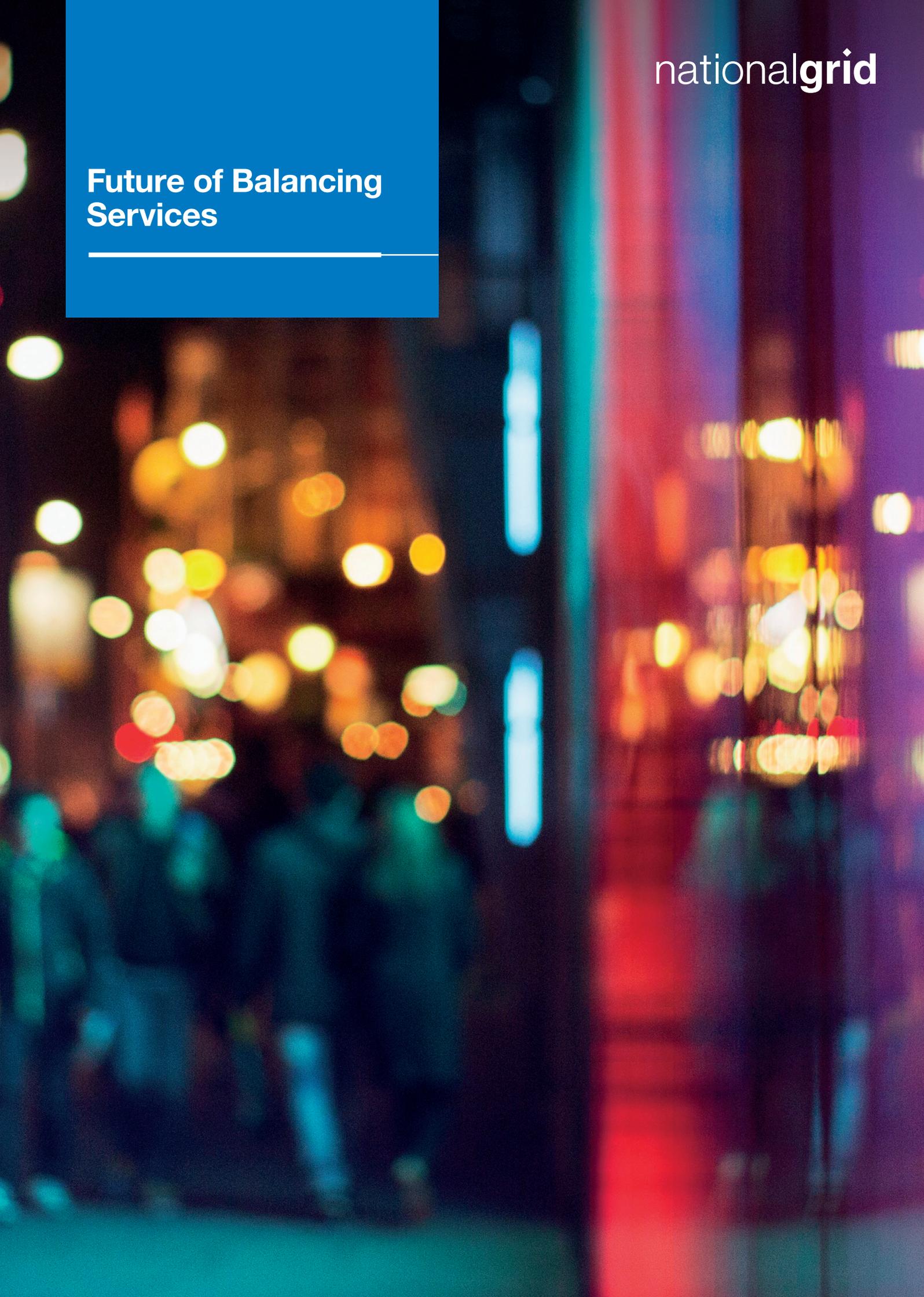


Future of Balancing Services



A smarter, more flexible future

As the UK moves to a low-carbon economy, we're evolving the way we operate the electricity system.

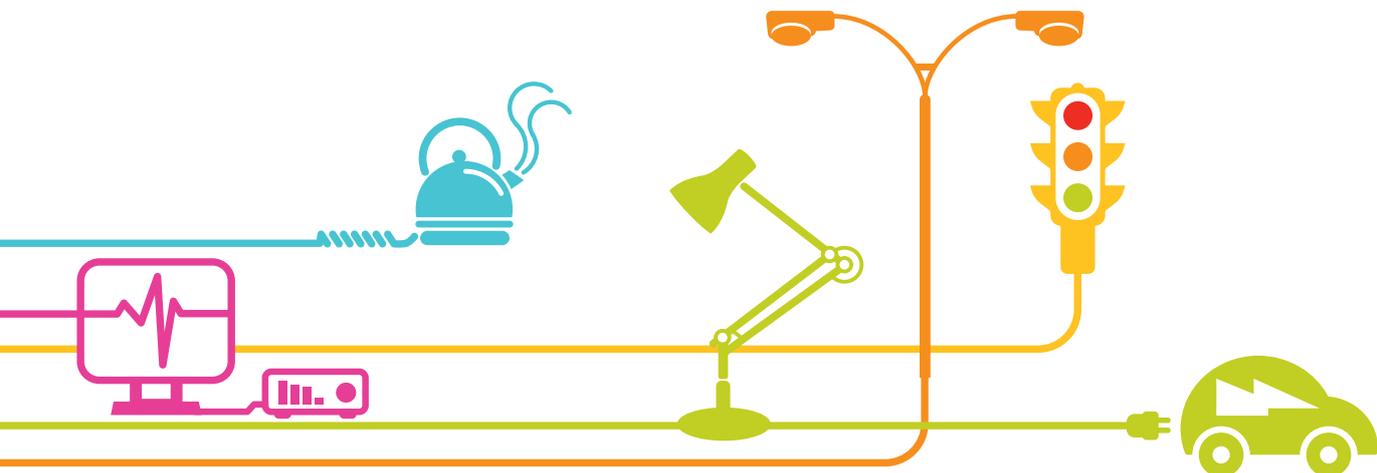
A smart, flexible system that makes the best use of all the energy sources available will enable us to meet our customers' needs in a balanced, efficient and economical way.

To do this, we need to create a marketplace for balancing that encourages new and existing providers, and all new technology types, and opens up competition on a level playing field.

Helping you help us

You told us...

- **The services we use to balance the system need to be reformed so they meet industry's needs.**
- **These services need to be accessible to all potential providers.**
- **They're too complicated, unclear and not future-proof.**
- **Investors need to know our plans and strategy so they can make informed decisions of their own.**



Our promise

We want to deliver a more cost-effective energy system by 2021. To support that ambition, we're committed to creating energy markets that are simple, easy to navigate, transparent and deliver value to end consumers.

They'll be accessible to everyone in the industry – regardless of size – and embrace new technologies alongside existing ones.

Markets that are working well will largely be balanced by the providers themselves and need little intervention from us as System Operator (SO).



2021

By 2021, we want a level playing field for balancing service markets.



Making it happen

We've put a four-step plan in place to make this happen. We're going to:

1

Improve the information we share, to make it easier for the industry to see, and meet, future system needs.

3

Remove barriers, so the system makes better use of distributed energy resources.

2

Simplify our balancing services.

4

Make improvements in other market mechanisms, such as reviewing access to the Balancing Mechanism.

Help us simplify things



New web page

We are transforming how we communicate information to the market. This includes creating a new more intuitive site for balancing services on the nationalgrid.com website

As we make these changes, we'll be consulting you every step of the way, using Power Responsive, Energy UK meetings, other events and webinars.

We're creating a new web page, **www2.nationalgrid.com/futureofbalancing services**, on the nationalgrid.com website. This is where you will find regular updates on our plans and strategy, the latest information about our future needs, details about consultations, and recommendations about market evolution.

It's also where you'll find our new consultation document, *System Needs and Product Strategy*, which highlights our increasing system needs: frequency response, Black Start, voltage support, rate of change of frequency and reserve.

In this document, we're also asking for your ideas. We'd like to hear your views on simplifying the balancing services we use in ways that will address our system needs, and offer a clear and transparent route to market for everyone.

We'll be looking at the structure of our contracts, reviewing our testing and compliance requirements and trialling new procurement methods.

This consultation should help us understand industry thinking about improvements that could be made to the various markets. These include determining the potential effectiveness of short-term markets versus longer-term contracts, potentially using auctions, and the use of single markets versus standardised discrete products to meet system needs.

First steps in simplifying products

We will be simplifying our products in three stages:

Stage one

Removing obsolete products from our portfolio.

Stage two

Simplifying and standardising what's left, so the T&Cs, procurement time frames and assessment methods are more transparent.

Stage three

Ongoing improvements based on your feedback.

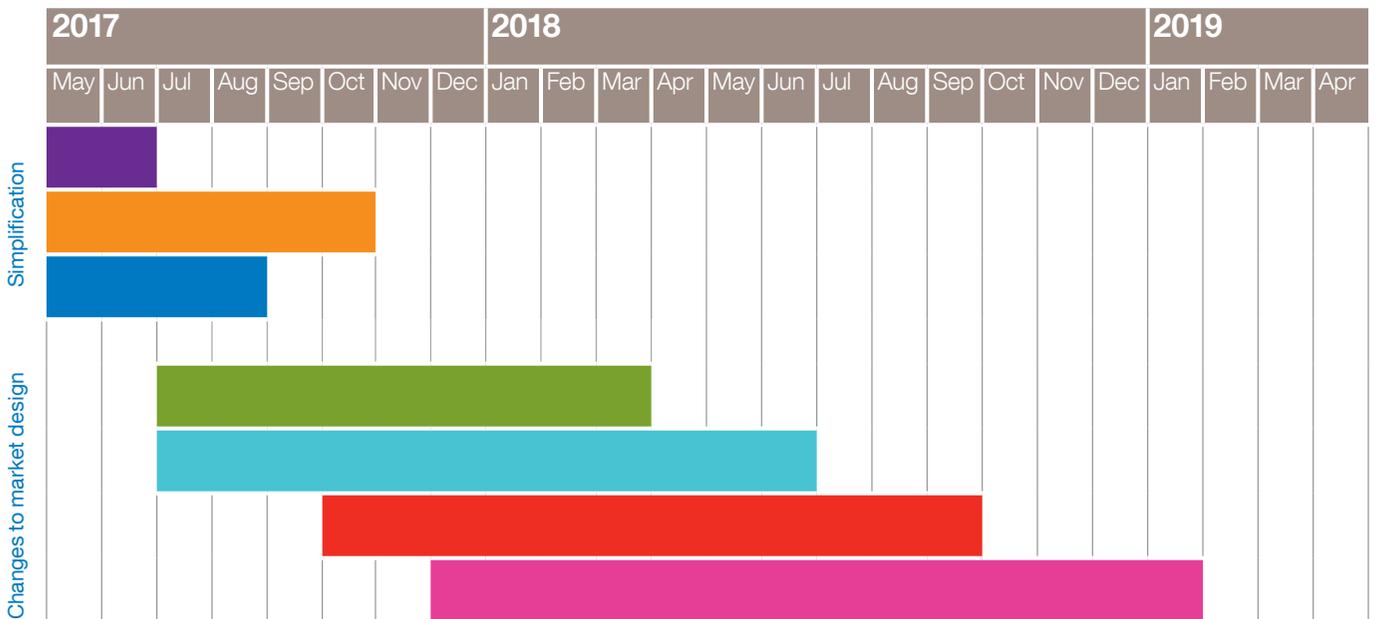


Next steps

Our timetable below gives an overview of what's planned.

We'll be refining this plan over the next few months and will publish our recommendations for a balancing product strategy in September.

At that point we will also have a detailed plan showing milestones for implementing our proposed balancing product strategy. Additionally, we will be able to share more information on system needs as well updates on other initiatives.



Simplification

- Rationalisation
- Standardisation
- Improvement strategy

Changes to market design

- Frequency response improvement
- Reactive improvement (aspirational)
- Reserve improvement (aspirational)
- Black Start improvement (aspirational)



nationalgrid

National Grid plc

National Grid House,
Warwick Technology Park,
Gallows Hill, Warwick.
CV34 6DA United Kingdom
Registered in England and Wales
No. 4031152

www.nationalgrid.com