

Delivering Transparency

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Agenda

- Transparency Review of Electricity Market Information
 - Background
 - Terms of Reference
 - Will the review make any difference in practice?
 - Understanding 'Transparency'
 - Principles of Information Provision
 - Delivering Transparency – current views & initiatives.
- Reminders
- Summary and Conclusions

Transparency Review - Background

Why are we undertaking a Transparency Review?

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Transparency recognised as key in facilitating the efficiency of the market and as such it has become increasingly important since NETA go live.

- Responses to last year's BPS and PGs annual review highlighted strength of industry feeling.
- National Grid offered to undertake a Review of Information Provision.
- Transparency key consideration in all recent market developments.
- Review now underway in earnest.

Transparency Review – Terms of Reference

“Improve information transparency through the provision of the right information, in the right format, at the right time and through the right commercial frameworks in an attempt to maximise the efficiency and effectiveness of the industry as a whole.”

This will be done by:

- Identifying the key transparency issues.
- Establishing the principles of Electricity Market Information Provision.
- Identifying and implementing transparency ‘quick wins’.
- Reviewing the appropriateness of existing data provision.
- Developing a plan to consult on and introduce improvements through modifications and change proposals where necessary.

Transparency Review – Will it make a difference in Practice?

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- There will be a better understanding of what is meant by transparency.
- There will be more regular communication with the industry to help it understand the types of operational decisions that have to be taken
- There will be a plan of action to increase the amount of valuable information provided to the industry.

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 - ‘Quick Wins’ – can be implemented with little difficulty
 - Medium timescales – will require changes to industry codes
 - Long timescales – will require both system and code changes

What do market participants mean by 'Transparency'?

- Greater understanding of why SO Control Room Actions are taken.
- More informative OC1 and OC2 data.
- Timely visibility of NGC actions that could impact the market.
- Greater detail and granularity associated with NGC actions.
- Information to all parties at the same time.
- Greater visibility of industry document consultations.

Transparency Review – Principles of Information Provision

- All information in relation to balancing activities undertaken by National Grid, will be made available if it helps the efficient operation of the wider market.
 - Ex-ante information will be made available if it helps the market to be in a position to balance without SO intervention.
 - Information will be made available to all parties at the same time, on an equal basis without discrimination or favour.
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There will be a pragmatic approach in applying these principles...

- Should not undermine commercial confidentiality.
- Should aim to facilitate competition only if possibility of competition exists.
- Should ensure that the benefits justify the costs.

Delivering Transparency – Current views & initiatives

Change to structure and increased frequency of Ops Forum

Delivering Transparency – Current views & initiatives

Change to structure and increased frequency of Ops Forum

- Forum to be held every 2 months
 - 04 Feb 04
 - 07 April 04 (I)
 - 02 June 04
 - 04 Aug 04 (I)
 - 06 Oct 04
 - 01 Dec 04 (I)
- Every other forum - 'Interim forum' focusing upon Operational Issues
- Continue to request feedback on content of each Forum
- Opportunity to raise specific questions in advance of the Forum

http://www.nationalgrid.com/cgi-bin/admin/mailform/mailform.pl?page=tpl_balancing_feedback.html

Delivering Transparency – Current views & initiatives

Introduce a monthly report on utilisation & costs of ancillary services.

- Based upon the annual Procurement Guidelines Report
- Information in a more timely manner
- Fact based
- Format can be reviewed following a trial period
- Aim to introduce in early June covering the month of April

More frequent update of BMRA data.

- Update of BMRA data on a half-hourly basis
- Change initiated by industry participant - CP976
- We have extended to include half-hourly update of Demand Forecast data
- Will be delivered in July 04

Delivering Transparency – Current views & initiatives

Carry out a review of existing OC1 and OC2 data provision.

Delivering Transparency – Current views & initiatives

Carry out a review of existing OC1 and OC2 data provision.

- Existing OC2 data – legacy of CEGB requirements.
- Feedback from the Industry that changes would be appropriate.
- TOR - Facilitate market participants' ability to balance their position ahead of gate closure by publishing additional information and increasing the clarity of existing information on the BMRS.
- Aim to present a comprehensive package of work, with rationale for proposed changes, at the May 04 GCRP
- Proposals will be separated into:
 - Category 1 changes - not requiring GC changes & implementable by NGT
 - Category 2 changes - impacting upon GC and requiring consultation
 - Category 3 changes - impacting upon GC, BSC and associated systems

Delivering Transparency – Current views & initiatives

Improved D-1 and D+1 information

Delivering Transparency – Current views & initiatives

Improved D-1 and D+1 information

- Will provide increased information re: Margin and Reserve requirements at the day ahead stage.
- Will provide a breakdown of outturn Margin and Reserve requirements at the D+1 stage
 - Share information available in the Control Room to help the market better understand Control Room actions
 - Provide timely information that allows the market to respond to the System needs and thus improve the efficiency of the market.
- Proposed changes will be presented at the GCRP (May 04)

Delivering Transparency – Current views & initiatives

Introduction of disaggregated BSAD

- Will provide greater transparency and disaggregation of pre-gate trades
- Incorporation of Non-BM Balancing Services costs into BSAD
- Will be introduced to support Marginal Pricing (P136) subject to approval
- If P136 not approved, BSAD disaggregation could be introduced as part of an alternative pricing modification.

Review information provided in relation to each balancing service

- Identify appropriate additional information or improvements to existing Balancing Services data.
- Appropriate changes proposed in the Transparency Review report to be published in June

Delivering Transparency – Current views & initiatives

Flexible solution for PGBTs and possible other pre-gate services.

- Specification developed for Open Tender PGBT system
- Reduced use of PGBTs – question the appropriateness of significant system development
- Recognition of Transparency issues associated with other pre-gate services – need for a more fundamental review

Interconnector Volumes and Prices available to the System Operator.

- Aim to make residual capacity and prices available in the public domain
- Transparent and Timely allowing market participants to react
- Dependent upon resolving contractual issues with RTE

Delivering Transparency – Current views & initiatives

Publication of Grid Code Consultation Responses

- Responding to requests from the industry
- Unless specifically requested not to, GC Consultation responses will be made available on the Industry information web-site

http://www.nationalgrid.com/uk/indinfo/grid_code/mn_consultation_papers.html

- N.B. Other improvements recently made to the Grid Code site

Lets not forget...

...a huge amount of information is already provided.

BMRS National Data

Day & Day ahead Demand and Margin Requirements
2-14 Day ahead requirements
2-52 week ahead requirements
System Warnings

BMRS Zonal Data

Demand & Margin Requirements

BMRS BMU Data

Physical Notifications
Bid / Offer Data (vol & cost)
Plant Dynamic Parameters
Accepted Bid / Offer Data (vol & cost)
BSAD (Day & Day ahead)

Transmission Licence Requirements / Industry Docs

Procurement Guidelines / Balancing Principles Statement / BPS Report and Audit / PGs Report / System Performance Report / Seven Year Statement / Winter Operations Report / ABSVD Methodology Statement / BSAD Methodology Statement / Grid Code / Balancing & Settlement Code...

Procurement Guidelines Report

Summary of all balancing services...
Usage (volume)
Aggregated spend
Trends and profiles...

Incentive Scheme

BSUoS Charging Reports
BSUoS Cost Breakdown
Price of Balancing Services

Balancing Services Provision

Invitation To Tenders
Reactive Power Market Report
Frequency Response - Prices & Requirements
Frequency Response - Monthly Prices and volumes
Standing Reserve Market Report
Standing Reserve - Monthly costs and volumes
Fast Reserve Market Report...

And lets not forget...

...Increasing Transparency and improving the Information provided to the market costs money and takes time.

- Financial Cost should be clearly outweighed by the benefits.
- System changes take time to develop, test and implement.
- Industry Codes changes have a structured change process that takes time.
- Finite resources – Large number of major systems projects already underway e.g. BETTA. Prioritisation of industry workload may result in delays to implementation of changes that are agreed.
- Investment required by each party if benefit of improved transparency to be realised.

Having regard to the above, we are committed to making all appropriate information available to the industry.

Conclusions

The Transparency Review is already making a difference. The industry is on a path that will:

“Improve information transparency through the provision of the right information, in the right format, at the right time and through the right commercial frameworks in an attempt to maximise the efficiency and effectiveness of the industry as a whole.”

Other undertakings, as part of the review or as a result of other industry initiatives, are likely to lead to further improvements in the Transparency of Information Provision over the next couple of years.

Looking Forward...

The Transparency Review is only a 'start'

Commitment – We will seek to ensure that all industry changes going forward will consider the issue of Transparency and ensure that the principles of Information Provision are adhered to.

- Aim to complete the Transparency Review by end of May 2004
- Aim to publish Transparency Review Report by end of June 2004
- Aim to present a package of changes to the GCRP May 2004
- Update on progress / findings of the review at the Ops Forum in June 2004