

Appendix E - Industry Responses

Response received from Drax Power Limited

National Grid invites responses to this consultation by **10 September 2015**. 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:	Cem Suleyman
Company Name:	Drax Power Limited
Does this response contain confidential information? If yes, please specify.	No

No	Question	Response (Y/N)	Rationale
1	Do you agree with the changes proposed to facilitate BSC Modification P305? If not, please provide rationale.	Yes	We agree for the same reasons presented in the consultation document.
2	Do you think any further changes are required to facilitate BSC Modification P305? If so, please provide details.	No	
3	Do you have any other comments in relation to the changes proposed to facilitate BSC Modification P305?	No	
4	Do you agree with the changes proposed to incorporate DSBR and SBR into the calculation of the cash-out price? If not, please provide rationale.	Yes	We agree for the same reasons presented in the consultation document. In particular, we believe it is sensible that ramping SBR units to and holding the units at Stable Export Limit (SEL) should not impact cash-out prices.
5	Do you think any further changes are required to incorporate DSBR and SBR into the calculation of the cash-out price? If so, please provide details.	No	
6	Do you have any other comments in relation to the changes proposed to incorporate DSBR and SBR into the calculation of the cash-out price (e.g. interaction with BSC Modification P323)?	No	

No	Question	Response (Y/N)	Rationale
7	Do you agree that actions taken to manage the risks associated with high RoCoF or Fault Levels should be considered 'System Management' actions and do you agree with the change proposed to implement this? If not, please provide rationale.	No comment	
8	Do you have any additional comments you would like us to consider regarding the changes proposed in this consultation?	No	
9	Are there any further changes that you think should be considered in this C16 interim review?	No	
10	Are there any changes that you think should be considered in the next C16 annual review?	No	

Response received from First Utility

Respondent:	Jeremy Guard
Company Name:	First Utility Ltd
Does this response contain confidential information? If yes, please specify.	No

No	Question	Response (Y/N)	Rationale
1	Do you agree with the changes proposed to facilitate BSC Modification P305? If not, please provide rationale.	Y	
2	Do you think any further changes are required to facilitate BSC Modification P305? If so, please provide details.	Y	See details to Q3.
3	Do you have any other comments in relation to the changes proposed to facilitate BSC Modification P305?	Y	See details to Q3

No	Question	Response (Y/N)	Rationale
4	Do you agree with the changes proposed to incorporate DSBR and SBR into the calculation of the cash-out price? If not, please provide rationale.	N	<p>We have a few concerns related to this:</p> <p>Firstly, it needs to be clear that in the unlikely event that a SBR or DSBR action is taken for Transmission Constraint purposes it will not form any part in the price formulation and will be tagged as such. A variety of changes will be required across the documents including the SMAF rules to remove the potential ambiguity that exists. For example; BSAD Methodology Statement 4.3 need a new point added "6. Any Balancing Action used to despatch Supplemental Balancing Reserve for the purposes of resolving a Transmission Constraint".</p> <p>Secondly, the CADL rules apply for actions of less than 15 mins. Thus, an SBR action taken for 1 minute in one settlement period and 15 mins in the next will impact the prices of 2 settlement periods. Under certain scenarios, this may not yield a cost reflective result and as such the costs of being out of balance, which are more significant to smaller players will be higher than necessary. For example a settlement period where for 29 mins it is balanced then in the last minutes an SBR action is called the whole settlement period will end up being prices at SBR rather than the 1-minute of action taken. The net effective is cashout pricing does not reflect the costs imposed by those out of balance on the system. This situation will be exacerbated on the move to PAR 1 as the highest priced action will be the SBR action. To resolve this we believe for SBR actions the 15-minute CADL rule should apply per settlement period rather than be an absolute duration. BSC parties can only balance energy in settlement periods and not partial periods, they therefore should not be penalised by costs incurred in partial periods they they cannot hedge.</p>
5	Do you think any further changes are required to incorporate DSBR and SBR into the calculation of the cash-out price? If so, please provide details.	Y	The references to tagging in C16, the CADL statement and SMAF rules need to be clear that SBR actions taken for Constraint action will be tagged out.
6	Do you have any other comments in relation to the changes proposed to incorporate DSBR and SBR into the calculation of the cash-out price (e.g. interaction with BSC Modification P323)?	N	

No	Question	Response (Y/N)	Rationale
7	Do you agree that actions taken to manage the risks associated with high RoCoF or Fault Levels should be considered 'System Management' actions and do you agree with the change proposed to implement this? If not, please provide rationale.	Y	
8	Do you have any additional comments you would like us to consider regarding the changes proposed in this consultation?	N	
9	Are there any further changes that you think should be considered in this C16 interim review?	N	
10	Are there any changes that you think should be considered in the next C16 annual review?	N	

Response received from Centrica

Respondent:	Sarah Owen
Company Name:	Centrica
Does this response contain confidential information? If yes, please specify.	No

No	Question	Response (Y/N)	Rationale
1	Do you agree with the changes proposed to facilitate BSC Modification P305? If not, please provide rationale.	Y	
2	Do you think any further changes are required to facilitate BSC Modification P305? If so, please provide details.	N	
3	Do you have any other comments in relation to the changes proposed to facilitate BSC Modification P305?	N	

No	Question	Response (Y/N)	Rationale
4	Do you agree with the changes proposed to incorporate DSBR and SBR into the calculation of the cash-out price? If not, please provide rationale.	Y	
5	Do you think any further changes are required to incorporate DSBR and SBR into the calculation of the cash-out price? If so, please provide details.	N	
6	Do you have any other comments in relation to the changes proposed to incorporate DSBR and SBR into the calculation of the cash-out price (e.g. interaction with BSC Modification P323)?	N	
7	Do you agree that actions taken to manage the risks associated with high RoCoF or Fault Levels should be considered 'System Management' actions and do you agree with the change proposed to implement this? If not, please provide rationale.	Y	
8	Do you have any additional comments you would like us to consider regarding the changes proposed in this consultation?	Y – these comments are in relation to the proposed changes to the BPS (5.1 to 5.5)	<p>As P305 has now been directed by the Authority, we suggest that DSBR contracts should be economically assessed in relation by the VoLL levels that will feed into the cash-out regime introduced under P305, rather than £17,000/MWh as calculated as part of the London Economics study. That given, future DSBR contracts with no set up costs should only be accepted only if their utilisation prices are below £3,000/MWh until November 2018 when this value should be increased to £6,000/MWh. Likewise DSBR contracts with a set-up cost should be also be evaluated on an economic basis against a VoLL of £3,000/MWh rising to £6,000/MWh from November 2018.</p> <p>It does not appear rational for National Grid to contract for products over and above the cost of the last available action – a demand control action- which is costed at £3,000/MWh (rising to £6,000/MWh) within the cash-out arrangements.</p> <p>If the contracts are not limited appropriately, this could lead to National Grid having to take uneconomic actions as DSBR contracts should generally be actioned ahead of SBR actions. Additionally, if utilised, the cost of these actions will impact BSUoS costs and, depending on the utilisation rates, they could ultimately impact consumer's costs.</p>

No	Question	Response (Y/N)	Rationale
9	Are there any further changes that you think should be considered in this C16 interim review?	N	
10	Are there any changes that you think should be considered in the next C16 annual review?	N	

Response received from Scottish Power

Respondent:	James Anderson
Company Name:	ScottishPower Energy Management Limited
Does this response contain confidential information? If yes, please specify.	No

No	Question	Response (Y/N)	Rationale
1	Do you agree with the changes proposed to facilitate BSC Modification P305? If not, please provide rationale.	Y	The proposed changes to the C16 statements (BSAD, SMAF and BPS) provide clarity on the detailed process steps required to implement Approve BSC Modification P305. This reduces uncertainty to users thus better facilitates competition.
2	Do you think any further changes are required to facilitate BSC Modification P305? If so, please provide details.	Y	We have concerns that tagging SBR actions up to (and including output at) the SEL of the relevant SBR BM Unit does not take account of unutilised Offers in the BM stack (which are displaced by the ramping and SEL volume) and could impact the resultant imbalance price in these periods. This could disrupt the continuum of imbalance prices as SBR utilisation approaches reducing the efficiency of signals sent to market participants. In addition, we note that the issue of compensation for plant displaced by SBR is being addressed as part of the NGET consultation on extending the SBR and DSBR services.
3	Do you have any other comments in relation to the changes proposed to facilitate BSC Modification P305?	N	
4	Do you agree with the changes proposed to incorporate DSBR and SBR into the calculation of the cash-out price? If not, please provide rationale.	Y	We believe that the changes proposed to the C16 Licence Statements accurately reflect the intentions of P305 by incorporating SBR and DSBR in the imbalance price.

No	Question	Response (Y/N)	Rationale
5	Do you think any further changes are required to incorporate DSBR and SBR into the calculation of the cash-out price? If so, please provide details.	N	Other than our concerns outlined at (2) above, we do not believe that any further changes are required.
6	Do you have any other comments in relation to the changes proposed to incorporate DSBR and SBR into the calculation of the cash-out price (e.g. interaction with BSC Modification P323)?	Y	In our response to the consultation on P323 we requested that, while it was impractical to implement an automated system for handling SBR and DSBR actions in time for the November 2015 BSC release, an impact assessment and cost-benefit analysis be carried out on delivering an automated system for future years (particularly in light of the consultation on extending the SBR and DSBR services. Until 2017/18). We note the aspiration by NGET in Appendix E to enable a solution which would allow imbalance prices to be published the following working day thus providing earlier signals to market participants.
7	Do you agree that actions taken to manage the risks associated with high RoCoF or Fault Levels should be considered 'System Management' actions and do you agree with the change proposed to implement this? If not, please provide rationale.	Y	We agree that actions taken to manage the risk associated with high RoCoF or Fault Levels should be flagged as System Management and believe that the proposed change achieves this.
8	Do you have any additional comments you would like us to consider regarding the changes proposed in this consultation?	N	
9	Are there any further changes that you think should be considered in this C16 interim review?	N	
10	Are there any changes that you think should be considered in the next C16 annual review?	N	

Response received from RWE

Respondent:	Bill Reed
Company Name:	RWE Supply & Trading GmbH
Does this response contain confidential information? If yes, please specify.	No

No	Question	Response (Y/N)	Rationale
1	Do you agree with the changes proposed to facilitate BSC Modification P305? If not, please provide rationale.	Y	
2	Do you think any further changes are required to facilitate BSC Modification P305? If so, please provide details.	N	
3	Do you have any other comments in relation to the changes proposed to facilitate BSC Modification P305?	N	
4	Do you agree with the changes proposed to incorporate DSBP and SBR into the calculation of the cash-out price? If not, please provide rationale.	N	We do not support the automatic tagging of SBR as a system action except in relation to tests. We believe that the price of the action taken should be reflected into cash out. Indeed an enduring solution should include the application of the Reserve Scarcity Pricing function to ensure that utilisation of SBR is fully aligned with other reserve products in relation to its treatment in cash out.
5	Do you think any further changes are required to incorporate DSBP and SBR into the calculation of the cash-out price? If so, please provide details.	Y	Yes – we believe that the Reserve Scarcity Pricing function should be applied to SBR.
6	Do you have any other comments in relation to the changes proposed to incorporate DSBP and SBR into the calculation of the cash-out price (e.g. interaction with BSC Modification P323)?	N	
7	Do you agree that actions taken to manage the risks associated with high RoCoF or Fault Levels should be considered 'System Management' actions and do you agree with the change proposed to implement this? If not, please provide rationale.	Y	We agree that actions taken to manage the risks associated with high RoCoF or Fault Levels should be considered 'System Management' actions.
8	Do you have any additional comments you would like us to consider regarding the changes proposed in this consultation?	N	
9	Are there any further changes that you think should be considered in this C16 interim review?	Y	We believe that the timely publication of BSAD actions should be considered in this interim C16 review so that these actions taken by National Grid are reflected into cash out at the time that they occur. We believe this is required to address concerns about the publication of "inside information" under the REMIT and Transparency Regulations.

No	Question	Response (Y/N)	Rationale
10	Are there any changes that you think should be considered in the next C16 annual review?	Y	If the timely publication of BSAD information is not considered as part of the C16 interim review then this issue should be addressed in the next C16 Annual Review. We believe this issue must be addressed to reflect concerns about the publication of "inside information" under the REMIT and Transparency Regulations.

Response received from E.ON

Respondent:	Guy Phillips
Company Name:	E.ON
Does this response contain confidential information? If yes, please specify.	No

No	Question	Response (Y/N)	Rationale
1	Do you agree with the changes proposed to facilitate BSC Modification P305? If not, please provide rationale.	Y	We agree that LFDD should be classed as an Emergency Instruction that is subject to SO-Flagging and included in the definition of 'System Management' in the SMAF. We agree with the changes to include non-BM STOR actions in the cash-out price and removal of STOR option fees from the BPA.
2	Do you think any further changes are required to facilitate BSC Modification P305? If so, please provide details.	N	We have not identified any additional changes that would be required.
3	Do you have any other comments in relation to the changes proposed to facilitate BSC Modification P305?	N	We have no further comments in relation to the changes to facilitate P305.

No	Question	Response (Y/N)	Rationale
4	Do you agree with the changes proposed to incorporate DSBR and SBR into the calculation of the cash-out price? If not, please provide rationale.	N	We agree with the changes proposed for DSBR, but do not agree with the changes proposed for SBR, in particular SO Flagging the actions to take SBR plant up to and hold at SEL. This is because it is inconsistent with the treatment of equivalent actions for other ancillary services. Also, at maximum the SBR SEL volume, circa 1.8GW, represents 75% of the SBR total volume, 2.454GW. We estimate that approximately 1.3GW of this volume would be subject to warming and synchronising instructions which may be further out than a DSBR instruction. This plant could be held at SEL and thereby mitigate against a stress event, avoiding the need for SBR to be instructed above SEL (or for DSBR to be instructed at all), but still in effect be used as a proxy for Demand Control actions that would otherwise be priced at VoLL. We understand that instead of VoLL the consequence of SO Flagging this volume is that it would be re-priced at the Replacement Price, which would be set at the marginal 1MWh under P305. This may attract the RSP where LoLP is closer to 1, however this is dependent on how the LoLP outturns for those periods where SBR plant is instructed to SEL but not taken above MEL. We do not think it necessarily follows that SBR volume up to SEL will be priced at a level that reflects the true value of the generation for those periods in these circumstances.
5	Do you think any further changes are required to incorporate DSBR and SBR into the calculation of the cash-out price? If so, please provide details.	Y	Depending on NGET's view of our response to question 4 on the treatment of the SBR volume up to SEL, changes would be required to reflect the pricing of this volume at VoLL. ID3.6 – 'T' needs to be added after 'Section' in the final sentence of the second paragraph explaining DSBR. (First paragraph on page 11 of BSAD methodology).
6	Do you have any other comments in relation to the changes proposed to incorporate DSBR and SBR into the calculation of the cash-out price (e.g. interaction with BSC Modification P323)?	Y	We note that P323 thus far is consistent with NGET's proposals in this C16 statements consultation. If NGET changes any of its proposals in light of responses to the consultation P323 may not be fully compatible and that further urgent changes to the BSC may be required if they are to be implemented for 5th November 2015.

No	Question	Response (Y/N)	Rationale
7	Do you agree that actions taken to manage the risks associated with high RoCoF or Fault Levels should be considered 'System Management' actions and do you agree with the change proposed to implement this? If not, please provide rationale.	Y	We agree that balancing actions used primarily to manage the Rate of Change of Frequency or fault levels should fall within the definition of a System Management action.
8	Do you have any additional comments you would like us to consider regarding the changes proposed in this consultation?	Y	We believe that it is essential that National Grid is obliged to publish details of all DSBR instructions as soon as they are issued for the purposes of real Demand mitigation purposes.
9	Are there any further changes that you think should be considered in this C16 interim review?	N	We have not identified anything further at this time.
10	Are there any changes that you think should be considered in the next C16 annual review?	N	We have not identified anything further at this time.