

Annual Industry Consultation

Proposed revisions to the
Applicable Balancing Services Volume Data Methodology Statement
Balancing Services Adjustment Data Methodology Statement
Procurement Guidelines,
System Management Action Flagging Methodology Statement,

In accordance with Standard Condition 16 (C16) of its Electricity Transmission Licence, National Grid is required to conduct an annual review of all licence statements, proposing changes as necessary.

Executive Summary

This consultation has been produced under Condition C16 of the Transmission Licence to undertake an annual review of National Grid's C16 Statements. This is in addition to the interim review consultation that was carried out towards the end of 2013 in order to reflect two new balancing services; Demand Side Balancing Reserve (DSBR) and Supplemental Balancing Reserve (SBR).

As a result, changes are proposed to the following documents:

- Applicable Balancing Services Volume Data Methodology Statement (ABSVD)
- Balancing Services Adjustment Data Methodology Statement (BSAD)
- Procurement Guidelines
- System Management Action Flagging Methodology Statement (SMAF)

A review of the Balancing Principles Statement (BPS) was undertaken in accordance with Licence Condition C16 5 (b) with no changes proposed.

The ABSVD has been updated with a housekeeping amendment to ensure that the calculation of ABSVD does not include the instructed volume from non-BM providers in relation to the utilisation of STOR.

The BSAD has been updated as a result of comments received following Ofgem's recent Impact Assessment of the new balancing services of Demand Side Balancing Reserve (DSBR) and Supplemental Balancing Reserve (SBR). For the avoidance of doubt, text has been added to explicitly exclude DSBR and non-BM STOR from the BSAD with corresponding existing text being removed from later in the document to ensure consistency and readability.

The Procurement Guidelines document has been updated with changes to include Commercial Frequency Management Service as a balancing service that can be procured as an Ancillary Service.

The SMAF Methodology Statement has been updated with changes that allow National Grid to retrospectively amend an incorrect SO-flag applied to a BM action whenever one of the two following scenarios occurs:

1. A Data Inquiry Report (DIR) is raised by National Grid's Electricity National Control Centre (ENCC); or
2. A discrepancy is observed during the post-event constraint tagging process and confirmed as being the result of incorrect flagging.

This change is related to the ongoing Electricity Balancing Significant Code Review as it directly impacts the proposal to make imbalance prices more marginal by reducing the level of Price Average Reference (PAR) from 500MWh. By enabling retrospective amendment of incorrect SO flags, the risk that system actions inadvertently affect system prices will be mitigated.

The changes to the above documents are detailed in Sections 2 to 5 inclusive of this consultation.

National Grid welcomes industry views on the proposed changes, and invites views on any other aspects of the subject documents for further consideration.

Responses are required by **12th February 2014**. Details on how to make a response can be found in Section 7.

Following receipt of responses to this consultation, National Grid will prepare and submit a report to the Authority by **19th February 2014**. This consultation, industry responses and the consultation report will all be published at the link below:

<http://www2.nationalgrid.com/uk/industry-information/electricity-codes/balancing-framework/c16-consultations/>

Current versions of the above documents can be found at the following link

<http://www2.nationalgrid.com/uk/industry-information/electricity-codes/balancing-framework/transmission-license-c16-statements/>

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1 Introduction

In accordance with Standard Condition 16 (C16) of its Electricity Transmission Licence, National Grid is required to conduct an annual review of all licence statements and, if appropriate, to propose changes to these documents.

The purpose of the annual review and consultation is to ensure that each of the applicable documents remains current by seeking industry views on any proposed changes. Proposed changes can only become effective if approved by the Authority.

As a result of this review, changes are proposed to the following documents:

- Applicable Balancing Services Volume Data Methodology Statement (ABSVD)
- Balancing Services Adjustment Data Methodology Statement (BSAD)
- Procurement Guidelines
- System Management Action Flagging Methodology Statement (SMAF)

A review of the Balancing Principles Statement (BPS) was undertaken in accordance with Licence Condition C16 5 (b) with no changes proposed.

2 Proposed Changes to the ABSVD

A housekeeping amendment was needed to ensure that the calculation of ABSVD does not include the instructed volume from non-BM providers in relation to the utilisation of STOR, as it is not currently technically possible to determine which service provider account to use for ABSVD purposes (even if the volume is known), as this volume would impact the account of the supplier rather than the relevant service provider.

Changes are detailed in Table 1 below.

Table 1 – Proposed changes to the ABSVD

Reference	Change
Title Page	Change to Effective Date Change to Version Number
Page 2	Update to version control table
Page 9	Insertion of text “not”

The proposed changes detailed above are shown in a changed marked version of the ABSVD attached as Appendix A.

Consultation Question 1

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

Consultation Question 2

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

Consultation Question 3

Do you have any other comments in relation to the changes proposed to the ABSVD?

3 Proposed Changes to the BSAD

Further to comments received following Ofgem’s recent Impact Assessment of the new balancing services of Demand Side Balancing Reserve (DSBR) and Supplemental Balancing Reserve (SBR), we have added text, for the avoidance of doubt, to explicitly exclude DSBR from imbalance calculations. In support of this, corresponding text relating to non-BM STOR has been included here from later in the document to ensure consistency and readability.

Changes are detailed in Table 2 below.

Table 2 – Proposed changes to the BSAD

Reference	Change
Title Page	Change to Effective Date Change to Version Number
Page 3	Update to version control table
Page 9	Insertion of text “For the avoidance of doubt, volumes and prices of both non-BM STOR and DSBR are covered via separate balancing services contracts and do not therefore feed into the energy imbalance price calculation at present.”
Page 13	Deletion of text “Utilisation payments for non-BM participants will be made via a separate balancing services contract payment and will not feed into the energy imbalance price calculation.

The proposed changes detailed above are shown in a changed marked version of the BSAD attached as Appendix B.

Consultation Question 4

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

Consultation Question 5

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

Consultation Question 6

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

4 Proposed Changes to the Procurement Guidelines

The Commercial Frequency Management Service has been identified within the Procurement Guidelines as a Commercial Ancillary Service that National Grid may be interested in purchasing. This service manages the rate of change of system frequency in the time period immediately following a disturbance and prior to the full delivery of frequency response.

Changes are detailed in Table 3 below.

Table 3 – Proposed changes to the Procurement Guidelines

Reference	Change
Title Page	Change to Effective Date Change to Version Number
Page 3	Update to version control table
Page 14	Insertion of text “Commercial Frequency Management Service”
Page 15	Insertion of bullet point “Frequency Management”
Page 17	Insertion of bullet point “Commercial Frequency Management Service – which manages the rate of change of system frequency in the time period immediately following a disturbance and prior to the full delivery of frequency response.”
Page 22	Insertion of bullet point “Frequency Management”
Page 27	Table 1 Insertion of a new ancillary service, means of procurement, and timescales

The proposed changes detailed above are shown in a changed marked version of the Procurement Guidelines as Appendix C.

Consultation Question 7

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

Consultation Question 8

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

Consultation Question 9

Do you have any other comments in relation to the changes proposed to the Procurement Guidelines?

5 Proposed Changes to the SMAF

The SMAF methodology was initially set up with no provision for retrospective changes to the system flagging for BM actions, although retrospective changes could be performed for non-BM actions. This was due to the uncertainties in the number and frequency of BM actions that would have to be changed and hence the operational implications of this.

There are currently two main processes under which erroneous flagging may be highlighted. The first of these is that engineers within the Electricity National Control Centre (ENCC) recognise that an action has been incorrectly flagged and raise a “Data Inquiry Report” (DIR) which is passed to the team responsible for recording these (to quantify this, during the year from May 2012 to April 2013, 66 DIRs were raised from which, only four half-hour periods

within the year were known to have system buy or system sell prices that were impacted by the flagging errors¹). The second route by which erroneous flagging is highlighted is by comparison to the actions identified in the post-event constraint tagging process. Each of these methods is used and reported in the annual “Flagging Accuracy Report” which reports to the industry on the accuracy of the flagging during the year and what the impacts of any discrepancies have been.

As a result of missed system flagging following the Saltend incident on 26th April 2013, subsequent consideration was given to modification of the SMAF methodology statement to allow National Grid to retrospectively change an incorrect system flag on a BOA where this had been erroneously set.

It is also relevant to the ongoing Electricity Balancing Significant Code Review as it directly impacts the proposal to make imbalance prices more marginal by reducing the level of Price Average Reference (PAR) from 500MWh. By enabling retrospective amendment of incorrect SO flags, the risk that system actions inadvertently affect system prices will be mitigated.

To this end, it is proposed that retrospective changes to the system flagging for BOAs can be made by National Grid in accordance with BSCP18, once amended by CP1400², whenever either of the following occurs:

1. A DIR is raised by the ENCC; or
2. A discrepancy is observed during the post-event constraint tagging process and confirmed as being a result of incorrect flagging.

The process would apply regardless of whether the action was initially involved in the setting of the main imbalance price, or would do so after the change, or if it had no involvement.

Please note that the revised flag amendment process will commence in line with the June 2014 Elexon Release to incorporate updates to Elexon systems to accommodate the flag amendments.

Changes are detailed in Table 4 below.

Table 4 – Proposed SMAF changes

Reference	Change
Title Page	Change to Effective Date Change to Version Number
Page 2	Update to version control table
Page 11	Delete text “However, National Grid will not amend incorrect SO flags applied to BOAs.” Insert text “Where there has been an incorrect SO-flag applied to any BOA, National Grid will retrospectively amend the flag, in accordance with BSCP18, whenever: 1. A Data Inquiry Report (DIR) is raised by National Grid’s Electricity National Control Centre (ENCC); or

¹ <http://www2.nationalgrid.com/UK/Industry-information/Electricity-codes/Balancing-framework/Transmission-license-C16-statements/>

² <http://www.elexon.co.uk/change-proposal/cp1400/>

Reference	Change
	<p>2. A discrepancy is observed during the post-event constraint tagging process and confirmed as being the result of incorrect flagging.”</p> <p>This revised flag amendment process will commence in line with the June 2014 Elexon Release to incorporate updates to Elexon systems to accommodate the flag amendments.</p>

The proposed changes detailed above are shown in a changed marked version of the SMAF as Appendix D

Consultation Question 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?

Consultation Question 11

Do you agree that the changes proposed to the SMAF, shown in Table 4 and in Appendix D, should be made?

Consultation Question 12

Do you have any other comments in relation to the changes proposed to the SMAF?

6 Consultation Questions

The consultation questions detailed here are also summarised within a response proforma as Appendix E.

ABSVD

Consultation Question 1

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

Consultation Question 2

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

Consultation Question 3

Do you have any other comments in relation to the changes proposed to the ABSVD?

BSAD

Consultation Question 4

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

Consultation Question 5

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

Consultation Question 6

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

Procurement Guidelines**Consultation Question 7**

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

Consultation Question 8

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

Consultation Question 9

Do you have any other comments in relation to the changes proposed to the Procurement Guidelines?

SMAF**Consultation Question 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?

Consultation Question 11

Do you agree that the changes proposed to the SMAF, shown in Table 4 and in Appendix D, should be made?

Consultation Question 12

Do you have any other comments in relation to the changes proposed to the SMAF?

7 Responding

Responses should be submitted by replying to the consultation questions within the response proforma, attached as Appendix E and e-mailing the completed proforma to balancingervices@nationalgrid.com

If you do not wish any elements of your response to be made publicly available, please mark these as confidential.

The consultation period for this document is 28 days. Responses should be returned no later than **12th February 2014**. Following the consultation, a report will be produced and submitted to the Authority within seven days of the consultation close. Due to the timescales for the Authority report, it may not be possible to accept late consultation responses.

It is envisaged that, unless directed otherwise by the Authority, the implementation date for each of the revised documents will be 1st April 2014.

8 Next Steps

Following receipt of responses to this consultation, National Grid will prepare and submit a report to the Authority in accordance with Electricity Transmission Licence Standard Condition C16 paragraph (8). The consultation document, consultation report, and all responses, will be published on National Grid's website:

<http://www2.nationalgrid.com/uk/industry-information/electricity-codes/balancing-framework/c16-consultations/>

The current versions of the subject documents referred to in this report can be found at the following link:

<http://www2.nationalgrid.com/UK/Industry-information/Electricity-codes/Balancing-framework/Transmission-license-C16-statements/>

Appendix A - Revised ABSVD

Please see separate document.

Appendix B - Revised BSAD

Please see separate document.

Appendix C - Revised Procurement Guidelines

Please see separate document.

Appendix D - Revised SMAF

Please see separate document.

Appendix E - Response Proforma

Please see separate document.