

# Balancing Services Development Update

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# Agenda

- Supplemental Standing Reserve Update
- Maximum Generation Service
- Demand Turndown
- PGBT Review
- CCGT availability
- 2004/05 Standing Reserve – Tender Results
- 2004/05 Reactive Market Results

# SSR Timetable

Invitation To Tender published **14th October 2003**



Addendum to SSR **21st October 2003**



Tenders submitted by **27th October 2003**



Results notified **6th November 2003**



Contracts and service commenced **13th November 2003**



Market Report produced **28th January 2004**

# Supplemental Standing Reserve (SSR)

- Forecasts for winter 2003/04 indicated a shortfall in the reserve available in real time
- NGT issued a one off SSR Tender to economically procure additional reserve to provide greater confidence in provision of sufficient levels.
- Contract period 17 November 2003 to 1 April 2004
- 22 tenders received, 20 proceeded to contract
- Maximum 667MW BM Unit generation
- Maximum 185MW demand reduction and small generation

# Maximum Generation

- Maximum Generation Service (MGS) developed for Winter 2003/04
- Contracts have enabled some 700MW of MGS from 49 units
- Grid Code changes which allow for Emergency Instruction
- Ancillary Service Agreement to establish
  - a level above which MGS is delivered (MGMEEL)
  - prices for delivered energy
- ABSVD methodology removes the associated imbalance
- Balancing Principles Statement outlines when National Grid will utilise the service

# Maximum Generation - Issues

- Grid Code modification B/04 raised to establish, in the Grid Code, the use of EDL for MGS
- Concerns/issues regarding the service
  - breach of TEC, incentive to reduce TEC
  - confidence that MGS will be used in Emergency conditions
  - transparency of volumes and prices
  - why capacity is not made available in the BM
  - should it be a commercial service
  - definition of MGMEEL
- The Balancing Services Standing Group (BSSG) are looking at the development of an enduring solution

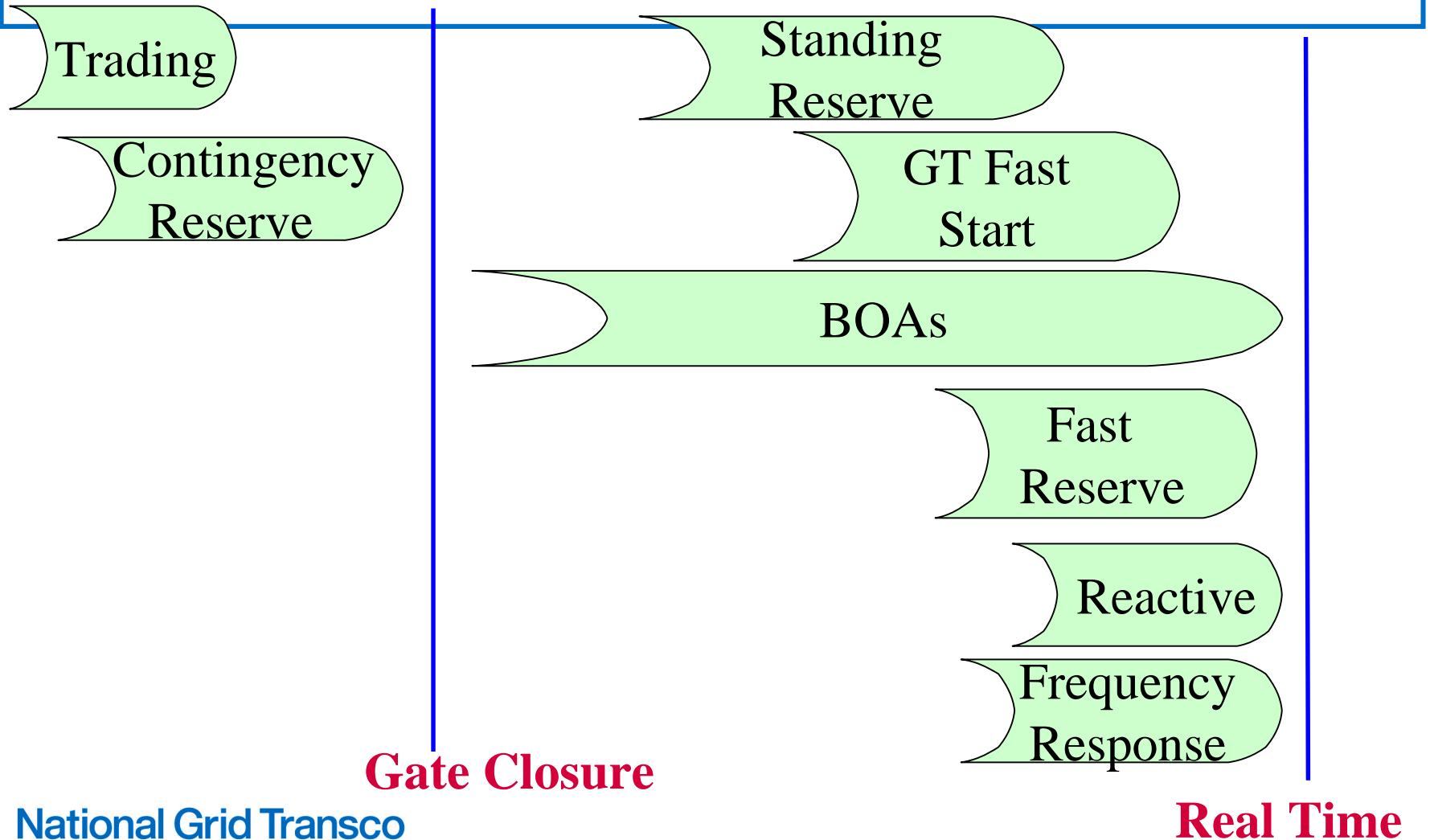
# Maximum Generation - Way Forward

- BSSG put forward a note to the CUSC panel recommending an emergency Service
- Further work to be undertaken:
  - Where the service should be effected
    - Service could be defined in the CUSC
    - Could the service be despatched in the Balancing Mechanism
  - NGT's obligations with respect to utilisation
  - Identify Grid Code and Transmission Licence document changes
- Proposal for a way forward will be sent to the next CUSC panel

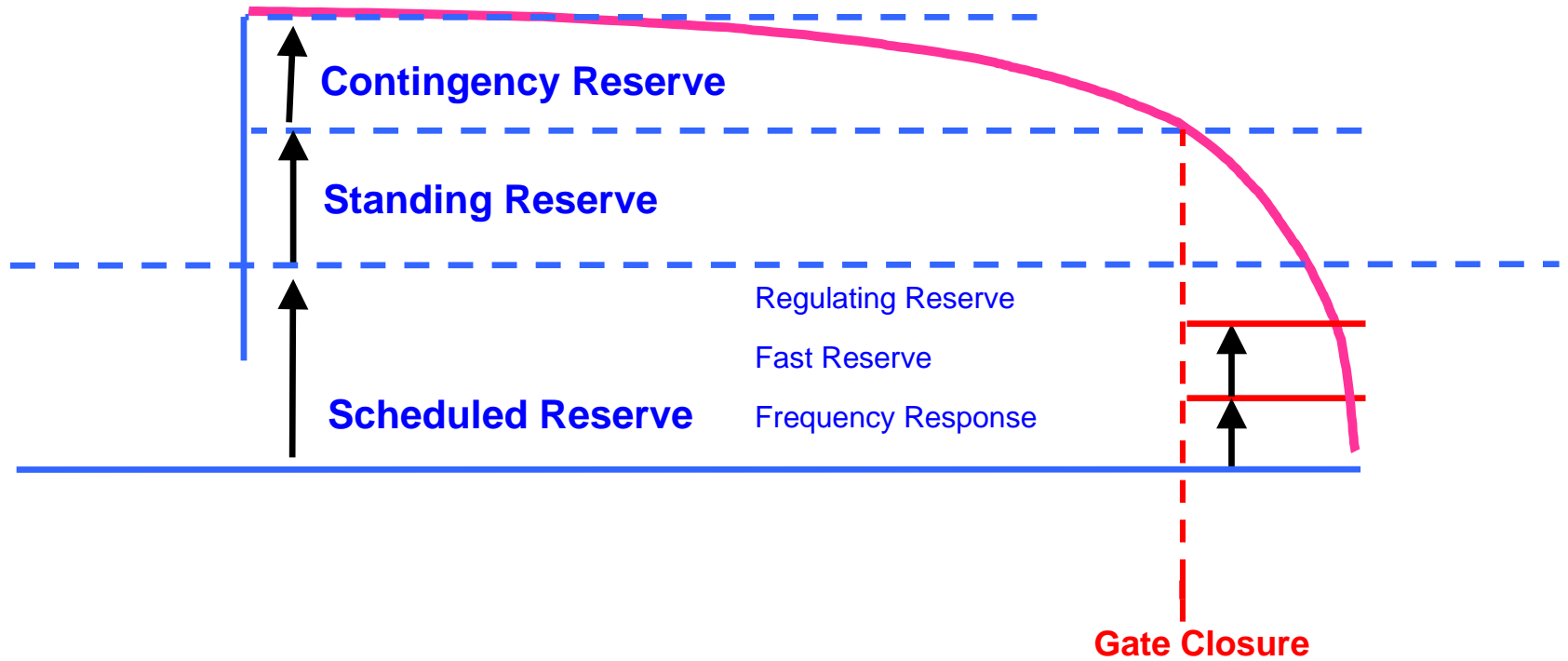
# Demand Turndown

- Demand side services already established
  - Standing Reserve
  - Frequency Response
  - Fast Reserve
- Increase demand side participation over and above existing providers – liquidity
- Service considered that can allow for more flexible dynamics
- Potential to deliver an alternative source of contingency reserve

# Service timescale



# Reserve Time Frames



# Demand Turndown

- Demand Side Working Group (DSWG) facilitated by Ofgem - set up aid demand side participation in NETA
- Initial proposals taken to DSWG in October
- Feedback and proposals from potential providers
- A number of issues addressed
  - Triad Avoidance
  - Delayed Start up providing the service
  - Availability payments
  - Provision of other services
  - Industry information
- Further proposals for a trial presented to DSWG in January

# Demand Turndown Trial Proposals

**Demand Turndown:** A trial service for the provision of contingency reserve via the reduction of demand during a set time frame.

## Service Parameters

- 100MW minimum Turndown Capacity
- Sustainable for at least 2 hours
- Service Windows 09:30 – 11:30 and 11:30 – 13:30
- Single Contracting Counterparty and Point of Despatch
- Identified Demand Sites
- Standby Period (SP) – fixed payment
- Call Off Period (COP) – payment on delivered MWs
- Availability fee – paid on accuracy of actual demand vs declared capability
- Daily Profile of Actual Demand
- Aggregated metered data

# Demand Turndown Trial Proposals

- Four month trial to take place 5 April 2004 to 31 July 2004
- Potential providers
  - Large demand users
  - Aggregators, for demand reduction and small generation
- Providers to contact NGT with intent to take part in trial
- Means of meeting the criteria
- NGT to link less than 100MW providers to aggregators
- Trial summary and ensuring proposals presented to the industry (August)

# PGBT Review – So Far

- PGBT's introduced at One Hour Gate
- The industry accepted the expedient implementation of a sub-optimal solution with respect to transparency and flexibility
- NGT undertook a review in 2003
- Proposal to develop a Open Tender process (POT)
- Recognition of a significant reduction in the use of PGBT's and a change in the behaviour of market participants
- Prior to further commitment to expenditure industry views sought on the enduring nature of PGBTs

# PGBT Review – Industry Views

- 12 respondents to the discussion document
- Majority of respondents support PGBTs
- However recognition that there is a requirement for flexibility and transparency
- Support an Open Tender process depending on cost and complexity
- Review should include all pre-gate actions

# PGBT Review – Way Forward

- Information will be consistent with other information provision arising from the NGT Transparency Review
- Looking at making additional information available to the industry with regard to margins affecting pre-gate decisions
- Information may consist of
  - Day - 1
    - peak margin requirement
    - aggregate MEL based on indicative IPN
  - Day + 1
    - Out turn MEL
    - aggregate of actions taken
- PDF files posted on NGT micro site

# PGBT Review – Way Forward

- NGT continuing to progress an Open Tender process
- Reviewing overall reserve procurement processes
- Any Open Tender process will be developed to accommodate other related pre-gate actions
- Specification and cost of implementation will be established against the original POT proposal

# CCGT Availability Declaration

- Present mechanism is not flexible enough to permit multishaft CCGT modules to fully reflect capability/availability
- NGT establishing and interim solution to multishaft CCGT availability
- CCGT's may inform NGT of availability that cannot currently be shown in the BM
- Allows for the available capacity to be considered in the same timescales as other BM decisions
- Longer term solution to be developed
- Consideration to be made to other forms of multiple BM Units (windfarms, hydro etc)

# 2004/05 Standing reserve Results

- Standing Reserve Tender Round held 18 November 2003
- 131 discrete tenders, 109 sites/units, 30 Companies
- Total of 2497MW tendered
- 117 Agreements being offered
- Representing a maximum of
  - 711MW demand reduction and small generation
  - 1445MW BM Unit generation
- SRA's to be signed by 5 March 2004
- Contracts commence 1 April 2004
- Market Report May 2004

# 2004/05 Reactive Market Tender Results

- Thirteenth Reactive Market Tender 28 November 2003
- Tenders from 46 BM Units, 23 power stations, 14 companies
- Tenders offered for periods of 12, 18 and 36 months
- All tenders represented Obligatory Reactive Power Service
- 32 Agreements are being offered
- Contracts commence on 1 April 2004
- Market Report May 2004
- Next Market day 28 May 2004 for 1 October 2004

# Summary

- Achievements to date
  - Supplemental Standing Reserve
  - Maximum Generation Service
  - 2004/05 Standing Reserve
  - 2004/05 Reactive Tender
- Developments
  - More Maximum Generation
  - Demand Turndown
  - PGBT/Reserve Review