

Balancing Services Update

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Operations and Trading

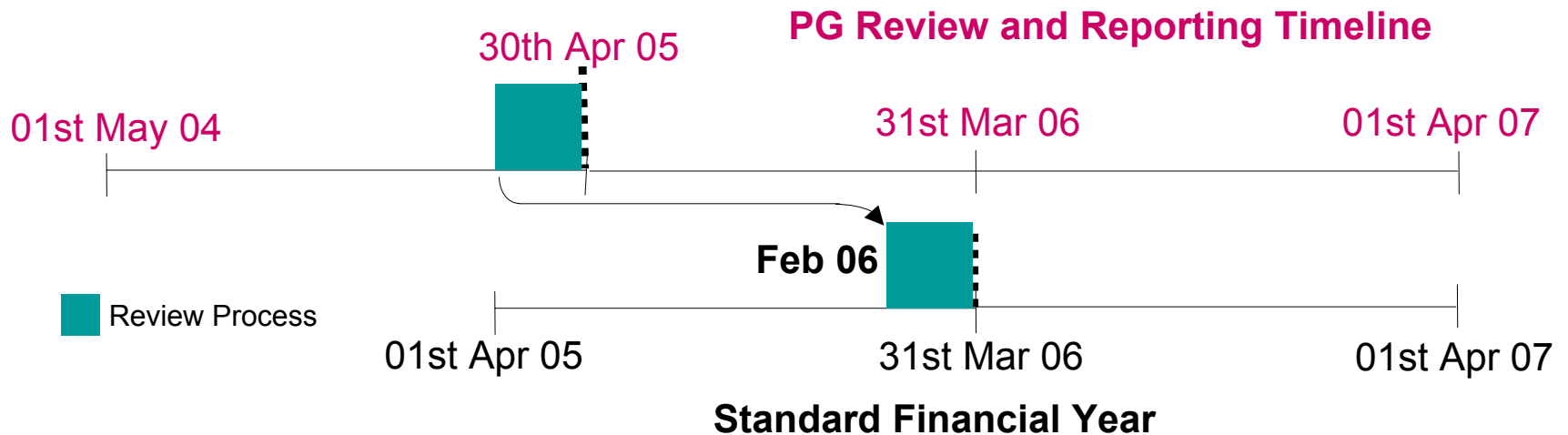
Overview

- Since the last Balancing Services Update...
 - Aligning Procurement Guidelines Report with Standard Financial Year
 - Demand Turndown Trial Services
 - 2005 Reactive Market Results
 - 2005/06 Standing Reserve
- In the pipeline...
 - Firm Frequency Response Service
 - SONAR System Development

Aligning Procurement Guidelines Report with Standard Financial Year

- In line with its Transmission Licence, National Grid carries out a formal annual Review of the Procurement Guidelines (PGs). A new version of the PGs, resulting from the Review, becomes effective on 1st May each year.
- The Transmission Licence also requires that National Grid produce a **PGs Report** to provide spend and utilisation information for the 12 month period between each annual PGs Review.
- If the PGs Review results in a new version taking effect on 1st May, the **PGs Report** will contain retrospective information on balancing services that NGT has procured across the period 1st May to 30th April
- The period covered by **PGs Report** is inconsistent with Standard Financial Accounting Year (1st April to 31st March) making it more difficult for us to compile and more difficult for parties to analyse against their own financial year.

Aligning Procurement Guidelines Report with Standard Financial Year



- In order to align the reporting period with the Standard Financial Year, we have agreed with Ofgem to delay the formal Review by 11 months.
- The Licence only allows for the timing of the Review to be delayed, but not brought forward.
- The change in timescales will mean that the next formal PGs Review will take place in Feb 06 and the PGs Report will cover the period to the end of March 06.

Aligning Procurement Guidelines Report with Standard Financial Year

Ensuring Continued Transparency

- In the absence of a formal Review of the PGs in 2005, the upcoming PG consultation to improve transparency of warming information (as mentioned at the last Operational Forum) will be expanded to enable the industry to comment on any aspect of the PGs.
- A unique consolidated version of the Monthly Balancing Services Summary Report for the period April 2004 to March 2005 will be published in order to provide the kind of information found in the PG Report.
- These steps maintain the visibility and transparency that would have been provided by the formal PG Review and Reporting process.
- Copies of correspondence between Ofgem and NGT that further explains the proposed change and alternative action that NGT will undertake can be found on the Industry Information Web Site:

http://www.nationalgrid.com/uk/indinfo/balancing/mn_whats_new.html

Demand Turndown Trial Services

Demand Turndown Minimum Tranche = 100MW

Demand Management Minimum Tranche = 25MW

- 17-week Winter trial has concluded (01st December 04 - 31st March 05; 85 Service Days)
- 2 Aggregators entered the trial with a total projected volume of approximately 160MW
- 1 x Standby Instruction on 27th Jan 05 and 1 x Utilisation Instruction issued on 10th Feb 05
- Preliminary analysis shows :
 - Demand Turndown was available on 27 days (32% of trial duration)
 - Demand Management was available on 55 days (64% of trial duration)

Demand Turndown Trial Services (ctd)

- We found that participation in the Summer Trial was lower than had initially been anticipated due to :
 - coincident supply contract negotiations
 - commercial drivers out weighed gains of Demand Turndown (e.g. Steel prices vs reduced production)
 - new providers were hesitant to participate
 - rigid service periods
- The Demand Turndown trial was extended into winter with modifications in service structure and flexibility in order to address learning points/issues from the Summer trial.
- However, there was intermittent availability of DT in the Winter trial due potentially to :
 - administrative constraints across the holiday season at the start of the trial
 - infrequent utilisation of the service arising from uncertainty over availability of service

Demand Turndown Trial Services (ctd)

- The trial successfully proved
 - the ability for aggregators to deliver capacity from disparate sites
 - established a consistent group of providers
 - the use of email for availability declarations and other data submission
- Demand Side going forward :
 - Report on Demand Turndown Trial scheduled to be released by June
 - Roll-out of Demand Management agreements
 - Feedback from Demand Turndown Trial to form part of considerations in the Reserve Review
 - Explore the possibility of aggregated consumption BM Units

2005 Reactive Market Results

- Fifteenth Reactive Market Tender Market Day - 19th November 04
- Tenders from 58 BM Units, 27 power stations, 14 generating companies
- 54 Tenders evaluated for Obligatory Reactive Power Service (ORPS)
- 29 Tenders (54%) offered Reactive Market Agreements
- 25 Tenders (46%) proceeded to Contract, commencing 1st April 05
- 51 BM Units currently have Market Agreements (25 from this Tender Round and 26 from previous Rounds) totalling 10,373 MVar (lag)
- Market Report by 13th May 05
- Sixteenth Tender Round (1 October 2005): Market Day 20th May 05

2005/06 Standing Reserve

- Agreements for Standing Reserve 2005/06 totalling 2269MW have been offered. Of this, 900MW has been contracted from non-BM providers comprising demand side and small embedded generation.
- There was a general increase both in the volume and the price of Standing Reserve tendered for 2005/06 from the levels seen in 2004/05.
- The increase in volume for 2005/06 comes from the addition of Scottish parties into the process as part of BETTA and several new non-BM providers as well as increased BM participation in England and Wales.
- Standing Reserve Market Report is scheduled for release in mid-May 05

Firm Commercial Frequency Response Product

- A service to manage uncertainty in market behaviour under CAP047 by increasing liquidity and providing a route to market for providers whose services may otherwise be inaccessible.
- Firm availability of Frequency Response from providers with a proven delivery capability. Unproven potential providers would need to be witness tested by NGT.
- Procured via a monthly GB wide tender for month ahead or multiple consecutive months and the service will be required Mon-Sun including Bank Holidays.
- We are in the process of deciding a suitable forum for communicating the service structure to the industry prior to the commencement of any Tender process.
- Tender process to commence late Summer 2005

System Operator Notification and Reporting System (SONAR)

- SONAR platform will facilitate notification and reporting of warning instructions with the potential to be developed to include other instructions.
- Release of SONAR will coincide with the conclusion of PG consultation on improving transparency of warning information.

SONAR - Bulletin Board Style Front Page

System Operator Notification And Reporting System

[Register](#)[Log Out](#)[Admin](#)

Notifications

- Messages
- PGBTs
- SO-SO Prices
- Warning Instruction

Start Date

End date

Welcome to the Real Time Notification System

Register now to receive email notification on the following **TEST SITE - TEST DATA ONLY**

Warning notifications only relate to instructions which may result in additional synchronisation

Observer Time 12 April 2005 12:58:13

Further Details	Agree date	Agree time	Category	Start Date	Start Time/ Cardinal Point	End Date (If Applicable)	End Time (If Applicable)	Update Flag
Click Here	10/04/2005	04:45:00	Warning Instruction	10/04/2005	08:25			
Click Here	10/04/2005	04:44:00	Warning Instruction	10/04/2005	07:50			
Click Here	10/04/2005	01:19:00	Warning Instruction	10/04/2005	07:25			
Click Here	10/04/2005	00:53:00	Warning Instruction	10/04/2005	06:55			
Click Here	10/04/2005	18:35:00	Warning Instruction	11/04/2005	06:35			
Click Here	11/04/2005	00:51:00	Warning Instruction	11/04/2005	05:55			
Click Here	11/04/2005	02:20:00	Warning Instruction	11/04/2005	05:20			
Click Here	11/04/2005	02:47:00	Warning Instruction	11/04/2005	05:50			

SONAR - E-mail Notification Example

✉ Sonar Website Warming Instruction - Message (HTML)

Reply Reply to All Forward Print Attachments Undo Redo Bold Italic Underline Bulleted List Numbered List Indent Outdent Undo Redo

File Edit View Insert Format Tools Actions Help

From: NGTUK Interactive Sent: Tue 29/03/05 10:00
To: Bryn-Jacobsen, Glenn
Cc:
Subject: Sonar Website Warming Instruction

A New notification has been reported to the SONAR System

Agreement Date 28/03/2005

Agreement Time 14:40

Estimated Capacity [MW] ██████████

Instruction Issued Warming/HS

Earliest Synch Date 28/03/2005

Earliest Synch Time 18:40

Status Update Date 28/03/2005

Status Update Time 15:08

Notification Number 437

Updates
Comments
Date Updates

Summary

- Procurement Guidelines formal review and reporting delayed by 11 months to align with Standard Financial Year and Regulatory Incentive Period.
- Demand Turndown winter trial concluded 31 Mar 05. Going forward Demand Management contracts will be offered.
- Agreements from 15th Reactive Market Tender have commenced. 16th Tender Round Market Day is on 20 May 05.
- Standing Reserve Agreements for 2005/06 totalling 2269MW have been offered.
- Firm Tendered Frequency Response is a service to manage uncertainty under CAP047. Tender process to commence late Summer 05.
- SONAR release to coincide with end of PG consultation on improving transparency of warming information.