

# General Update

Mike Thorne

# Agenda

- Licence Condition AA4 Documents
- PGB Transactions
- Imbalance Pricing Modifications
- CUSC Modification CAP47

# Licence Condition AA4 Documents

- Procurement Guidelines
  - Sets out the types of Balancing Services we may be interested in purchasing and the mechanisms for doing so
- Balancing Principles Statement
  - Defines which Balancing Services we will use and when
- BSAD Methodology Statement
  - Defines how Balancing Services costs and volumes feed into imbalance prices
- ABSVD Methodology Statement
  - Defines how volumes associated with certain Balancing Services are removed from imbalance price calculations

# Consultation on AA4 Documents

- Issued 12<sup>th</sup> September
- Documents affected
  - Procurement Guidelines
  - Balancing Principles Statement
  - BSAD Methodology Statement
  - ABSVD Methodology Statement
- Responses due by 10<sup>th</sup> October
- NGT report to Ofgem by 17<sup>th</sup> October

# Consultation on AA4 Documents

## Proposed Changes

- Maximum Generation Service
- Demand Turndown
- Commercial Intertrips
- PGB Transactions
- Housekeeping to reflect change of office location

# Consultation on AA4 Documents

## Maximum Generation Service & Demand Turndown

- Details covered in earlier presentation
- Maximum Generation Service
  - Procurement Guidelines
  - Balancing Principles Statement
  - BSAD Methodology Statement
  - ABSVD Methodology Statement
- Demand Turndown
  - Procurement Guidelines

# Consultation on AA4 Documents

## Demand Turndown

- NGT looking to develop demand side balancing services
- Procurement Guidelines
  - Expansion of statement about development of new services with the demand side

# Consultation on AA4 Documents

## Commercial Intertrips

- BSC Mod P87 recently rejected
  - Changes to the method of calculating compensation following the operation of intertrip schemes
- ABSVD Methodology Statement
  - Allow service providers to remove resulting imbalance volume from the calculation of overall imbalance volume
  - Calculation of volumes will be as specified in the Commercial Services Agreement

# Consultation on AA4 Documents

## PGBT Open Tender

- PGBT utilisation is down compared with last year
- NGT will shortly launch an informal consultation on the long-term future of PGBTs
- Pending results of consultation, if long-term requirement confirmed then will aim to implement open tender process during 2004
- NGT plans to continue using PGBTs this winter

# PGBT Utilisation

## Since July 2002

	Up to Feb 03	Up to Sept 03	Since Feb
● PGBTs agreed			
● Total	463	566	+103
● Buys	296	382	+86
● Sells	167	184	+17
● Volume (GWh)			
● Total	614	761	+147
● Buys	288	388	+100
● Sells	326	373	+47

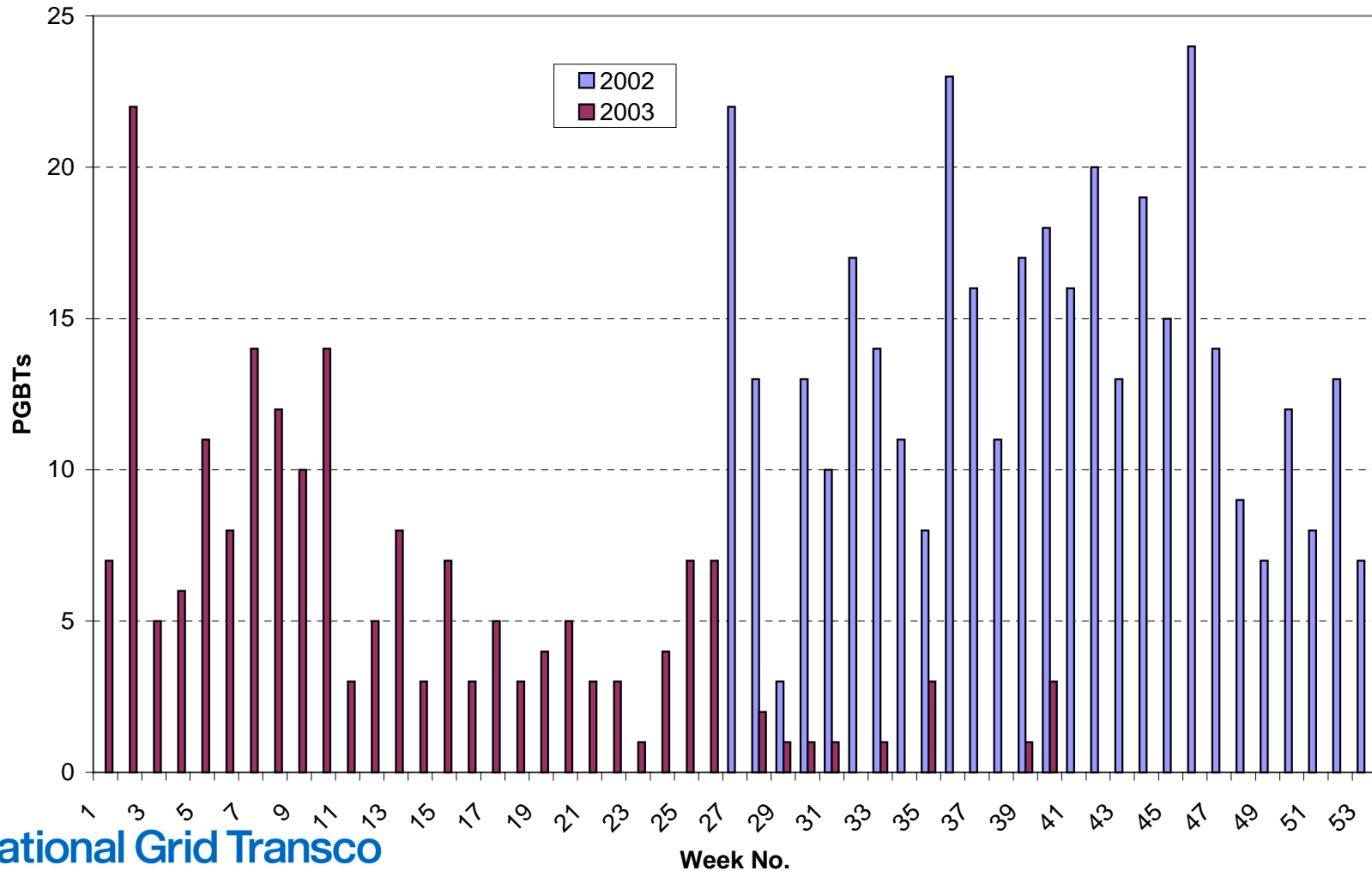
# **PGBT Utilisation**

**Since July 2002**

**(as a proportion of PGBT numbers)**

	Up to Feb 03	Up to Sept 03	Since Feb
● Operating margin	57%	66%	+9%
● Downward regulation	40%	31%	-9%
● Resolving constraints	3%	3%	0%

# PGBT Utilisation Since July 2002



# PGBT Developments

## PGBT Special Ramp Rates

- Special ramp rates for PGBT offers introduced in March, but not less than 0.2 MW/min
- From Wed 15<sup>th</sup> October a lower limit of 0.01MW/min will be introduced for PGBT special ramp rates
- Integer break points only as now
- Message on industry information web site

[www.nationalgridinfo.co.uk/balancing/mn\\_whats\\_new.html](http://www.nationalgridinfo.co.uk/balancing/mn_whats_new.html)

# Update on Imbalance Pricing Modifications

- P135 rejected by Ofgem
- BSAD change for Standing Reserve option fees approved by Ofgem
  - Implementation due 24<sup>th</sup> October
- P136 proposed by NGT
  - Marginal Definition of the 'Main' Energy Imbalance Price
- P137 proposed by Barclays Capital
  - Revised Calculation of System Buy Price and System Sell Price

# P136 & P137 - Marginal Imbalance Pricing

## Spot the Difference!

- Both mods are essentially the same in principle
  - Marginal imbalance pricing for the 'main' price
  - Reverse price calculation unchanged
  - Take account of non-BM NGT actions
- Differ in proposals for detailed tagging process
- Possible differences regarding consequential changes to BSAD Methodology Statement
  - e.g. disaggregated BSAD
- One BSC Mod Group considering both proposals

# P136 & P137 - Timetable

- BSC changes
  - Assessment Report to BSC Panel - November 03
  - Final Report to BSC Panel - December 03
  - Final Report to Ofgem - December 03
- Consequential BSAD changes
  - Consultation - November 03
  - Report to Ofgem - November/December 03
- BSC and BSAD processes to be aligned
- Ofgem will have all relevant reports when making decision

# Summary of BSAD Consultations

- Three consultations on BSAD Methodology Statement
- We are aware of potential overlaps and are managing them
  1. Standing Reserve option fees
    - Approved by Ofgem for implementation 24<sup>th</sup> October
  2. Main AA4 consultation (Maximum Generation Service)
    - Closes 10<sup>th</sup> October
  3. P136/P137
    - Consultation due November

# **CUSC Amendment Proposal 47**

## **Introduction of a Competitive Process for the Provision of Mandatory Frequency Response**

- ‘Holding payments’ are currently cost-reflective
- Minimum of 2 months between changes in prices
- NGT has to agree with the service provider:
  - that prices can change
  - that prices are cost-reflective

## **CAP 47 - Original & Alternative A (Innogy)**

- The right for providers to alter prices for holding payments each month without NGT agreement
- The lifting of the cost reflective principles with respect to holding payments
- NGT to publish detailed historic information and future requirements each month
- Default holding payments set to previous month's or to zero if no previous submission
- Minor changes suggested by BSSG and agreed by proposer (Alternative A)

## CAP 47 - Alternative B (NGT)

- Cost reflective principles retained for base prices
- Price increases limited for first two years followed by a review
- Incentive arrangements to ensure delivery of response services

## CAP 47 - Progress to Date

- Amendment report sent to Ofgem 5<sup>th</sup> September 03
- NGT recommended Alternative B for implementation
- Awaiting Ofgem decision

# Summary

- AA4 Consultation closes 10<sup>th</sup> October
- Forthcoming consultation on long-term future of PGBTs
- NGT will to continue use PGBTs through this winter
- P136/P137 work ongoing
- Awaiting decision on CAP47