

Balancing Services Update

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Agenda

- ◆ BM Start-Up Service: post-implementation notes
- ◆ STOR: key dates

BM Start-Up Service

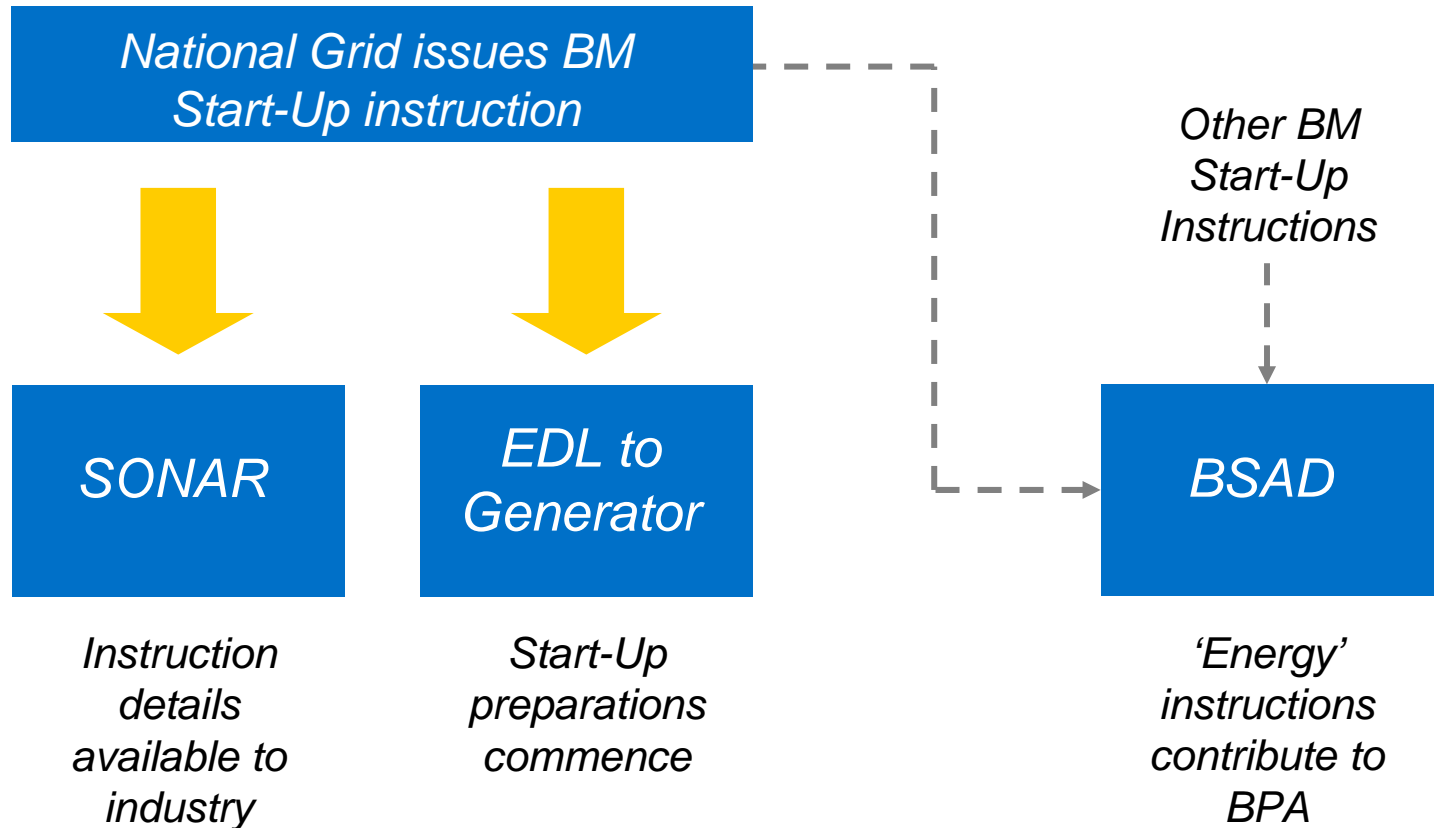
- ◆ Service went live on 1st November 2006
- ◆ System changes went to plan
- ◆ Currently signed up coal/oil plant, others to follow
- ◆ Service utilisation high, as go-live coincided with tight margins

BM Start-Up Service - Statistics

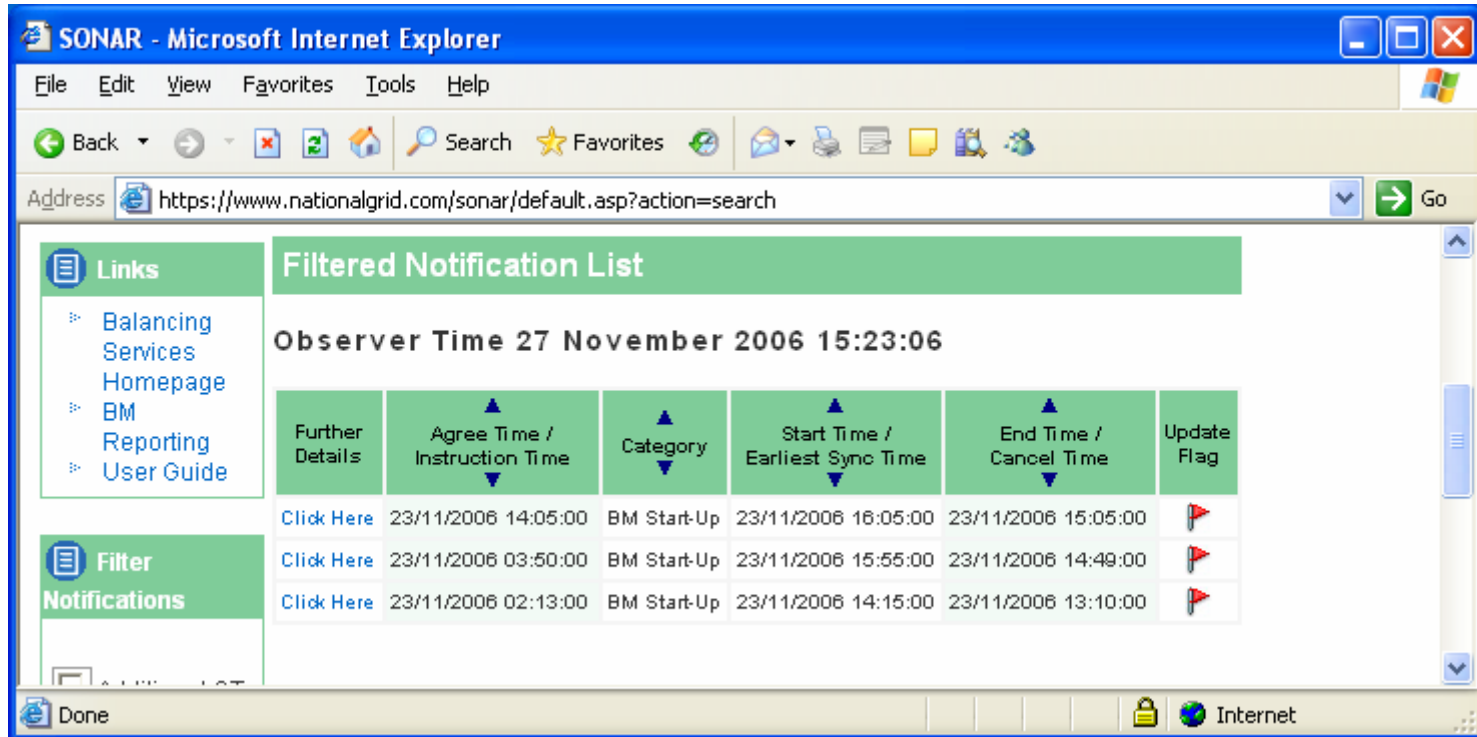
- ◆ 67 instructions issued for additional syncs
- ◆ Majority of BMUs have been marginal oil

<i>BM Start-Up Payments</i>	<i>Hot Standby payments</i>	<i>Total Net BM Costs</i>
<i>£5.2m</i>	<i>£60k</i>	<i>£10.8m</i>




BM Start-Up Service – instruction



BM Start-Up Service – market information



The screenshot shows the SONAR website in Microsoft Internet Explorer. The address bar displays the URL: <https://www.nationalgrid.com/sonar/default.asp?action=search>. The page title is "Filtered Notification List". The observer time is "27 November 2006 15:23:06". The table below lists three notifications for "BM Start-Up" services.

Further Details	Agree Time / Instruction Time	Category	Start Time / Earliest Sync Time	End Time / Cancel Time	Update Flag
Click Here	23/11/2006 14:05:00	BM Start-Up	23/11/2006 16:05:00	23/11/2006 15:05:00	
Click Here	23/11/2006 03:50:00	BM Start-Up	23/11/2006 15:55:00	23/11/2006 14:49:00	
Click Here	23/11/2006 02:13:00	BM Start-Up	23/11/2006 14:15:00	23/11/2006 13:10:00	

- ◆ SONAR website summarises activity, with e-mail notification
- ◆ Intention is to inform the market of our need for additional reserve and allow the potential impact of activity on Providers to be determined

BM Start-Up Service – market information

Detailed information available for each BMS instruction:

Subject: SONAR: New BM Start-Up Instruction

A New notification has been reported to the SONAR Reporting System

Instruction Time 23/11/2006 02:13:00

Estimated Capacity [MW] 650

Cancelled by

Cancellation Time

Earliest Synch Time 23/11/2006 14:15:00

BPA Start Date 23/11/2006

BPA Start Period 32

BPA End Date 23/11/2006

BPA End Period 38

Energy/System Flag ENERGY

Start Up Price (£/h) 9500

Indicative Start Up Cost (£) 103708.3

<https://www.nationalgrid.com/sonar/>

- ◆ Requirement covers seven settlement periods
- ◆ Cost at HSTT: **£103,708.30**
- ◆ Cancellations:
 - ◆ By National Grid (No longer required, BOA issued)
 - ◆ By Generator (PN received, MEL declared down)

BM Start-Up Service – BPA

Information provided on SONAR allows a view to be formed as to what the impact on BPA will be...

- ◆ By dividing the total cost by the total volume of reserve created, a view of the impact of the BM Start-Up instruction on BPA, if it runs to term, can be formed:

Total Cost = **£103,708.30**

Total volume = 650 MW x 3.5 hours (periods 32 to 38) = **2275 MWh**

Approximate impact on BPA: $103,708.30 \div 2275$

= **£45.58/MWh** per settlement period

Notes:

- ◆ *Where there are multiple instructions for the same BPA periods that run to term, the total cost should be divided by the total volume*
- ◆ *Where instructions do not run to term, the calculation must be performed on a minute-by-minute basis as per BSAD methodology statement*

BM Start-Up Service: design aspects

- ◆ Key changes from W&HSB:
 - ◆ **Start-Up payments now firm** – start-up costs no longer need to be recovered via BM offer prices
 - ◆ **Different Start-Up rates** depending on NDZ at instruction issue – better cost recovery for different states of plant
- ◆ Initial observations:
 - ◆ Offer prices do not appear to have reduced
 - ◆ NDZs tend to be declared back to ‘cold’ levels shortly after BOA issue
- ◆ Service operation is being reviewed and will be discussed with Providers over coming weeks

STOR: Contract Terms

- ◆ STOR replaces Standing Reserve from April 2007
 - ◆ Seminar held in October 06, after which draft terms were published
 - ◆ views were invited on draft terms, comments were received, now...
 - ◆ Final Standard Contract Terms and Framework Agreement now available - effective date **1st December 2006**

- ◆ Framework Agreements **must** be entered into if tenders are to be submitted for 1st tender round Market Day

<http://www.nationalgrid.com/uk/Electricity/Balancing/tenderreports/STOR/>

STOR: Tender Round 1 Information

- ◆ Tender Sheets and Market Information published this week
- ◆ Market Day: **19th January 2007**
- ◆ Tender results announced: **2nd march 2007**
- ◆ Service commencement: **1st April 2007**
- ◆ Framework Agreement **must** be in place to qualify a site/BMU to tender

Summary

- ◆ BM Start-Up implementation process successful
 - ◆ Service operation being monitored
- ◆ Standing Reserve being replaced with STOR
 - ◆ Framework Agreement must be in place to qualify a site/BMU to tender (first Market Day is 19th January 2007)