

Standing Group report to the CUSC Panel

Balancing Services Standing Group Report for the CUSC Modifications Panel

Proposal to suspend Balancing Services Standing Group meetings until further development is completed in discussion areas.

Date of issue: 21 May 2014

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About this document

The Balancing Services Standing Group prepares this report for the CUSC Modifications Panel to report on progress of discussion topics and to request to suspend Balancing Services Standing Group meetings pending further development of discussion topics.

This document contains the conclusions and recommendations made by the Balancing Services Standing Group.

Document Control

Version	Date	Author
0.1	21 May 2014	Balancing Services Standing Group

1 Background

- 1.1 The Balancing Services Standing Group (BSSG) was established as a CUSC Standing Group under the CUSC Modifications Panel and was tasked with reviewing the contractual arrangements for the procurement of Balancing Services as set out in the CUSC. This by definition covers the System Ancillary Services of Reactive Power, Frequency Response, System to Generator Operational Intertripping and the Maximum Generation Service.
- 1.2 Currently the BSSG do not have any discussions relating to Reactive Power, System to Generator Operational Intertripping and the Maximum Generation Services. The conclusions of these discussions can be found in the annotated Terms of Reference from August 2012 in Section 4 of this report.
- 1.3 The BSSG are currently discussing Frequency Response, in particular, Response Energy Payment for Mandatory Services and Rapid Frequency Response.

2 Conclusions

Response Energy Payment

- 2.1 It has been recognised that the current Response Energy Payment is not suitable for renewable generators who are subject to ROC payments and National Grid has been working with the industry via BSSG to explore how to address this issue.
- 2.2 National Grid has explored a number of solutions to address this issue with BSSG members and have subsequently proposed to the BSSG that a CUSC Modification should be raised to reverse the Response Energy Payment for wind.
- 2.3 At the BSSG meeting on 1st May 2014, the BSSG agreed that a CUSC Modification Proposal should be progressed in this area and National Grid have taken an action to raise a CUSC Modification on Response Energy Payment.
- 2.4 It is expected that this Modification Proposal will be presented to the CUSC Panel at the June Panel meeting.

Rapid Frequency Response

- 2.5 At the 14th Grid Code Frequency Response Working Group meeting, it was agreed to establish a Technical Sub Group which would be tasked to assess the volume of frequency response and inertia requirements for the transmission network.
- 2.6 The Grid Code Frequency Response Technical Sub-Group included a number of Wind Turbine and HVDC Converter manufacturer representatives and were asked for their views on their ability to deliver Rapid Frequency Response. There was a general consensus that the technical requirements could be met subject to reasonable development timescales. It was suggested that the BSSG looks into how procurement would work for Rapid Frequency Response from Wind generation.
- 2.7 The BSSG explored the nature of the mandatory frequency response service and whether this capability extended with current wind turbines or would require future development. The BSSG did not consider the procurement methods in depth but this would be likely to include, but not limited to, similar products to the current mandatory frequency response arrangements.
- 2.8 The BSSG noted that although some existing turbines may be capable of delivering Rapid Frequency Response, the supporting equipment may not have been designed for this and may therefore not be able to cope with delivering Rapid Frequency Response. This may have warranty, amongst other, issues.
- 2.9 The BSSG noted that other options to provide Rapid Frequency Response were being explored by the Grid Code Frequency Response Technical Group and that it was premature to consider the method of procuring mandatory rapid frequency response from wind turbines prior to the Technical Group concluding. It was expected that any conclusions would need to demonstrate the cost benefit of making rapid frequency response from wind a mandatory service.

3 Way forward

Response Energy Payment.

- 3.1 The BSSG have agreed for National Grid to raise a CUSC Modification which would propose to 'reverse' the Response Energy Payment for Wind generation. This is expected to be sent to the June CUSC Panel meeting.

Rapid Frequency Response

- 3.2 The BSSG consider that other options for delivering Rapid Frequency Response should be fully considered by the Grid Code Frequency Response Technical Sub Group and that an appropriate cost benefit analysis for them be conducted.
- 3.3 The BSSG have not highlighted any further areas for discussion and therefore wish to suspend the group pending outcomes of the Grid Code Frequency Response Technical Sub Group.

CUSC MODIFICATIONS PANEL Balancing Services Standing Group (BSSG) Terms of Reference

Introduction

1. This paper outlines the working arrangements and Terms of Reference for the BSSG.

Governance

2. The BSSG is established as a Standing Group under the CUSC Modifications Panel and shall act in accordance with Section 8.21 of the CUSC. The BSSG shall have regard for Core Industry Documents (specifically the Grid Code and the BSC).

Membership

3. The BSSG shall comprise a suitable and appropriate cross section of experience and expertise from across the industry, including:
 - National Grid (Chair & Technical Secretary)
 - National Grid representative
 - Generators (Portfolio, Independent and/or representative from the Energy UK)
 - Interconnector Operators (*optional*)
 - Distribution Network Operator (*optional*)
 - Supplier (*optional*)
 - Consumer Focus (*optional*)
 - Ofgem (*optional*)

Meeting Administration

4. BSSG meetings will take place every 6 weeks. Cancellation of meetings must be sufficiently justified and agreed by the majority of the group. Where meetings are cancelled a minimum of 5 business days notice must be provided. Where a meeting has been cancelled or postponed, the minutes from the previous meeting will be approved via email in order for them to be published on the National Grid website in a timely manner.
5. The agenda and any documents relating to the meeting will be circulated to the group 5 business days prior to the date of the meeting.
6. The BSSG meeting should, where reasonably practicable, be held on the same day as the Commercial Balancing Services Group (CBSG) meeting.
7. National Grid will provide technical secretary resource to the BSSG and handle administrative arrangements such as venue, agenda and minutes.

8. The BSSG will have a dedicated page under the CUSC section of the National Grid UK website. This will enable BSSG information such as minutes and presentations to be available to a wider audience. The link to the BSSG page is:
<http://www.nationalgrid.com/uk/Electricity/Codes/systemcode/workingstandinggroups/bssg/index.htm>
9. Any communication relating to the work of the BSSG and its meetings must be sent to the appropriate BSSG distribution list in a timely and consistent manner.

Scope and Objectives

10. The BSSG will review the contractual arrangements for the procurement of Balancing Services as set out in the CUSC. This by definition covers the System Ancillary Services of Reactive Power (mandatory and enhanced services), Frequency Response (part 1 – mandatory services), System to Generator Operational Intertripping and the Maximum Generation Service. The overall objective of the group will be to consider potential further developments to the provision of these Balancing Services with regards to procurement, charging principles and contracting and to consider priorities for such developments.
11. More specifically the group shall:

The outcome from the BSSG ToRs is shown below. National Grid, currently, does not have any issues related to the ToR for discussion. However, industry developments are likely to result in National Grid progressing further change in these areas as the need arises.

Reactive Power:

- i. Consider the current approach to the procurement of Reactive Power and identify areas for future development; in particular, incorporating offshore, impacts of a new generation mix, embedded generation, issues highlighted from CAP169 (Provision of Reactive Power from Power Park Modules, Large Power Stations and Embedded Power Stations) and ongoing applicability of payment structures.

Reactive Power Modification Proposal discussed at BSSG in May 2011. Grid Code E11 Reactive Despatch Network Restrictions approved 10 October 2011, consequential CUSC changes implemented via CMP199 Reactive Despatch Network Restrictions.

Report on “The Commercial Arrangements for the Obligatory Reactive Power Service from Offshore Generators” submitted to CUSC Panel 28th Oct 2011. No CUSC changes recommended

Status: Closed, although industry developments may result in National Grid progressing further work in this area.

Frequency Response:

- ii. Consider the current approach to the procurement of Mandatory Frequency Response and identify areas for future development; in particular, development of suitable market arrangements in light of new generation mix, frequency response payments (response energy price, and holding price), and Frequency Response arrangements with respect to Interconnectors.

The Frequency Response Workgroup is currently reviewing a draft Workgroup Consultation paper. The consultation outlines the discussions and proposed development by the Workgroup. The intention is to report back to GCRP in Q4 of 2012.

Status: Pending outcome from GCRP Workgroup

System to Generator Operational Intertripping:

- iii. Consider the current arrangements for operational intertrips introduced by CAP076 (System to Generator Intertripping Schemes), in particular the ongoing applicability of payment structures. In addition, consider the applicability of any new tripping payment level or structure to the disconnection payment arrangements introduced by CAP048 (Firm Access and Temporary Physical Disconnection).

The BSSG was not able to reach agreement on any changes to CAP076. In relation to CAP048, two CUSC Modifications were raised at the June 29 CUSC Panel:

- **CMP211: Alignment of CUSC compensation arrangements for across different interruption types;**
- **CMP212: Setting limits for claim: submission, validation and minimum financial threshold values in relation to Relevant Interruptions.**

These are being progressed under CMP211 and CMP212.

Status: Closed, although industry developments may result in National Grid progressing change in this area.

Maximum Generation Service

- iv. Based upon operational experience of using the Maximum Generation Service consider the arrangements of the Maximum Generation Service.

No areas currently identified for discussion

Information Provision:

- v. Consider the current approach of information provision with respect to balancing services and identify areas for future development within the CUSC.

No areas currently identified for discussion.

General:

- vi. Provide a focal point within the industry where parties can debate the high level procurement principles for those balancing services procured via the CUSC and enable all CUSC parties to be better informed.

The CBSG (Commercial Balancing Services Group) has been set up by National Grid in order to provide a focal point for the industry, balancing service providers and National Grid to discuss areas for development within commercial balancing services.

12. BSSG shall identify a priority order for its work (see below) and agree this with the CUSC Modifications Panel. In addition, where necessary, BSSG shall develop more detailed Terms of Reference for approval by the CUSC Modifications Panel. The BSSG shall review this priority order as each piece of work is completed, and in any event annually.
13. It should be noted that, in accordance with Section 8 of the CUSC, the BSSG as a Standing Group under the CUSC Modifications Panel cannot itself propose an amendment to the CUSC.
14. In considering the above issues, the BSSG should be cognisant of any related developments that may progress in any other Industry forums.

Time-scales

15. The BSSG shall consider the scope and objectives above and provide verbal updates at each CUSC Modifications Panel meeting as deemed necessary by the chair and, as a minimum, six monthly.

BSSG Priorities (in order of priority): Please see notes above for closure of issues

- i. Consider the current approach to the procurement of Mandatory Frequency Response and identify areas for future development; in particular, development of suitable market arrangements in light of new generation mix (ongoing working group "Frequency Response Working Group", a joint Grid Code and BSSG Working Group.)
- ii. Consider the mandatory Frequency Response arrangements with respect to Interconnectors (ongoing work within BSSG)

- iii. Consider the issues highlighted from CAP169 (Provision of Reactive Power from Power Park Modules, Large Power Stations and Embedded Power Stations), specifically the suitability of the default payment arrangements. Consider the Reactive payments arrangements for Offshore.
- iv. Consider the current arrangements for operational intertrips introduced by CAP076 (System to Generator Intertripping Schemes), in particular the ongoing applicability of payment structures. In addition, consider the applicability of any new tripping payment level or structure to the disconnection payment arrangements introduced by CAP048 (Firm Access and Temporary Physical Disconnection).
- v. Consider potential improvements to the current payment arrangements for frequency response (to the extent that this has not been covered by the existing "Frequency Response Working Group").
- vi. Consider the current approach to the procurement and payment structures of Reactive Power considering the impacts of a new generation mix.
- vii. Consider the current approach of information provision with respect to balancing services and identify development within the CUSC.