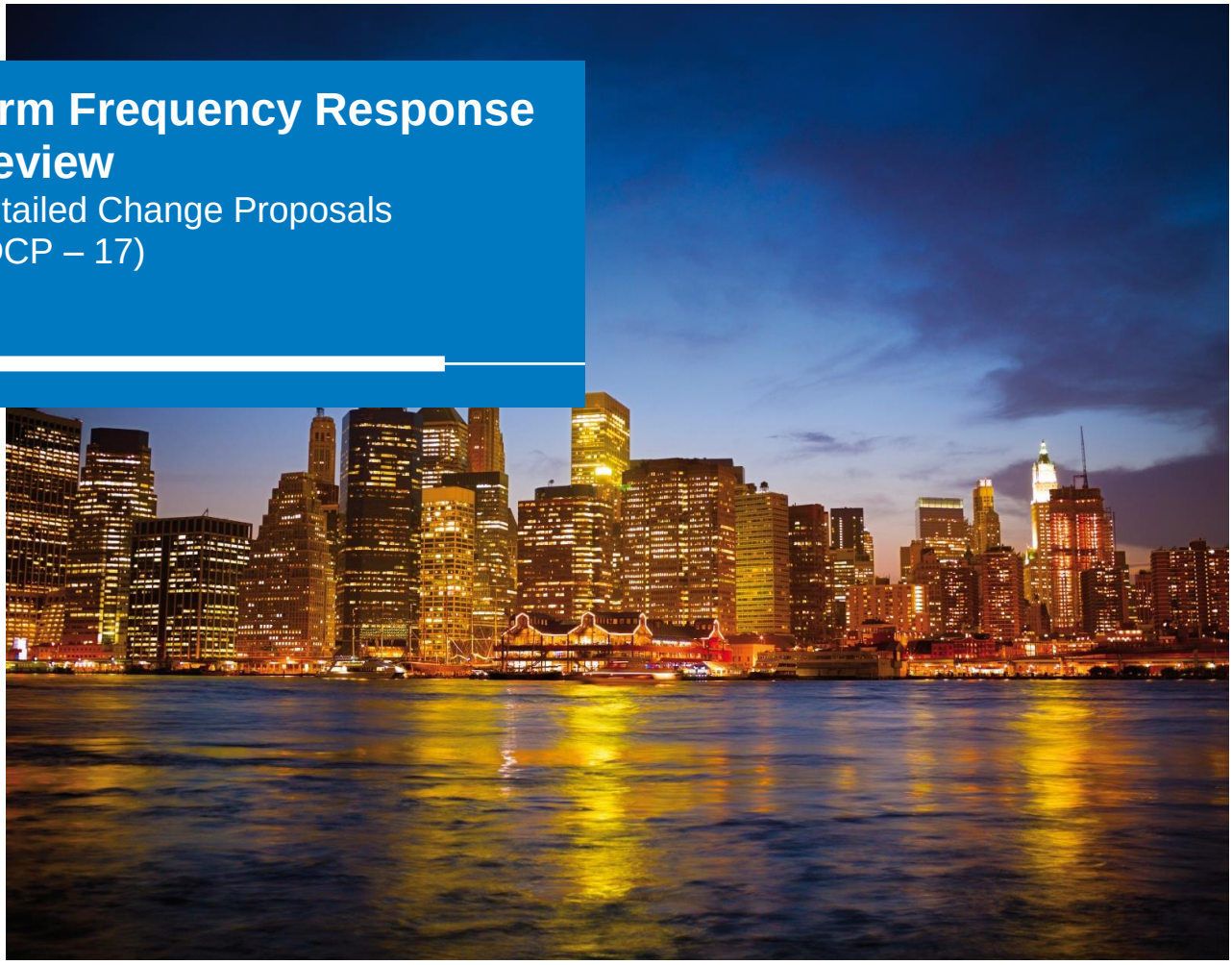
nationalgrid

Firm Frequency Response Review

Detailed Change Proposals
(DCP – 17)



22 December 2016

On the 30th September 2016 National Grid published a Firm Frequency Response Outline Change Proposal (OCP) which described a number of potential changes to the FFR Standard Contract Terms (SCTs).

In accordance with 1.2 of the SCTs, please find the Detailed Change Proposal (DCP) and an update of the SCTs that highlights the amends as per paragraph 1.2.7 of the SCTs

As a reminder the following proposals were proffered:

1) **Reducing the entry level from 10MW to 1MW**
2) **Adding Volume to existing contracts**
3) **Transparency of Testing**
4) **Events of Default**
5) **Operational Data Sharing**
6) **MPAN & Supplier Information**

This Detailed Change Proposal (DCP) and the amended SCTs will be published with the Final Implementation Date

http://www2.nationalgrid.com/UK/Services/Balancing-services/Frequency-response/Firm-Frequency-Response/Firm-Frequency-Response-Information/

Summary and timeline for Implementation

Proposal	NGET Proposal	Final Implementation Date
Reduce Entry Level	Yes 1MW	1st April 2017
Adding Volume	Yes	1St February 2017
Transparency of Testing	Yes	1st April 2017
EOD Clarification	Yes	1st February 2017
Operational Data Sharing	Yes	1st April 2017
MPAN information	Yes	1st April 2017
Supplier Information	Yes	Subject to Working group review

National Grid would like to express their thanks for all those parties who gave due consideration to the proposals and responses received.

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Reduce Entry Level to 1MW

1. Reduce Entry Level to 1MW

The current terms stipulate that a service provider must have the capability to provide response of at least 10MW as per 2.2.2(a). The biggest challenge for new entrants and the main reason for FFR Bridging is the 10MW threshold, so to continue to meet our objectives of achieving scale from DSR in Balancing Services and ensuring the market values the service; we are proposing to reduce this threshold to 1MW for new entrants.

Question 1 – do you agree with the new proposal of reducing the entry level from 10MW to 1MW, or would a more appropriate level such as 3MW be preferred?

National Grid has implemented this change to reduce the entry level to 1MW and the amendments will be reflected in the following sub-clauses to the SCTs and will effective from the 1st April 2017

FFR Pre-qualification Assessment and Reproving Tests	*2.2.2(a)*
Window Nominations	*3.2.6, 3A.2.6, 4.2.6 and 4A.2.6*
Provision of Firm Frequency Response	*3.4.8, 3A.4.7, 4.4.7 and 4A.4.6*

Adding Volume to Existing Contracts

2. *Adding Volume to Existing Contracts*

Currently a provider is unable to add volume to existing contracts that have been secured through a previous tender, as there is no framework or mechanism in place to monitor and assess performance from two or more contracts from the same FFR unit.
However NGET believe that this is something that would be of interest to the Industry and we would like your views and thoughts on how this would work effectively.

Other considerations, at the moment our systems cannot manage two contracts from the same defined unit, therefore if you were successful we would seek to terminate existing contract and apply a volume weighted average price to the new contract(s).

Question 2 – do you agree with the provision to allow providers to tender in the same unit and add volume to existing contracts for the same service period?

National Grid has implemented this change to provide the ability for providers to add volume onto existing contracts. This will also allow providers to overlap existing contracts, i.e. the start and end time of new bids does not need to align with existing contracted term. Please note the service window within the initial contracted term must stay the same, i.e. 07:00 to 23:00 working days.

In addition we would expect the Framework Agreements to be amended to reflect the initial and additional response capability tables and a methodology to calculate the volume weighted price in the event of securing additional volume to existing contracts. The volume weighted price will be calculated as follows:

$$VWAP = \frac{(V1xP1)+(V2xP2)}{V1+V2}$$

VWAP = Volume Weighted Average Price
V1= Initial Response Volume
V2=Additional Response Volume
P1=Initial Response Price
P2=Additional Response Price
V1+V2= Total Volume of 2 or more contracts

The payment provisions have also been amended to clarify how these apply for any Additional Response provided and that, for these purposes, it has been necessary to update the Response Energy Payment for non-BM providers to reflect the practice whereby this is not paid but reflected in the Availability Payment. Sub clause 4.5.3 has been removed to reflect this.

For the avoidance of doubt additional response tenders will be assessed in isolation to any previously awarded contracts.

The changes will be reflected in the following sub-clauses to the SCTs.

FFR Pre-qualification Assessment and Reproving Tests	*2.2.1 and 2.2.4*
FFR Tenders	*2.3.1(i) and 2.3.3*
Payment	*3.5.5, 3A5.5, 4.5.5 and 4A5.5*

Transparency of Testing

3. Transparency of Testing

National Grid is proposing outlining the specific parameters for meeting the required tests in the Framework Agreements.

a) The current **DSR Battery Storage Test Procedure for Frequency Response** stipulates that certain technical parameters of the service must be defined in the contractual agreements such as the 'k' factor, which is effectively the delay in providing proportional response and the 't' which is the sustainability of response required, this will help provide National Grid standardise products ensuring consistency and transparency.

National Grid is technology neutral, but recognises that demand side response providers have different characteristics compared to conventional plant and is therefore reworking the **DSR Battery Storage Test Procedure for Frequency Response to** reflect these characteristics.

b) Also where an asset hasn't been connected and therefore commissioned and tested we will insist that a Mandatory Works schedule is included in the Framework Agreement and where necessary a cure plan.
c) If a provider has secured a contract in advance of commissioning and does not meet the mandatory works schedule and therefore delayed in commencing the FFR service , save for events outside of the reasonable control of the provider then the provider must declare themselves unavailable, until National Grid is satisfied that it has met the required provisions of the schedule.

Question 3: Do you agree that we should add more detail in the Framework Agreements around the specific testing requirements.

Question 4: Do you also agree that a Mandatory Works schedule should be included in all Framework Agreements where the asset hasn't been commissioned?

Question 5: Do also agree that a service provider must be declared unavailable in event the testing is delayed?

More details will be provided and presented in the FFR Framework Agreements that will be published at a later date but no later than 1st April 2017

Events of Default

4. Events of Default

There is some confusion on what constitutes an event of default as per Annexure to Section 3. In the availability section it currently reads:-

*In respect of any **Settlement Period** comprised in any **FFR Nominated Window** (as revised), **Firm Frequency Response** is unavailable or deemed unavailable (but so that occurrence of any or all of the **Events of Default** in respect of the same **Settlement Period** shall constitute a single **Event of Default**).*

This could be implied that a provider could receive an Event of Default per Settlement period. The intent is that a provider would only receive one Event of Default per nominated window/ service day.

Question 6 - Do you agree that the current clause could be confusing and therefore should be re-written so only one Event of Default is received per service day?

National Grid has implemented this change to clarify the treatment of Events of Default and amendments will be reflected in the following sub-clauses to the SCTs and will effective from the 1st Feb 2017

Termination of FFR Contracts *3.15.3, 3.15.10, 3A.15.3, 3A.15.10, 4.15.3,4.15.10, 4A.15.10*
Annexure to Section 3, 3A, 4,4A

Operational Data Sharing

5. *Operational Data Sharing*

Over the past couple of years National Grid have been working closely with the Distribution Network Operators (DNOs) understanding the changes to the energy landscape and how these are provided across the whole system. The amount of distrusted generation and demand control is increasing. This brings new challenges in keeping the whole electricity system secure therefore it is important that National Grid works closely with the DNOs to better understand the risks and opportunities. In order to do this we need the ability to share a degree of operational data including instructions with DNOs, which our current balancing services contracts terms and conditions do not facilitate.

The information National Grid is proposing to share is:

- MPAN; in order to identify the location of the asset on the system
- Operational data relating to the generator (ramp rates etc.).
- Contracted MW and service provided
- Service instructions.

Both National Grid and the DNOs believe that by sharing this information, we will gain better insights into the operation of the system, and build a better awareness of the interactions between DNO constraints and System Operator constraints. In doing this, it should maximise the value of Distributed Energy Resources (DER) as a commodity and ensure the continued growth of this sector. In particular we are hoping to show whether services can be offered concurrently to DNOs and National Grid which would increase potential earnings for DER.

Question 7 – Do you agree that the SCTs are amended to include the ability to share operational information with DNOs?

National Grid has implemented this change, so we can share operational data with the DNOs and will be reflected in the following sub-clauses to the SCTs and will effective from the 1st April 2017.
If the provider does not want National Grid to disclose any information , it must notify National Grid in writing by giving not less than 20 business days' notice.

The amendments to the SCTs are as follows

Confidentiality and Announcements *5.6.2 (b) ii and 5.6.2 (d)*

MPAN & Supplier Information

6. MPAN and Supplier Information

National Grid is aware that a consequence of European Codes could mean that allocated energy volumes for balancing services providers will be required to be allocated to the System Operator. Further, because Non-BM volumes are not allocated to the System Operator, their suppliers receive imbalance payment for any volume delivered. Since the introduction of single cash-out price, this price is able to reach up to £3000/MWh.

The described situation leads to two scenarios:

1. It is perceived that there is not a level playing field between BM and Non-BM providers of balancing services, since Non-BM providers could receive a financial incentive for their delivered energy in addition to their utilisation price (if applicable); whereas BM providers only receive a utilisation price.
2. The cost for imbalance volume is allocated to market participants which ultimately will be levied on the end consumer.

A working group will be formed to evaluate this issue and explore potential solutions, including key members of the industry. For the purpose of this OCP, it is proposed that, as a preliminary measure, the MPAN information and Supplier information is provided for each unit and/or sub-site. These will likely be important in addressing the issue.

Question 8:
Do you agree that the SCTs are amended to mandate Non-BM providers to provide National Grid with both MPAN data and Supplier information for each of their units and/or sub-sites?

Question 9:
Do you have any general comments on the situation described above?

National Grid has implemented the change to request MPAN data and have updated the Framework Agreements to request this information. We do not expect existing providers to move onto new Framework Agreements; however we will request MPAN information in the FFR Tender Event details. The amendments to the SCTs are reflected in the following sub-clauses to the SCTs.

2.3.1 (a)
2.5.7
5.6.2 (b) i

As outlined in the response to the OCP, we do not intend to request Supplier information at this moment in time until the Storage Working Group has concluded with their discussions.

Housekeeping

The following points are considered to be housekeeping changes to the SCTs i.e. non material changes and they have been incorporated as required.

1. 4A.1.3 – Needs to reflect the new LT Triggered Dynamic Framework Agreements
2. 2.6.2 will be removed as this refers to the pre-tender report which NGET no longer publish.
3. Where reference is to facsimile also include email
4. Various incorrect references, cross-references and numbering in the FFR SCTs will be updated and corrected

These changes have been implemented and will be marked up in the amended SCTs where appropriate