

Short Term Operating Reserve (STOR)



David Preston – STOR Lead

STOR

AGENDA

- Recent consultation on optimisation of technical parameters for Long Term STOR providers

- OCP-05 Introduction
- Specific consultation items from OCP-05
- Future tender round dates and tender availability
- Next steps and timetable

- Proposed introduction of new Flexible STOR product

Long Term STOR: Consultation on optimisation of technical parameters



Long Term STOR

OPTIMISATION OF DYNAMIC PARAMETERS

- National Grid approached with request to consider:
 - a one-off opportunity to amend certain tendered technical parameters for Long Term STOR providers
 - to accurately reflect site capability
- Short Term STOR providers can optimise at the end of each (two year maximum) contracted period
- Consistent with Market Information Report recommendations
- Effective upon expiry of current short-term contracts
 - Applicable from STOR Year 9 (April 2015)
 - Feedback invited from market participants in advance of potential amendment prior to TR22

Long Term STOR

OPTIMISATION OF DYNAMIC PARAMETERS

- 18 responses received – thank you
 - Respondents made up of existing short term and long term participants, inactive market participants and industry consultants
- 16 negative responses
- 2 positive responses
- Many references to “Material Change” from short term participants which National Grid believe is mitigated by a 2015 start date
- “Material Change” also been referenced by a Long Term participant, and without unity in this group National Grid is not in a position to progress with this proposal at this time

OCP-05



OCP-05

INTRODUCTION

- OCP-05 published on 27 September 2013
- Consulting on a number of amendments to SCTs
 - However intention is to keep review to a minimum and not overcomplicate the service terms
- In addition, National Grid is consulting on the inclusion of a new Flexible STOR product, introducing the concept of “premium” windows, where no SCT amendment is required
- Informal feedback can be communicated on the A2 sheets around the room

OCP-05

SHARING OF DNO CONNECTION CAPACITY

- **Summary:** Potential 3rd party installation of other generation equipment on embedded site, utilising existing DNO connection
- **Concern:** Possibility that 3rd party generation turned down to allow the export of a STOR unit, whereas STOR should result in a net change in generation / demand reduction commensurate with the contracted MW level
- **Proposed solution:** SCT amendment to account for this potential practice where this form of sharing connection capacity with a 3rd party generator is not permitted.
 - Clauses 2.10.3 & 3.10.3 (Provision of Other Services)
 - Amended definition of 'Reserve' to explicitly require the increase "net" export or decrease "net" import of active power from the Distribution System.

OCP-05

ADHOC SCT MODIFICATION PROCESS

- **Summary:** Inserting a clause into SCTs that would allow National Grid to bypass the formal OCP annual process if all parties in agreement with proposed amendment.
- **Concern:** National Grid can only currently commit to change on an annual basis.
- **Proposed solution:** Amendment to introduce flexibility and align to the Fast Reserve and FFR SCTs.

OCP-05

FLEXIBLE STOR REJECTIONS UTILISED IN OPTIONAL WINDOWS

- **Summary:** Recent confusion re utilisation of units in optional windows
- **Concern:** Providers not aware that where a flexible unit is rejected at week-ahead stage, it automatically remains available in SRD and the Control Room are able to call off at optional utilisation price.
 - No availability paid
 - No penalties for non-delivery
- **Proposed solution:** Fax form part II updated to reflect above and will make clear that if provider does not wish to remain available, must re-declare MW to 0 after receiving rejection fax.

OCP-05

SCT REFERENCE TO FACSIMILE COMMUNICATIONS

- **Summary:** SCTs generally refer to communications with National Grid made by facsimile or in writing
- **Concern:** Electronic communications are not currently referenced
- **Proposed solution:** Simple amendment to SCTs such that other relevant forms of communication can be utilised

OCP-05

SUBMISSION OF BID/OFFER DATA

- **Summary:** Amendment to the need for Bid / Offer volumes for BM STOR providers to equal the contracted level
- **Concern:** To reduce exposure to EOD penalties for BM providers where contracted MW change season to season
- **Proposed solution:** Amendment to SCTs to require the Bid / Offer Pair volume data to be at a level greater than or equal to the maximum contracted MW across a STOR year. (Note dispatch volumes remain capped to the contracted MW level in the dispatch system)

OCP-05

FUTURE TENDER ROUND DATES

Tender Round	Key Tender Round Dates					
	Tender sheets available by	Framework Agreements Deadline	Market Day	Results Day	Market Report Published by	Service Start Date
TR22	13-Dec-13	10-Jan-14	17-Jan-14	07-Mar-14	← 11-Apr-14	01-Apr-14
TR23	← 18-Apr-14	16-May-14	23-May-14	04-Jul-14	18-Jul-14	18-Aug-14
TR24	← 18-Jul-14	15-Aug-14	22-Aug-14	03-Oct-14	07-Nov-14	27-Oct-14

← Brought forward by a week

OCP-05

NEXT STEPS

- Questions regarding the content can be directed to:-
 - Claire Gumbley – 01926 654882
 - David Preston – 01926 655909
- Formal responses, including other proposals, are appreciated by e-mail to the following e-mail address no later than 5pm on Friday 25th October 2013:-
commercial.operation@nationalgrid.com
- Unless marked “Confidential” all responses will be published on the National Grid website

Proposed introduction of new Flexible STOR product



New Flexible STOR product

AGENDA

- Case for action
- Drivers
- Proposed solution
- Diagram of proposed solution
- What this achieves

New Flexible STOR product

CASE FOR ACTION

- Consequence in oversubscribed falling STOR market is flexible undercut
- National Grid want to preserve STOR as a single market
 - Ensuring liquidity, transparency and continued investment
- Rationale behind creating the flexible form initially was to allow a potential provider who could not “commit” firm availability, to be able to nonetheless participate in the STOR market on a voluntary week-by-week basis.
 - Widen net of potential providers unable to commit to all STOR windows
 - Protect National Grid from the risk of accepting flexible tenders which might ultimately deliver no availability at all
 - Lack of revenue certainty for flexible providers designed to reflect lack of availability “firmness” for National Grid
- National Grid are consulting upon whether the flexible market should be afforded a degree of protection through introducing a new Flexible product via Assessment Principles / ITT pack / contract award letter amendments
- Importance of service availability is paramount & will be considered at the assessment stage for any development of flexible form

New Flexible STOR product

DRIVERS

- **National Grid's approach has:**
 - Considered legal implications of any amendment & implementation timescales
 - Avoided potential system changes where possible (cost & lead time)
 - Been cognisant of the additional complexity to the Assessment process (tender & week ahead)
 - Been mindful of the value of the respective availability windows and incentivised availability when service is of optimal value to National Grid
 - Facilitated a devaluation concept that will be applied to this new product at the tender assessment stage
 - Taken account of the current levels of flexible availability

New Flexible STOR product

PROPOSED SOLUTION

- Introduce concept of “premium” windows for this product
- National Grid commits to accepting 85% of a full days offered availability where “premium” window offered
- Provides more certainty on forecast income where a provider responds to National Grid incentive
- Devalued at Assessment stage to reflect additional risk of under / over procurement and will be informed by:-
 - Availability expectations and/or Margin values associated with cost of alternative actions
- Available from TR22 (Jan '14 for contracts commencing 01 April '14) and will not apply retrospectively to existing flexible contracts awarded.
- “Premium” windows for each following year communicated on an annual basis in advance of 1st tender round each year (i.e. TR22, TR25 etc)
- Flexible volumes from this product will be capped - 100MW for 14/15 (STOR Yr 8)
- Utilises existing systems and functionality
- Current flexible model retained
 - Selectable option in ITT pack with no devaluer but potential for undercut remains

New Flexible STOR product

DIAGRAM OF PROPOSED SOLUTION

		M	T	W	T	F	S	S
W1	Flex Provider Availability Offer	✓	✓	✓	✓	✓	✓	✓
	NG Response	?	?	?	?	✓	✓	✓
		Accept / Reject at NG Discretion				≥85%	≥85%	≥85%
W2	Flex Provider Availability Offer	x	x	x	x	✓	✓	✓
	NG Response	Not offered to National Grid				✓	✓	✓
Premium						≥85%	≥85%	≥85%

New Flexible STOR product

WHAT THIS ACHIEVES

- Retains single market ensuring liquidity, transparency & investment
- Provider choice – National Grid offers 2 flexible models: Current Option A & New Option B
- Balance between additional commitment vs. increased National Grid risk
- Guarantees 85% availability income when provider offers optimal value to National Grid (i.e. in “premium” window)
- Retains National Grid assessment control
- Supports new entrants
- No SRD or Settlement systems impact
- Flexibility in National Grid highlighting “premium” windows season to season
- Option is mindful of potential wider market challenge from Committed or other Flexible providers
- Utilises National Grid historic experience of flexible availability to incentivise when valuable to National Grid
- Provides the opportunity to learn and review the product on a yearly basis being mindful of additional complexity in tender & week ahead assessment

Any Questions

Contact

David Preston

david.a.preston@nationalgrid.com