SBR	Y	Please complete questions 1-1 to 1-13 only
Option 2 – DBSR only	N	Please complete questions 2-1 to 2-10 only
Option 3 – SBR only	N	Please complete questions 3-1 to 3-13 only

Option 1 – DSBR and SBR

No	Question	Response (Y/N)	Rationale
1-1	<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	<p>The changes illustrated in Table 1 reflect the proposed changes in the BPS.</p> <p>The revised BPS could, however, benefit from using abbreviations defined earlier. For example, on p.17, instead of spelling out Balancing Mechanism, the abbreviation BM could be used. Similarly, on p.17, instead of spelling out Supplemental Balancing Reserve service, the abbreviation SBR could be used.</p>

No	Question	Response (Y/N)	Rationale
1-2	<i>Do you agree that the changes proposed to the BPS, shown in Table 1 and in Appendix A, should be made?</i>	See comments.	<p>In general, we agree that the proposed changes are consistent with the consultation proposals and should be made.</p> <p>One key issue that we have is the impact SBR could have on Maximum Generation services. The consultation states that the SBR would be used as a last resort but the proposed amendments to the BPS (p.12) states that Maximum Generation will be despatched after SBR. In our view, it should be despatched ahead of SBR and the BPS should reflect this.</p> <p>If the intention is to despatch SBR ahead of Maximum Generation, we are concerned that SBR would displace Maximum Generation which does not receive an availability fee. This issue has not been addressed (nor discussed) and we do not think the changes to the BPS should be made without proper recourse for Maximum Generation service providers.</p>
1-3	<i>Do you have any other comments in relation to the proposed changes to the BPS under Option 1?</i>	Y	<p>As mentioned above, we are concerned that SBR would displace Maximum Generation. This issue has not been addressed (nor discussed) and we do not think the changes to the BPS should be made without proper recourse for Maximum Generation service providers. More clarity regarding the hierarchy of despatch will be useful.</p>
1-4	<i>Do you agree that the changes proposed to the BSAD, shown in Table 2, have been implemented correctly to the BSAD in Appendix B?</i>	Y	<p>The changes illustrated in Table 2 reflect the proposed changes in the BSAD.</p>
1-5	<i>Do you agree that the changes proposed to the BSAD, shown in Table 2 and in Appendix B, should be made?</i>	See comments.	<p>In general, we agree that the proposed changes are consistent with the consultation proposals and should be made.</p> <p>The BSAD states that the set-up fees for DSBR and capability payments for SBR will not feed in to the calculation of BPA. To be consistent with Ofgem's EBSCR proposals, we think this is right. However, Ofgem's proposals may not be fully adopted or implemented until 2015/2016 and it is not clear what NGET proposes to do in the interim period. In the short term, it may be necessary for these fees and payments to feed in to the calculation of BPA. The BSAD will need to capture the interim arrangements before the EBSCR proposals come in to effect.</p>
1-6	<i>Do you have any other comments in relation to the proposed changes to the BSAD under Option 1?</i>	Y	<p>We note that there is no mention of the treatment of utilisation fees in the BSAD.</p>

No	Question	Response (Y/N)	Rationale
1-7	<i>Do you agree that the changes proposed to the PG, shown in Table 3, have been implemented correctly to the PG in Appendix C?</i>	Y	The changes illustrated in Table 3 reflect the proposed changes in the PG.
1-8	<i>Do you agree that the changes proposed to the PG, shown in Table 3 and in Appendix C, should be made?</i>	See comments.	In general, we agree that the proposed changes are consistent with the consultation proposals and should be made. However, on p.28, for SBR, the means of procurement should state that it will be bilateral contracts derived from market tenders. Additionally, the timescales should explicitly state that it will be withdrawn on the first date the capacity mechanism comes into effect.
1-9	<i>Do you have any other comments in relation to the proposed changes to the PG under Option 1?</i>	N	
1-10	<i>Do you agree that the changes proposed to the SMAF, shown in Table 4, have been implemented correctly to the SMAF in Appendix D?</i>	See comments.	On the title page, the version date says 01.04.14. It should be 01.01.14. Apart from that, the changes are consistent with the consultation proposals and should be made.
1-11	<i>Do you agree that the changes proposed to the SMAF, shown in Table 4 and in Appendix D, should be made?</i>	Y	With amendments highlighted above.
1-12	<i>Do you have any other comments in relation to the proposed changes to the SMAF under Option 1?</i>	Y	We note that there is no mention of the treatment of utilisation fees in the SMAF.
1-13	<i>Although your preference was for Option 1, do you have any additional comments on Option 2 and /or Option 3 that you would like to make?</i>	N	

Option 2 – DSBR only

No	Question	Response (Y/N)	Rationale
2-1	<i>Do you agree that the changes proposed to the BPS, shown in Table 5, have been implemented correctly to the BPS in Appendix E?</i>		
2-2	<i>Do you agree that the changes proposed to the BPS, shown in Table 5 and in Appendix E, should be made?</i>		
2-3	<i>Do you have any other comments in relation to the proposed changes to the BPS under Option 2?</i>		
2-4	<i>Do you agree that the changes proposed to the BSAD, shown in Table 6, have been implemented correctly to the BSAD in Appendix F?</i>		
2-5	<i>Do you agree that the changes proposed to the BSAD, shown in Table 6 and in Appendix F, should be made?</i>		
2-6	<i>Do you have any other comments in relation to the proposed changes to the BSAD under Option 2?</i>		
2-7	<i>Do you agree that the changes proposed to the PG, shown in Table 7, have been implemented correctly to the PG in Appendix G?</i>		
2-8	<i>Do you agree that the changes proposed to the PG, shown in Table 7 and in Appendix G, should be made?</i>		
2-9	<i>Do you have any other comments in relation to the proposed changes to the PG under Option 2?</i>		
2-10	<i>Although your preference was for Option 2, do you have any additional comments on Option 1 and /or Option 3 that you would like to make?</i>		

Option 3 – SBR only

No	Question	Response (Y/N)	Rationale
3-1	<i>Do you agree that the changes proposed to the BPS, shown in Table 8, have been implemented correctly to the BPS in Appendix H?</i>		
3-2	<i>Do you agree that the changes proposed to the BPS, shown in Table 8 and in Appendix H, should be made?</i>		
3-3	<i>Do you have any other comments in relation to the proposed changes to the BPS under Option 3?</i>		
3-4	<i>Do you agree that the changes proposed to the BSAD, shown in Table 9, have been implemented correctly to the BSAD in Appendix J?</i>		
3-5	<i>Do you agree that the changes proposed to the BSAD, shown in Table 9 and in Appendix J, should be made?</i>		
3-6	<i>Do you have any other comments in relation to the proposed changes to the BSAD under Option 3?</i>		
3-7	<i>Do you agree that the changes proposed to the PG, shown in Table 10, have been implemented correctly to the PG in Appendix K?</i>		
3-8	<i>Do you agree that the changes proposed to the PG, shown in Table 10 and in Appendix K, should be made?</i>		
3-9	<i>Do you have any other comments in relation to the proposed changes to the PG under Option 3?</i>		
3-10	<i>Do you agree that the changes proposed to the SMAF, shown in Table 11, have been implemented correctly to the SMAF in Appendix L?</i>		
3-11	<i>Do you agree that the changes proposed to the SMAF, shown in Table 11 and in Appendix L, should be made?</i>		

No	Question	Response (Y/N)	Rationale
3-12	<i>Do you have any other comments in relation to the proposed changes to the SMAF under Option 3?</i>		
3-13	<i>Although your preference was for Option 3, do you have any additional comments on Option 1 and /or Option 2 that you would like to make?</i>		



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Date : 11 November 2013

Dear Nick,

Balancing Services ‘the Licence Condition C16 statements’ Consultation - Proposed Revisions to the Balancing Principles Statement, Balancing Services Adjustment Data Methodology Statement, Procurement Guidelines, System Management Action Flagging Methodology Statement. Incorporation of Demand Side Balancing Reserve and Supplemental Balancing Reserve as Balancing Services.

Option 3 changes - SBR Only - Proposed changes to the Balancing Principles Statement

Please see our responses to the consultation questions for Option 3 - SBR only. We shall be responding separately to the associated main consultation on the two products themselves; namely Demand Side Balancing Reserve (DSBR) and Supplemental Balancing Reserve (SBR).

Our comments are mainly in relation to the Balancing Principles Statement (BPS), though touch on the Procurement Guidelines. Our response is in this letter format as there appears to be is no Appendix M – response Proforma on the National Grid website.

I hope you find our comments helpful.

Yours sincerely

Garth Graham
Electricity Market Development Manager

Consultation Question 3-1

Do you agree that the changes proposed to the BPS, shown in Table 8 have been implemented correctly to the BPS in Appendix H?

No, please see our comments below.

Consultation Question 3-2

Do you agree that the changes proposed to the BPS, shown in Table 8 and in Appendix H, should be made?

Not without account being taken of our comments below. In addition, the BPS will need to be subject to further review and consultation following the main consultation on the principles of DSBR and SBR.

Consultation Question 3-3

Do you have any other comments in relation to the changes proposed to the BPS under Option 3?

No further comments than those below.

Balancing Principles Statement

PART B: GENERAL PRINCIPLES

Page 13 Part B Sec 5 (e) Maximum Generation Service

*For the avoidance of doubt, valid and feasible Bid and Offers are those Bids and Offers which facilitate the delivery of energy within the relevant Settlement Period. Under certain exceptional circumstances, it may be necessary to invoke the Maximum Generation Service before all valid and feasible Bids and Offers **or Demand Side Balancing Reserve or any available Supplemental Balancing Reserve** have been accepted.*

We have added the reference to SBR in the above.

Page 17 PART C: Sec 5 PRINCIPLES UNDERLYING BALANCING MEASURES

However, under certain circumstances, it may be necessary to invoke the Supplemental Balancing Reserve service before all valid and feasible Bids and Offers have been accepted or before all valid and feasible DSBR action have been called off. These circumstances may include:

(iv) where the acceptance of available Offers or call off of DSBR would lead to an erosion of frequency response and operational reserves below the required levels;

We do not agree that SBR should be used before Offers in this circumstance. Instead the Offers should be used first with the SBR held back to provide frequency response

levels and operational reserves. In this way, the correct cost signal is being provided to the market and the SBR is only being used when all Offers have been taken.

Page 31 Part D Sec 3.2 Reserve

~~(f) Supplemental Balancing Reserve~~

~~National Grid also reserves the right to take into account network constraints in assessing the relative merits of various SBR tenders.~~

(f) Supplemental Balancing Reserve

National Grid will not take into account network constraints in assessing the relative merits of various SBR tenders.

The originally proposed wording is inconsistent with and a significant departure from both the main consultation document; which makes no reference to either location or network constraints with respect to the ability of generators to get an SBR contract; and also the Electricity Capacity Assessment carried out by Ofgem with regard to the level of capacity margin.

If National Grid wish to attempt to assess SBR tenders based on location and the potential for plant to be behind constraints, then the Ofgem capacity margin numbers on which the rationale for the SBR is based must similarly recognise the potential for these constraints. As it stands Ofgem's Electricity Capacity Assessment does not take into account transmission constraints when estimating future capacity margins. If it did this would highlight the current situation as being even worse than anticipated (and that more SBR plant is required?). Generation plant behind a network constraint is included in the Electricity Capacity Assessment of capacity margin (and on which basis the tender for SBR is justified) and therefore should also be included, on a like-for-like basis, in any tender by National Grid for SBR.

Given this we have proposed revised wording to make it clear that like Ofgem's Electricity Capacity Assessment, plant location and network constraints will not be taken into account when assessing SBR tender responses.

Finally, notwithstanding our comments that it should not be included, it is not clear that the statement "*take into account network constraints in assessing the relative merits of various SBR tenders*" should not be in the Procurement Guidelines since it is more to do with the assessment of tenders rather than the dispatch of plant.

Annex – Consultation Documents on National Grid Website

C16 Consultations

On an annual basis, National Grid undertakes Consultations in respect of the C16 Statements. These are carried out in accordance with Special Condition C16 of the Transmission Licence. This page contains the latest Consultation carried out, together with Consultations from previous years which can be found in the archive.

Consultations

06 Nov 2013

C-16-DSBR-SBR-CONSULTATION-2013

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Appendix M - Response Proforma

National Grid invites responses to this consultation by **11th November 2013**. The responses to the specific consultation questions (below) or any other aspect of this consultation can be provided by completing the following proforma.

Please return the completed proforma to balancingservices@nationalgrid.com

Respondent:	Sara Bell
Company Name:	UK Demand Response Association
Does this response contain confidential information? If yes, please specify.	No

Please indicate your preferred Option, answering the relevant questions accordingly:

Preference	Response Y/N	Question Responses
Option 1 – DSBR and SBR	Y	Please complete questions 1-1 to 1-13 only
Option 2 – DSBR only		Please complete questions 2-1 to 2-10 only
Option 3 – SBR only		Please complete questions 3-1 to 3-13 only

Option 1 – DSBR and SBR

No	Question	Response (Y/N)	Rationale
1-1	<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	
1-2	<i>Do you agree that the changes proposed to the BPS, shown in Table 1 and in Appendix A, should be made?</i>	Y	
1-3	<i>Do you have any other comments in relation to the proposed changes to the BPS under Option 1?</i>	N	
1-4	<i>Do you agree that the changes proposed to the BSAD, shown in Table 2, have been implemented correctly to the BSAD in Appendix B?</i>	Y	
1-5	<i>Do you agree that the changes proposed to the BSAD, shown in Table 2 and in Appendix B, should be made?</i>	Y	

No	Question	Response (Y/N)	Rationale
1-6	<i>Do you have any other comments in relation to the proposed changes to the BSAD under Option 1?</i>	N	
1-7	<i>Do you agree that the changes proposed to the PG, shown in Table 3, have been implemented correctly to the PG in Appendix C?</i>	Y	
1-8	<i>Do you agree that the changes proposed to the PG, shown in Table 3 and in Appendix C, should be made?</i>	Y	
1-9	<i>Do you have any other comments in relation to the proposed changes to the PG under Option 1?</i>	N	
1-10	<i>Do you agree that the changes proposed to the SMAF, shown in Table 4, have been implemented correctly to the SMAF in Appendix D?</i>	Y	
1-11	<i>Do you agree that the changes proposed to the SMAF, shown in Table 4 and in Appendix D, should be made?</i>	Y	
1-12	<i>Do you have any other comments in relation to the proposed changes to the SMAF under Option 1?</i>	N	
1-13	<i>Although your preference was for Option 1, do you have any additional comments on Option 2 and /or Option 3 that you would like to make?</i>	Y	<p>Implementation of SBR without a successful DR opportunity alongside to address near-term security of supply would substantially disadvantage demand response. However, the DSBR as proposed is not a viable opportunity. We have a number of recommendations in respect of DSBR, many of which we believe to be <u>essential to its success</u>. We therefore urge National Grid to improve DSBR in the ways suggested and implement both schemes, rather than either moving forward with SBR alone or moving forward with a weak version of DSBR.</p> <p><i>[Note that the UKDRA's position is that implementation of the DSR Transitional Arrangements coincident with the enduring Capacity Market would provide DSR a viable opportunity to address security of supply (and could be run in parallel with the DSBR), but we understand this consideration is outside the scope of this consultation.]</i></p>

Option 2 – DSBR only

No	Question	Response (Y/N)	Rationale
2-1	<i>Do you agree that the changes proposed to the BPS, shown in Table 5, have been implemented correctly to the BPS in Appendix E?</i>	N/A	
2-2	<i>Do you agree that the changes proposed to the BPS, shown in Table 5 and in Appendix E, should be made?</i>	N/A	
2-3	<i>Do you have any other comments in relation to the proposed changes to the BPS under Option 2?</i>	N/A	
2-4	<i>Do you agree that the changes proposed to the BSAD, shown in Table 6, have been implemented correctly to the BSAD in Appendix F?</i>	N/A	
2-5	<i>Do you agree that the changes proposed to the BSAD, shown in Table 6 and in Appendix F, should be made?</i>	N/A	
2-6	<i>Do you have any other comments in relation to the proposed changes to the BSAD under Option 2?</i>	N/A	
2-7	<i>Do you agree that the changes proposed to the PG, shown in Table 7, have been implemented correctly to the PG in Appendix G?</i>	N/A	
2-8	<i>Do you agree that the changes proposed to the PG, shown in Table 7 and in Appendix G, should be made?</i>	N/A	
2-9	<i>Do you have any other comments in relation to the proposed changes to the PG under Option 2?</i>	N/A	
2-10	<i>Although your preference was for Option 2, do you have any additional comments on Option 1 and /or Option 3 that you would like to make?</i>	N/A	

Option 3 – SBR only

No	Question	Response (Y/N)	Rationale
3-1	<i>Do you agree that the changes proposed to the BPS, shown in Table 8, have been implemented correctly to the BPS in Appendix H?</i>	N/A	
3-2	<i>Do you agree that the changes proposed to the BPS, shown in Table 8 and in Appendix H, should be made?</i>	N/A	
3-3	<i>Do you have any other comments in relation to the proposed changes to the BPS under Option 3?</i>	N/A	
3-4	<i>Do you agree that the changes proposed to the BSAD, shown in Table 9 , have been implemented correctly to the BSAD in Appendix J?</i>	N/A	
3-5	<i>Do you agree that the changes proposed to the BSAD, shown in Table 9 and in Appendix J, should be made?</i>	N/A	
3-6	<i>Do you have any other comments in relation to the proposed changes to the BSAD under Option 3?</i>	N/A	
3-7	<i>Do you agree that the changes proposed to the PG, shown in Table 10, have been implemented correctly to the PG in Appendix K?</i>	N/A	
3-8	<i>Do you agree that the changes proposed to the PG, shown in Table 10 and in Appendix K, should be made?</i>	N/A	
3-9	<i>Do you have any other comments in relation to the proposed changes to the PG under Option 3?</i>	N/A	
3-10	<i>Do you agree that the changes proposed to the SMAF, shown in Table 11, have been implemented correctly to the SMAF in Appendix L?</i>	N/A	
3-11	<i>Do you agree that the changes proposed to the SMAF, shown in Table 11 and in Appendix L, should be made?</i>	N/A	

No	Question	Response (Y/N)	Rationale
3-12	<i>Do you have any other comments in relation to the proposed changes to the SMAF under Option 3?</i>	N/A	
3-13	<i>Although your preference was for Option 3, do you have any additional comments on Option 1 and /or Option 2 that you would like to make?</i>	N/A	