

May 2018

# Monthly Balancing Services Summary 2018/19



## Contents

1.	Introduction .....	5
1.1	What are “balancing services”? .....	5
1.2	Why do we need this report? .....	5
1.3	What’s in the report? .....	5
1.4	Balancing Costs categories included in the report .....	6
1.5	What are “balancing mechanism” (BM) and “non-balancing mechanism” (non-BM) providers? .....	6
1.6	What we don’t include in the report .....	6
2.	Overview of Balancing Cost .....	8
2.1	Total Balancing Services.....	8
2.2	Balancing Mechanism .....	10
2.3	Trading .....	12
2.3.1	Forward trading .....	12
2.4	Ancillary Services .....	13
2.4.1	Ancillary Services from non-BM providers.....	15
2.5	SO-SO Services .....	16
3.	Balancing Categories.....	17
3.1	Energy Imbalance.....	17
3.1.1	Definition.....	17
3.1.2	Energy Imbalance Volume and Expenditure.....	17
3.2	Operating Reserve .....	18
3.2.1	Definition.....	18
3.2.2	Operating Reserve Volume and Expenditure.....	19
3.3	STOR.....	20
3.3.1	Definition.....	20
3.3.2	Paying for STOR.....	20
3.3.3	STOR Volume and Expenditure .....	20
3.4	Other Reserves.....	23
3.4.1	Definition.....	23
3.4.2	Paying for Other Reserves.....	23
3.4.3	Other Reserves Volume and Expenditure .....	24
3.5	Constraints .....	25
3.5.1	Definition.....	25

3.5.2	Managing Constraints .....	25
3.5.3	Constraints Volume and Expenditure .....	25
3.5.4	Constraint actions by fuel type .....	27
3.6	Negative Reserve .....	28
3.6.1	Definition.....	28
3.6.2	Paying for negative reserve .....	28
3.6.3	Negative Reserve Volume and Expenditure .....	28
3.7	Fast Reserve .....	30
3.7.1	Definition.....	30
3.7.2	Paying for Fast reserve.....	30
3.7.3	Volumes and expenditure.....	31
3.8	Response.....	32
3.8.1	Definition.....	32
3.8.2	Paying for Response.....	32
3.8.3	Response Volume and Expenditure .....	33
3.9	Voltage Control - Reactive Power .....	34
3.9.1	Definition.....	34
3.9.2	Paying for Reactive Service .....	34
3.9.3	Reactive Service Volume and Expenditure .....	35
3.10	ROCOF .....	36
3.10.1	Definition.....	36
3.10.2	Paying for ROCOF .....	36
3.10.3	ROCOF Expenditure.....	37
3.11	Black Start .....	37
3.11.1	Definition.....	37
3.11.2	Paying for Black Start .....	37
3.11.3	Black Start Volume and Expenditure .....	37
3.12	Others .....	38
4.	Other Information.....	40
4.1	New Wind Generation .....	40
4.2	How we manage Wind generation .....	40
4.2.1	Payments to Wind Powered Generation .....	40
4.2.2	Monthly Breakdown of Wind Farm Payments.....	40
5.	Further information .....	42

6. Questions and feedback .....42

# 1. Introduction

## 1.1 What are “Balancing Services”?

Electricity can't be stored in large quantities, so we need to find ways to match supply with demand. That's part of National Grid's role. We call it “balancing”, and we do it minute by minute.

We sometimes use balancing for other reasons, too, such as a sudden surge in demand during a televised sporting event, or if a power station suddenly stops generating because of a technical problem.

To help us with balancing, we buy in (procure) services from suppliers. These are “balancing services”. We use them to keep the transmission system (or “grid”) running in an efficient, economical and coordinated way. And that means everyone can get a steady flow of electricity.

For more detail about balancing, have a look at <https://www.nationalgrid.com/uk>. Look under Electricity, and then [Balancing services](#).

## 1.2 Why do we need this report?

We publish many statements and market reports about how we procure and use balancing services. You'll find these on our web site at [www.nationalgrid.com/uk](http://www.nationalgrid.com/uk), under Electricity, then [Market operations and data](#).

We also want to give more details about the balancing actions we're taking. That's why we produce a monthly summary in the form of this report, so everyone can see what's what.

## 1.3 What's in the report?

This report shows the costs associated with balancing the system in order to keep electricity flowing steadily in May 2018.

The report presents balancing costs in these main sections:

- services we've procured through the Balancing Mechanism.
- services we've procured through trading.
- services we've procured through ancillary services.
- services we've procured through SO-to-SO transactions.

The report also presents information on all the balancing services supplied to National Grid. It uses charts and tables to show:

- which balancing services we've used in the month
- the volume for each service, month by month in megawatts per hour (MWh) unless otherwise stated.
- the cost for each service, month by month in pounds sterling (£ million) usually to two decimal places.

We base the information on data we had when we published the report, to give an idea of what we've done in the month. We sometimes get updated information later on. If that happens, we don't publish a revised version for the month. But we do update the charts and tables to show the latest information when we publish the report for the following month.

## 1.4 Balancing Costs categories included in the report

We use market arrangements or bilateral contracts to manage:

- Energy Imbalance
- Operating Reserve
- Other Reserve
- STOR
- Constraints
- Negative Reserve
- Fast Reserve
- Response
- Reactive
- ROCOF
- Black Start
- Other categories

You can read more about our procurement guidelines on our web site at [www.nationalgrid.com/uk](http://www.nationalgrid.com/uk). Look under Electricity, then Market operations and data, and [Transmission license C16 statements and consultations](#).

## 1.5 What are “balancing mechanism” (BM) and “non-balancing mechanism” (non-BM) providers?

Because electricity cannot be stored, it needs to be generated at the time of demand. One of the tools National Grid uses to achieve the balancing act between electricity supply and demand at just the right time is called “balancing mechanism” (BM). It is the buying and selling of energy by National Grid Electricity Control Centre.

When an electricity generator, such as a power station or large wind farm, connects to the grid, we register it as a “balancing mechanism unit” (BMU). A BMU is used as a unit of trade in the BM, and is the smallest grouping of plant or equipment that we can meter separately; therefore, a single generator might register as more than one BMU. Suppliers with BMUs are referred to as BM Suppliers.

When National Grid predicts that there will be a discrepancy between the amount of electricity produced and that which will be in demand during a certain time period, we may accept a ‘bid’ or ‘offer’ from a BMU to either increase or decrease generation (or demand).

In some instances, National Grid also uses balancing services supplied by companies not registered as BMUs. Those suppliers tend to be smaller generators, for example small wind farm with two or three turbines or a small conventional-fired unit. We call those suppliers “non-balancing mechanism” (non-BM) suppliers, and traditionally it has not been possible to change their output or usage within the BM timescales.

## 1.6 What we don’t include in the report

There are some details that we can’t publish here because:

- Contracts with suppliers of balancing services include confidentiality agreements.
- Data about some types of balancing services aren’t always available every month.
- We have removed the BSUoS forecast from the MBSS and created a separate BSUoS report which is published on our website. The benefit of doing this is that we can publish the BSUoS

outturn and forecast sooner. The See Market Operations and Data, Forecast Volumes and Cost, [Monthly BSUoS Forecast](#).

Information on bid and offer acceptances is in our Balancing Principles Statement at [www.nationalgrid.com/uk](http://www.nationalgrid.com/uk). Electricity, then Market operations and data, and [Transmission license C16 statements and consultations](#). More information is available from the Balancing Mechanism Reporting Service (BMRS) at [www.bmreports.com](http://www.bmreports.com).

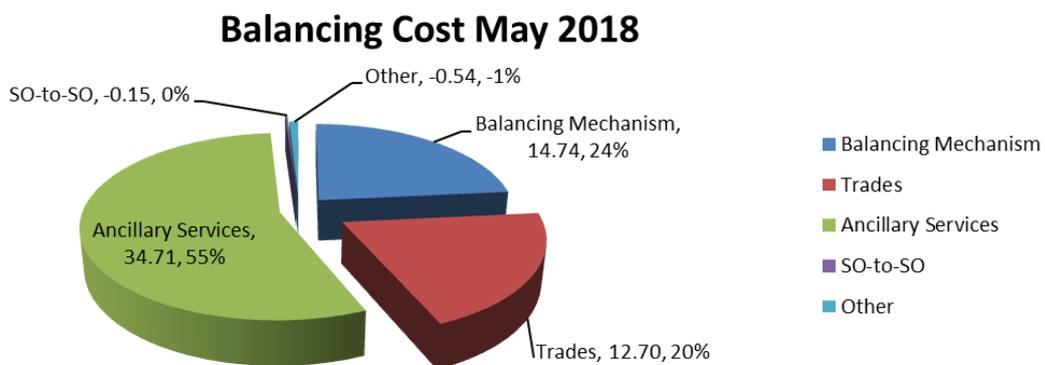
## 2. Overview of Balancing Cost

This section provides an overview of balancing costs we have incurred in May 2018.

The total spent to balance the system for the month is £61.45m. This is the total cost charged to generators and suppliers through BSUoS. You can find a copy of our monthly BSUoS report on our website at [www.nationalgrid.com/uk](http://www.nationalgrid.com/uk). Look under Electricity, Market operations and data, [Forecast volumes and costs](#). The figures in this report may differ to those in the BSUoS report due to updated data since the publication of the BSUoS report.

The cost is broken down to £14.74m spent in the Balancing Mechanism, £12.7m spent on Trades, £34.71m spent on Ancillary Services, -£0.15m received from SO-to-SO transactions, and -£0.54m recouped from system losses, non-delivery, and reconciliation costs.

**Figure 1: Total balancing costs**



*Figure 1*

### 2.1 Total Balancing Services

The following graph shows the total balancing expenditure of £61.45m for May 2018 broken down by balancing cost category in pounds sterling (£ million).

**Figure 2: Total balancing cost by category**

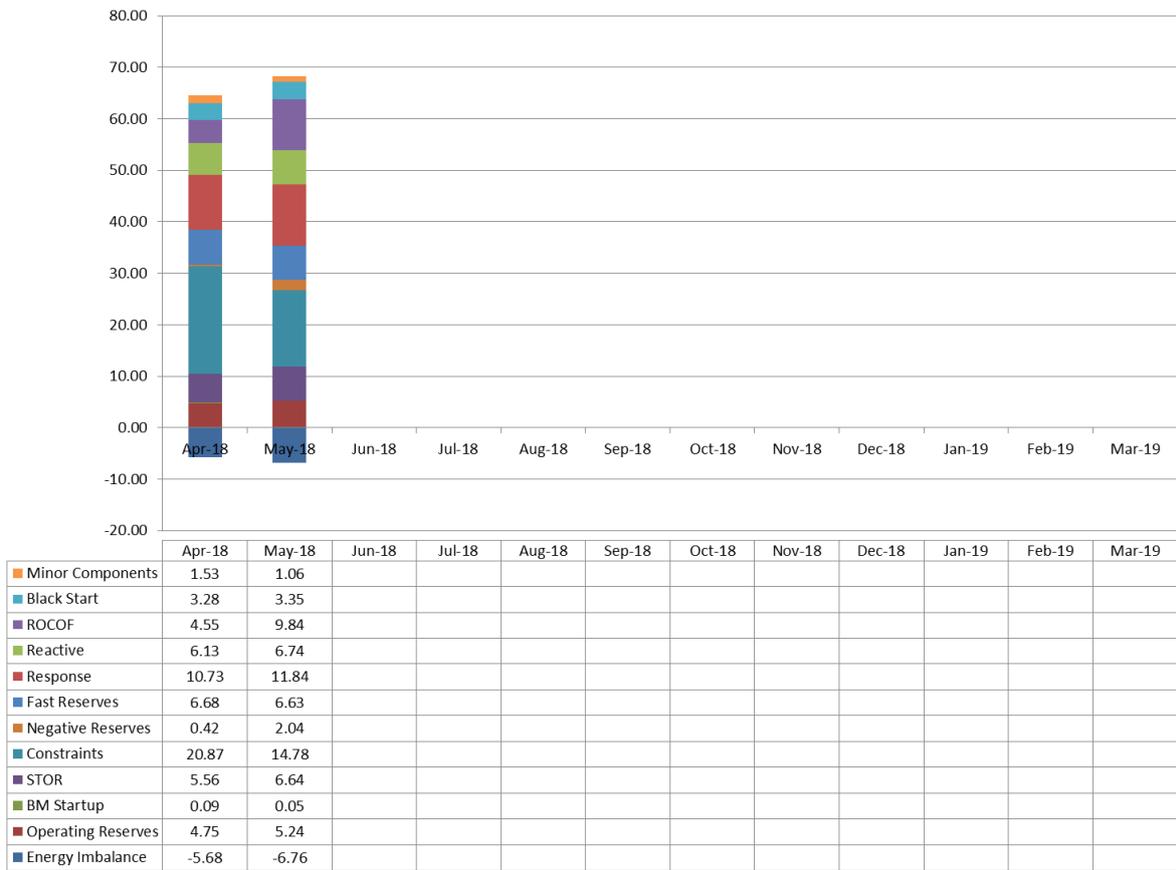


Figure 2

The following graph shows the total balancing volume for May 2018, broken down by balancing categories. The graph only includes volumes used in trades and the BM. For a more cohesive view of all the volumes utilised, please refer to individual balancing categories in Section 3.

**Figure 3: Total Balancing Services Volume (MWh)**

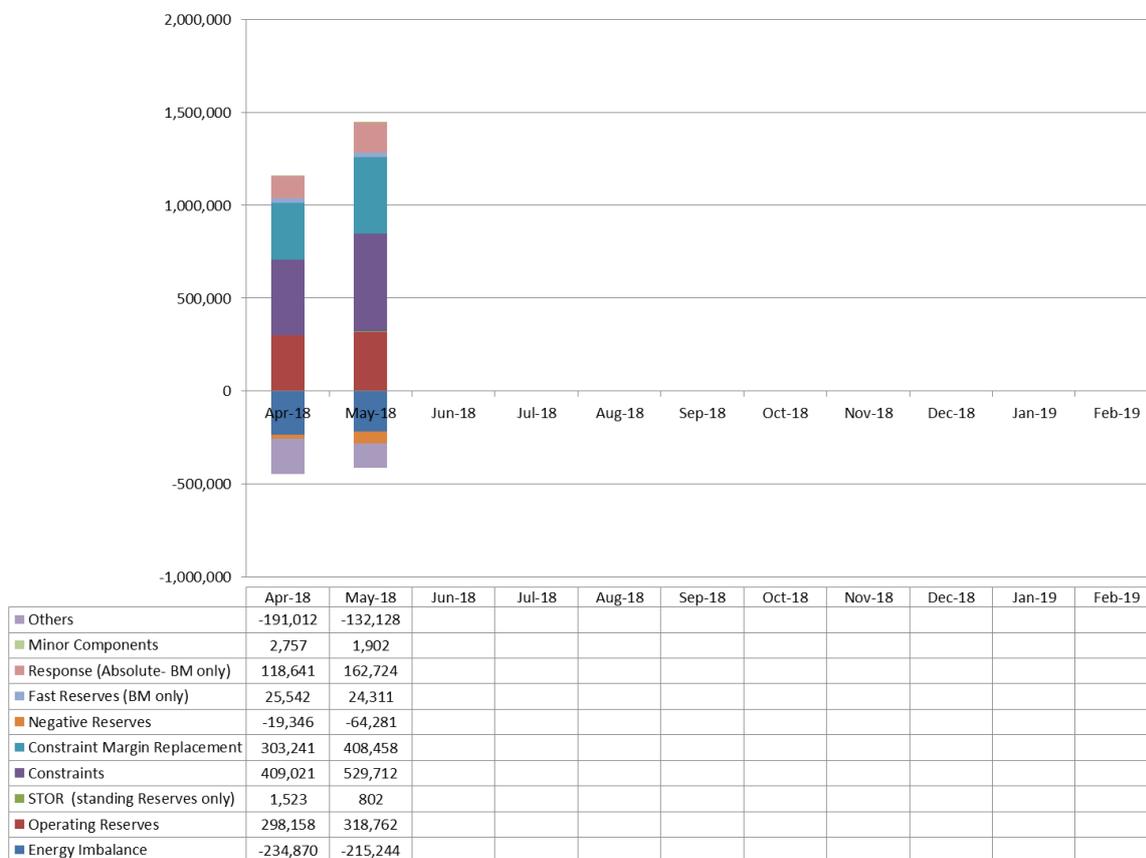
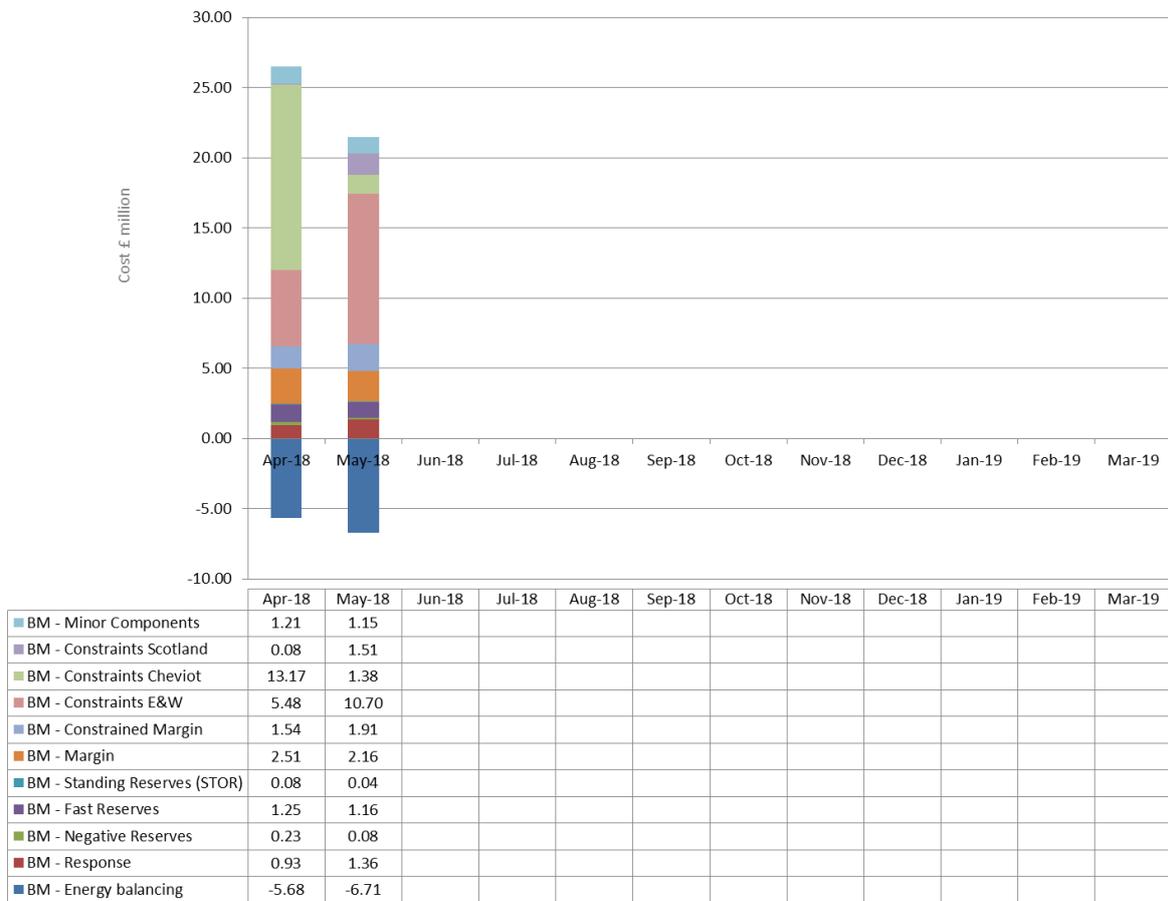


Figure 3

## 2.2 Balancing Mechanism

This section provides a summary of costs incurred in the Balancing Mechanism for the reporting month. Total cost for the month was £14.74 million. The chart and table show the costs incurred in, and the volume used for each balancing category. For detail of the actions taken in the BM see Elexon’s BMRS website <https://www.bmreports.com>.

**Figure 4: Total balancing cost by category, in pounds sterling (£m)**



*Figure 4*

The graph below provides the summary of some of the volumes utilised in the Balancing Mechanism in May 2018.

**Figure 5: Balancing Mechanism volume, in megawatt hours MWh**

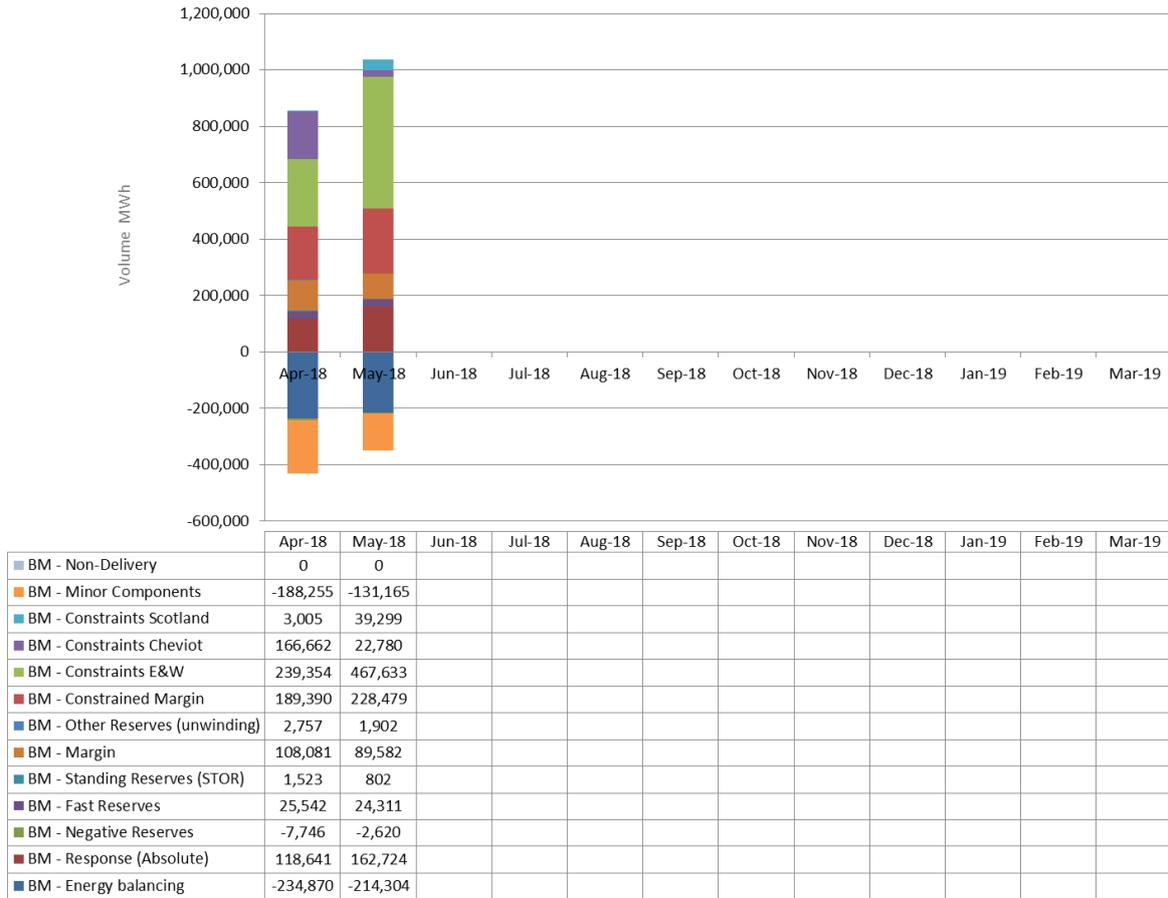


Figure 5

## 2.3 Trading

This section includes information about forward trading, including non-locational and BMU-specific trading and pre-gate BMU transactions (PGBT).

We use three categories of trading:

- forward trading – negotiated bilateral contracts, which can be tailored to suit the parties' needs
- power exchanges – electronic trade-matching systems, where participants enter the prices at which they're prepared to buy or sell electricity
- energy balancing contracts – agreements for services that help us balance the system; we use these mainly when a power plant stops working or produces less energy than expected.

You'll find more detail on our website at [www.nationalgrid.com/uk](http://www.nationalgrid.com/uk). Look under Electricity, Balancing services, and then [Trading](#).

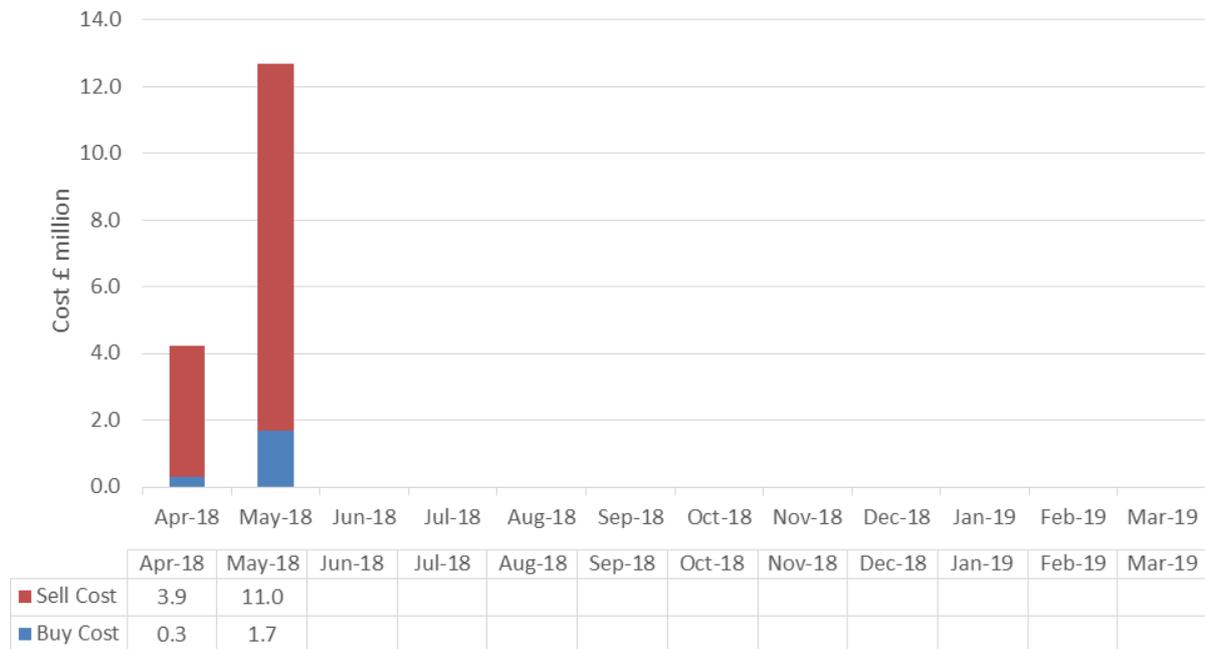
### 2.3.1 Forward Trading

We sometimes buy or sell electricity (in advance of the balancing mechanism process), called "forward trading". It helps us balance the system and manage system issues ahead of real time.

The total cost of forward trading in May was: £12.7 million

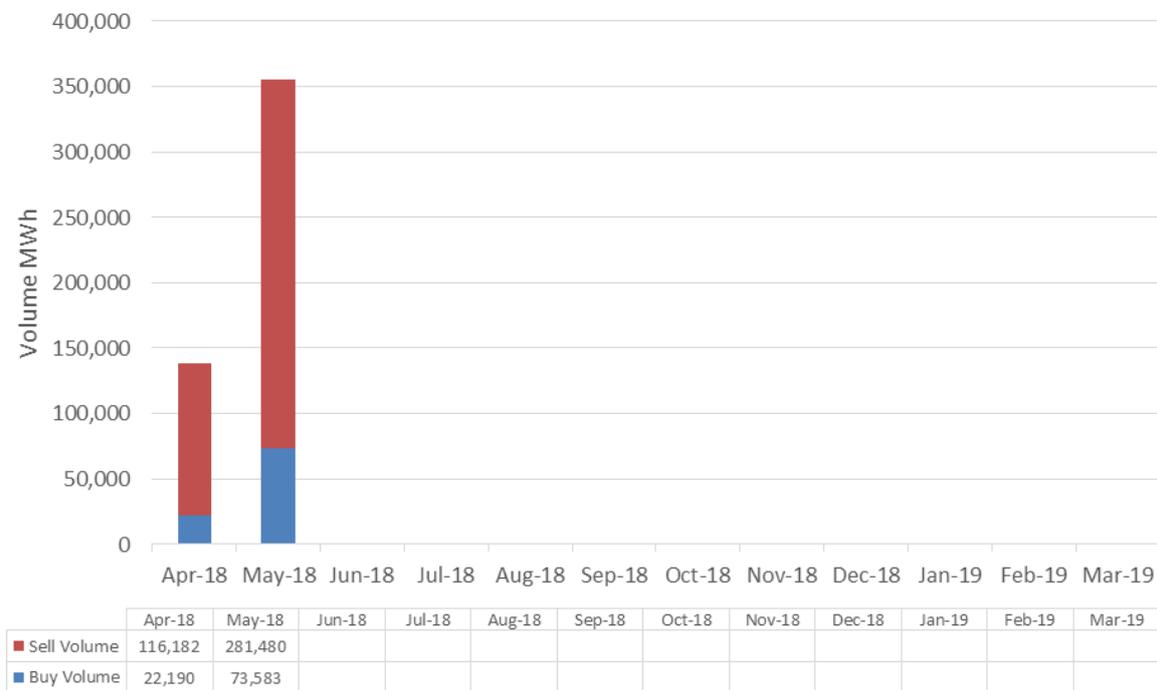
The absolute volume of forward trades for May: 355,062 MWh

**Figure 6: Forward trading cost, in pounds sterling (£m)**



*Figure 6*

**Figure 7: Forward trading volumes, in megawatt hours (MWh)**



*Figure 7*

## 2.4 Ancillary Services

We sometimes enter into extra contracts with suppliers to help us manage electricity grid issues. We call these “Ancillary Services” sometime abbreviated to AS. The total amount we spent on Ancillary Services in May 2018 was £34.71 million.

A guide to the Ancillary Services we procure can be found on our website at [www2.nationalgrid.com/uk](http://www2.nationalgrid.com/uk). Look under Electricity, Balancing services, [Balancing Services overview](#).

Figure 8: Summary of Ancillary Services cost, in pounds sterling (£m)

### Ancillary Services Cost - May 2018

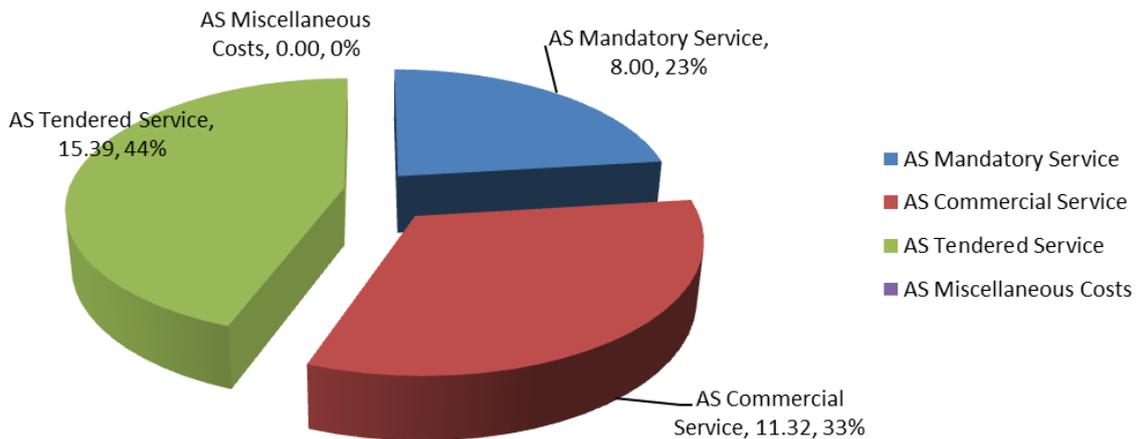


Figure 8

The chart divides the costs into “mandatory”, “commercial”, and “tendered” service types. Tendered costs are attributed to our tendered services frameworks, for example Firm Frequency Response, Fast Reserve and STOR. Mandatory costs are for Ancillary Services that participants are required to provide under the Grid Code, or as part of their connection agreement, for example reactive power, and some types of generator intertrip. Commercial services cover Ancillary Service contracts that are not part of our tendered services frameworks, for example black start costs, and demand turn-up services.

**Figure 9: Summary of Ancillary Services costs, in pounds sterling (£m)**

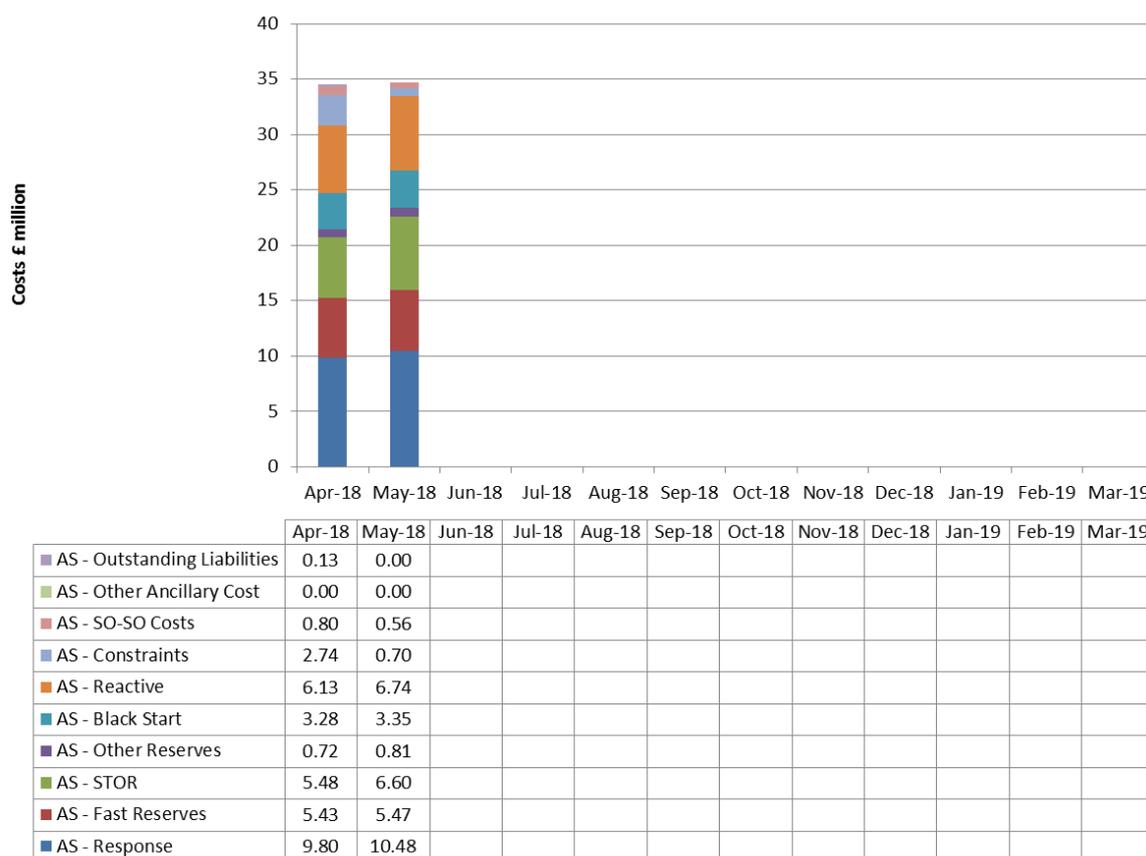


Figure 9

The left-hand column shows the type of service we are providing the costs for. You'll find explanations of these on our website at [www2.nationalgrid.com/uk](http://www2.nationalgrid.com/uk). Look under Electricity, then [Balancing services](#).

### 2.4.1 Ancillary Services from non-BM providers

As referenced previously, there are a number of participants that are not registered to participate in the BM, but can provide Ancillary Services. Costs associated with these providers include availability (or contract) costs and utilisation costs, and are reported within the Ancillary Services cost categories.

Non-BM participants currently provide the following services:

- Frequency Response
- Short-term Operating Reserve (STOR)
- Fast Reserve
- Demand Turn-Up (part of Other Reserve)

'AS – Miscellaneous' costs relate to other Ancillary costs, such as liabilities, currency adjustments and costs associated with trading.

Figure 10: Ancillary Services from Non BM and BM providers, £ million

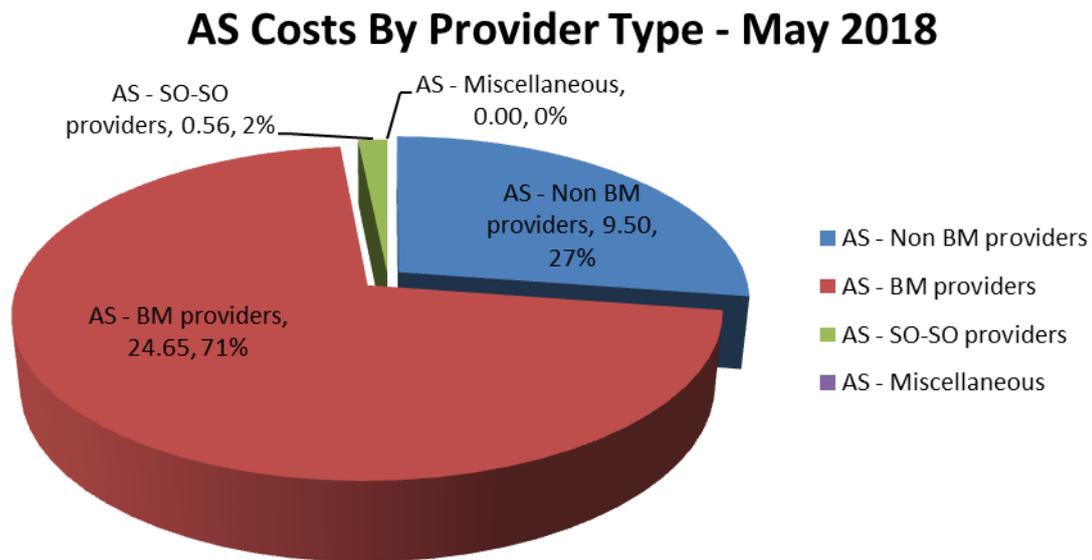


Figure 10

There's more detail about the services from by non-BM providers on our website at [www2.nationalgrid.com/uk](http://www2.nationalgrid.com/uk). Look under Our services, Balancing services, then [Demand Side Response](#).

Figure 11: Ancillary Services costs from non-BM providers, in pounds sterling (£m)

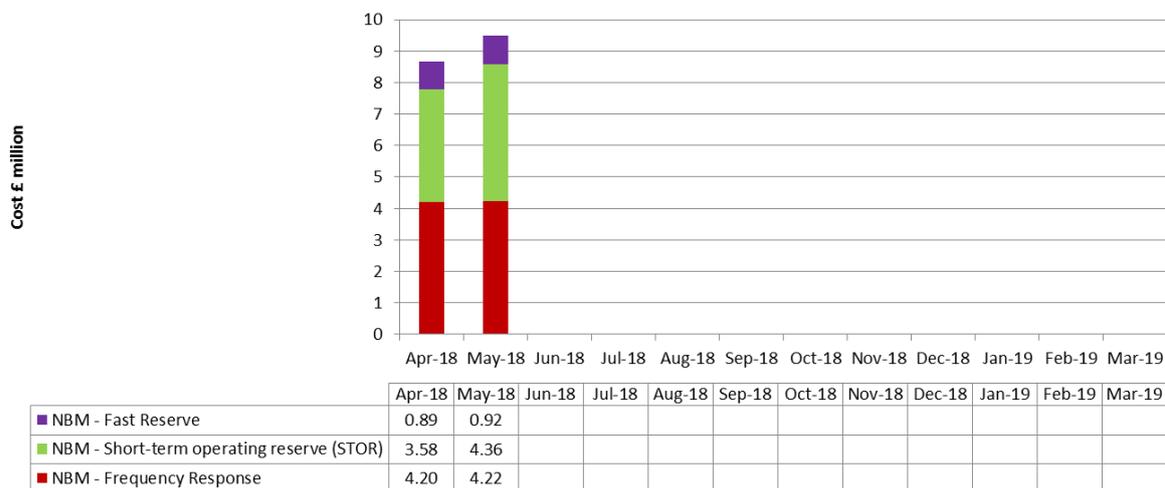


Figure 11

## 2.5 SO-SO Services

SO-SO services are provided by other System Operators, the costs will be negative if we receive any revenue for providing balancing services to other System Operators.

The total amount we spent on SO-SO services in May 2018 was £0.4 million.

**Figure 12: BM and Ancillary Services costs from SO-SO providers, in pounds sterling (£m)**



Figure 12

### 3. Balancing Categories

This section breaks down each of the costs categories, into BM and Non BM, and by the different service types that make up each cost category.

#### 3.1 Energy Imbalance

##### 3.1.1 Definition

Energy imbalance is the difference between the amount of energy generated in real time, the amount of energy consumed during that same time, and the amount of energy sold ahead of the generation time for that specific time period. The monthly energy imbalance cost can be negative or positive depending whether the market was predominantly long or short. For further information on energy imbalance see the Elexon website at [www.elexon.co.uk/operations-settlement/](http://www.elexon.co.uk/operations-settlement/).

##### 3.1.2 Energy Imbalance Volume and Expenditure

**Figure 13: Energy Imbalance, in pounds sterling (£m)**

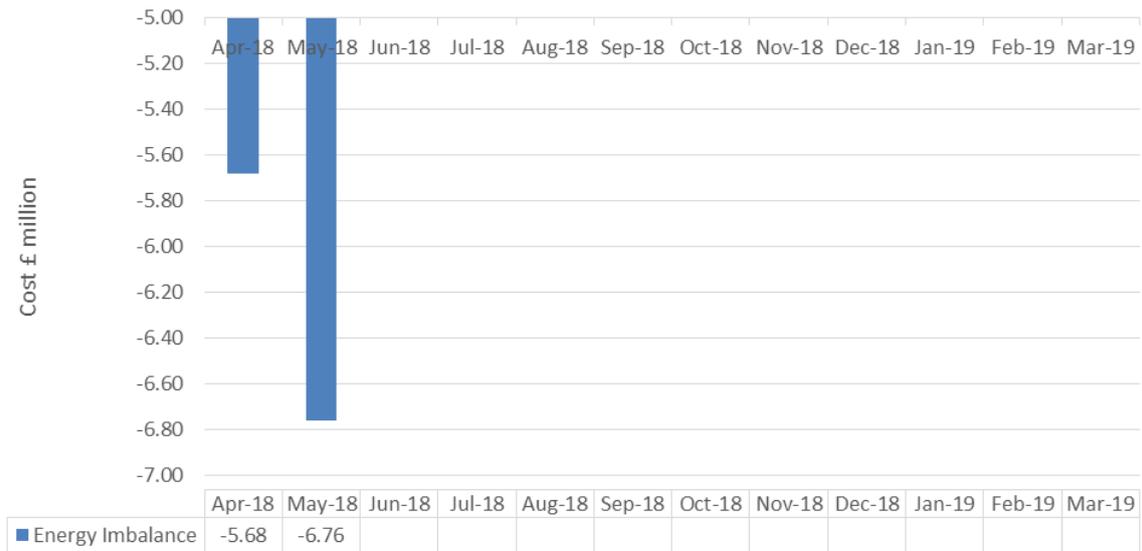


Figure 13

Figure 14: Energy Imbalance volume, in megawatt hours MWh

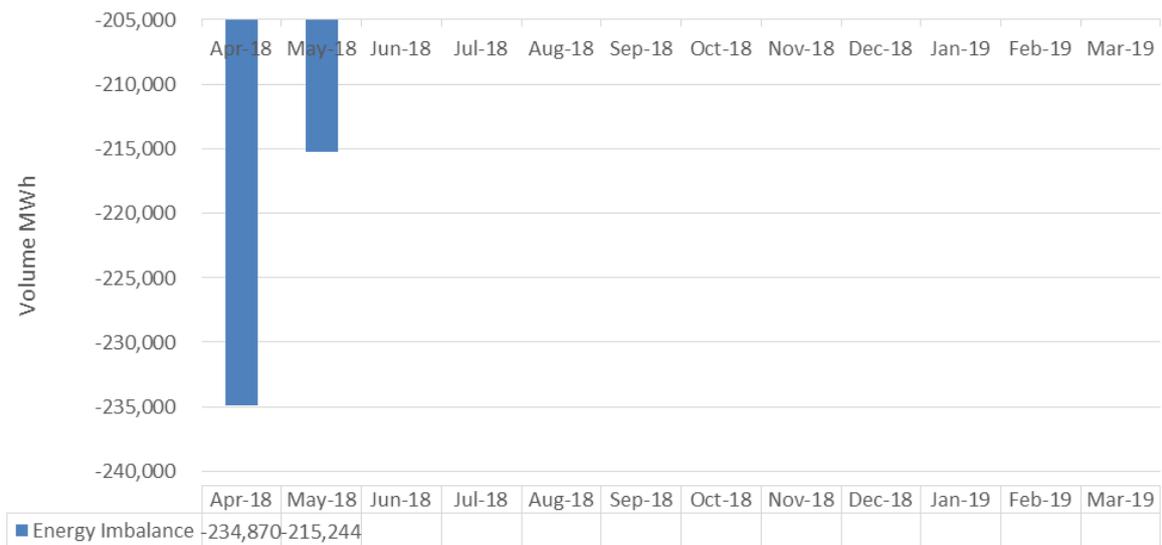


Figure 14

## 3.2 Operating Reserve

### 3.2.1 Definition

This section covers Positive Reserve that is managed in the BM, through trades, or SO-SO services. Positive Reserve is required to operate the transmission system securely, and provides the reserve energy required to meet the demand when there are shortfalls, due to demand changes or generation breakdowns.

### 3.2.2 Operating Reserve Volume and Expenditure

The charts show the cost of managing positive reserve across the BM, trading and SO-SO services. Constrained Positive Reserve is the additional costs of maintaining sufficient reserve levels caused by system constraints. For example, the option to maintain Positive Reserves on generation in one part of the network might be removed because of a system constraint that limits the energy that can be exported from that area. This reduces the reserve options available and increases the cost.

**Figure 15: Positive Reserve, in pounds sterling (£m)**

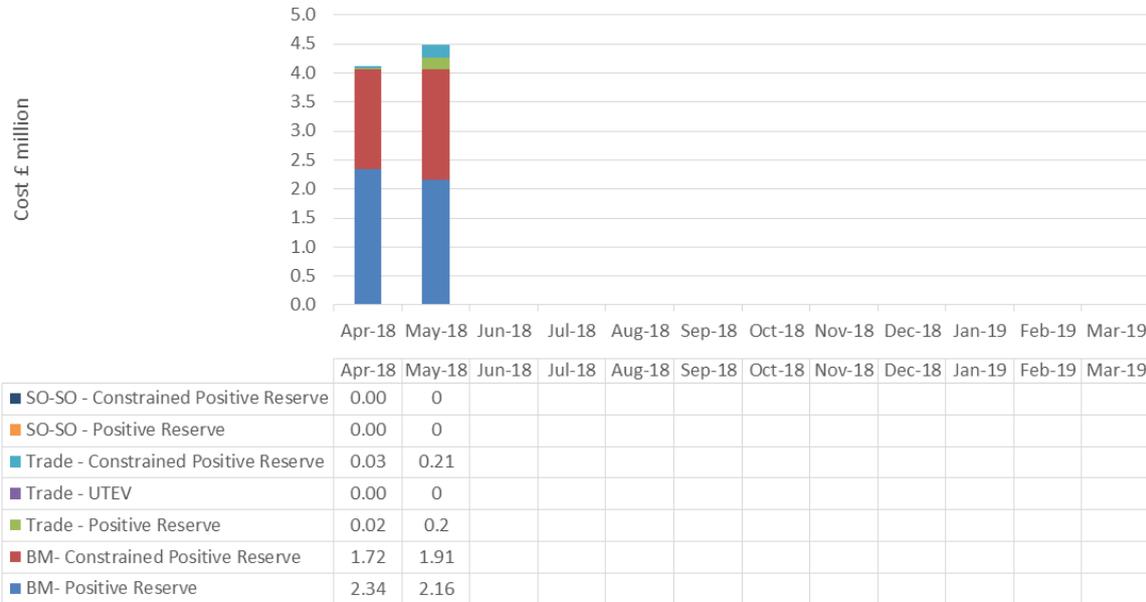


Figure 15

**Figure 16: Positive Reserve volume, in megawatt hours MWh**

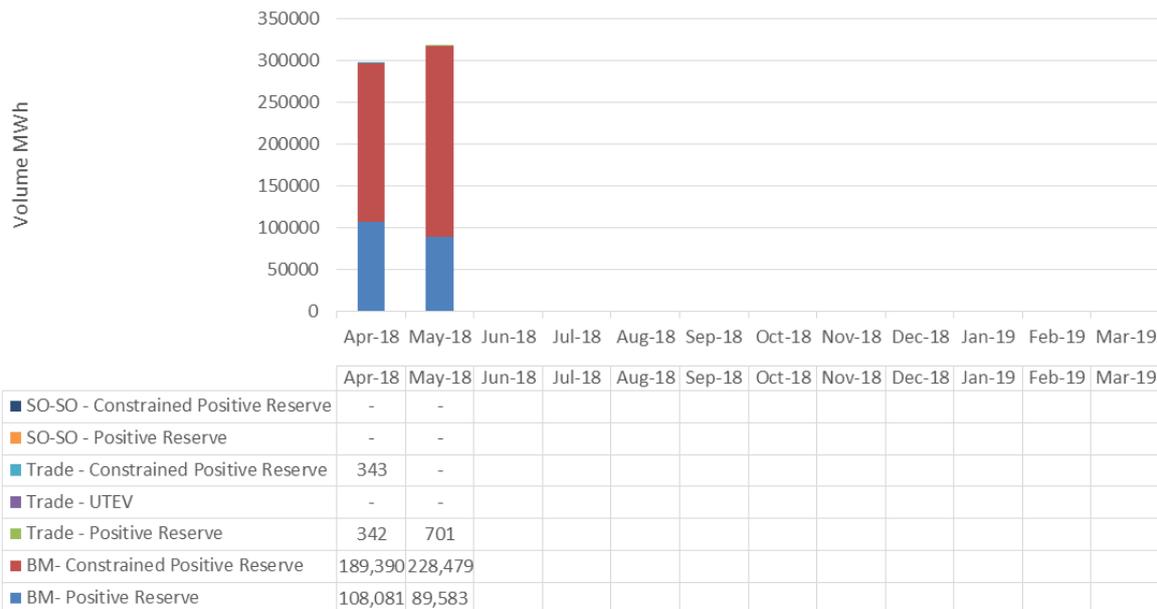


Figure 16

## 3.3 STOR

### 3.3.1 Definition

Short-term Operating Reserve (STOR) allows us to have extra power in reserve for when we need it. It helps us meet extra demand at certain times of the day or if there's an unexpected drop in generation.

The requirement for STOR is dependent upon the demand profile at any time. The STOR year starts in May, and is split into six seasons, which specify the Availability Windows where STOR is required each day.

National Grid aims to procure a minimum of 1800MW of STOR per year (subject to economics). Forecasting demand is getting more difficult due to the growth of intermittent wind and solar generation. STOR is therefore being increasingly used to ensure that imbalances on the system can be managed

You can find more detail about STOR, and the timetable for future tenders, on our web site at [www2.nationalgrid.com/uk](http://www2.nationalgrid.com/uk). Look under Our services, Balancing services, and then [Reserve services](#).

### 3.3.2 Paying for STOR

We procure short-term operating reserve (STOR) through competitive tendering three times a year. To make sure we have enough STOR available through the year, we procure suppliers that are both BM and no-BM participants.

We make two kinds of payments to suppliers:

- availability payments – these are what we pay to suppliers to be available to supply STOR to us at certain times. Both BM and non-BM participants are paid for availability.
- utilisation payments – we pay non-BM participants these for using the STOR service.

We don't make utilisation payments for BM STOR as an ancillary service; we pay for that through the BM bids and offers process. But we've included it in this report so we can show the total amount we've spent on STOR.

### 3.3.3 STOR Volume and Expenditure

We accepted a total STOR volume of:

- 3,695 MW for season 12.1
- 3,739 MW for season 12.2

Table 1 shows the actual (or "outturn") and contracted figures for May 2018.

**Table 1: STOR volumes and costs**

	Outturn	Contracted
Volume weighted average availability price	£6.52 per MWh	£3.98 per MWh
Volume weighted average usage price	£45.89 per MWh	£122.36 per MWh
Megawatts available	2,201 MW	3,739 MW

Table 1

The total amount we spent on the utilisation and availability for BM and non-BM STOR providers in May 2018 was:

- £6.78 million.

That total cost breaks down into:

- £2.29 million to BM STOR providers
- £4.49 million to Non-BM STOR providers

**Figure 17: Total Non-BM and BM STOR cost, in pounds sterling (£m)**

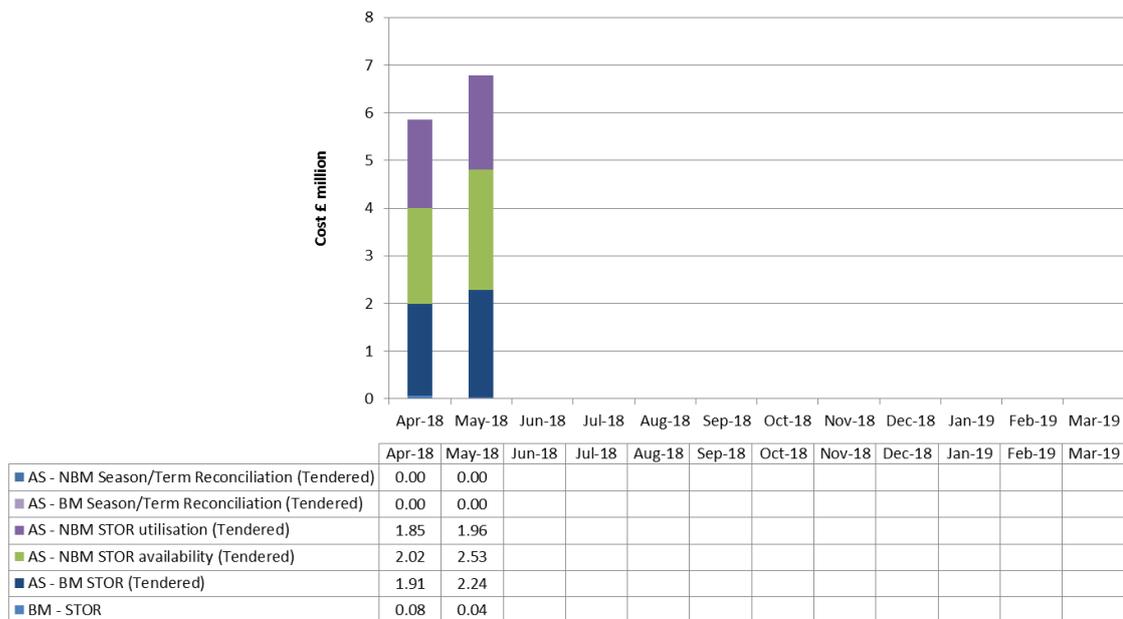


Figure 17

**Figure 18: Tendered STOR utilisation volume, in megawatt hours (MWh)**

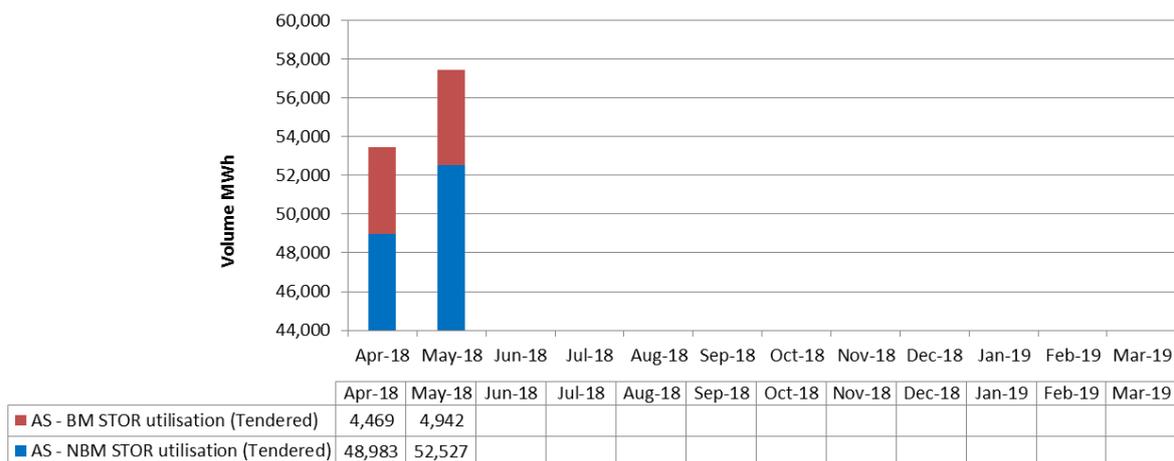


Figure 18

The total volume of STOR we used in May 2018 was:

- 57,469 MWh.

The graphs below show the volume of BM and non-BM STOR, which was made available to use in window 1, window 2 and window 3.

Figure 19, Figure 20 and Figure 21: STOR availability volume, in megawatts (MW)

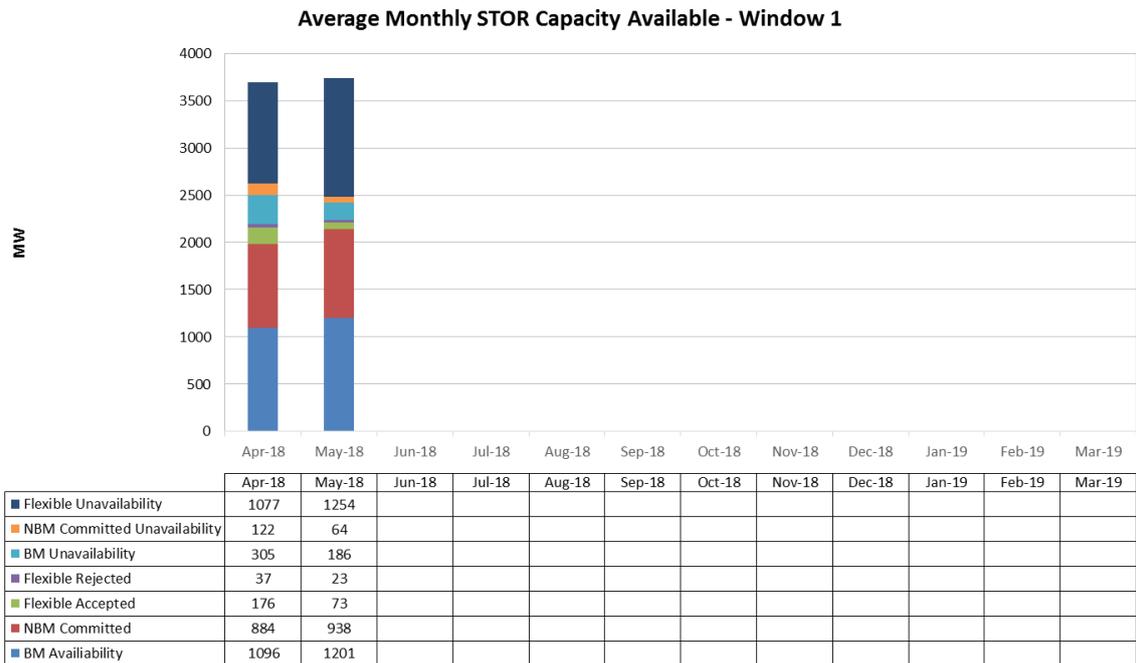


Figure 19

The average availability of STOR for Window 1 in May 2018 was:

- 2,212MW

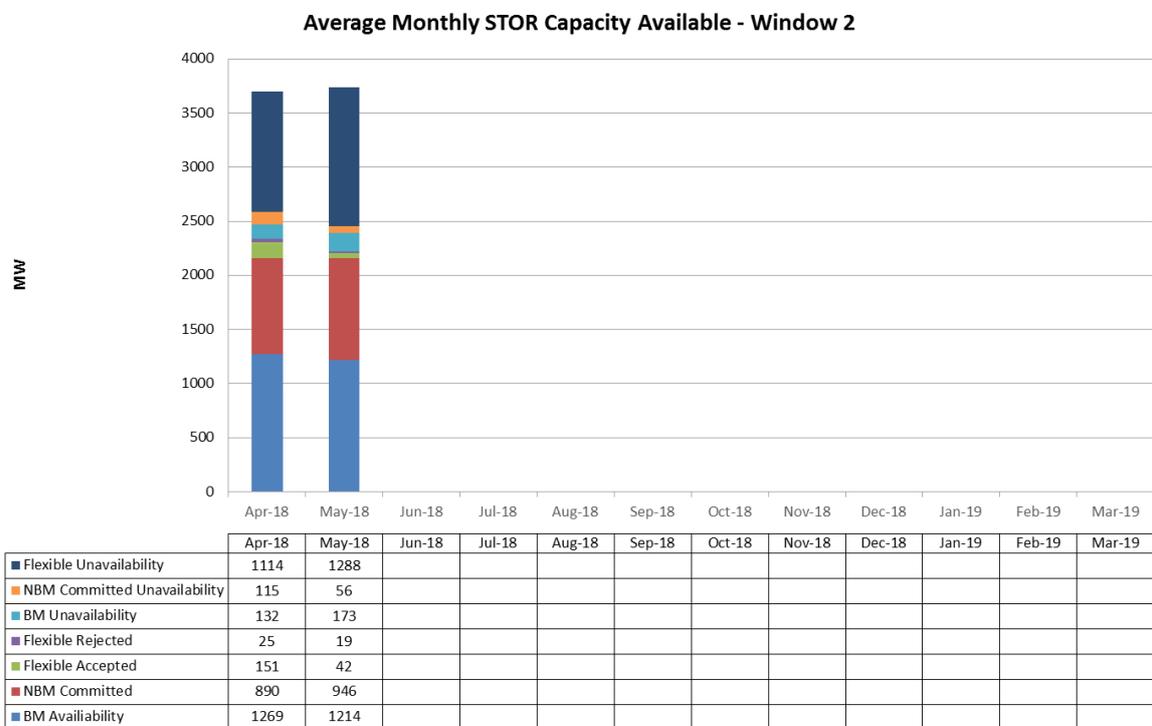


Figure 20

The average availability of STOR for Window 2 in May 2018 was:

- 2,202 MW

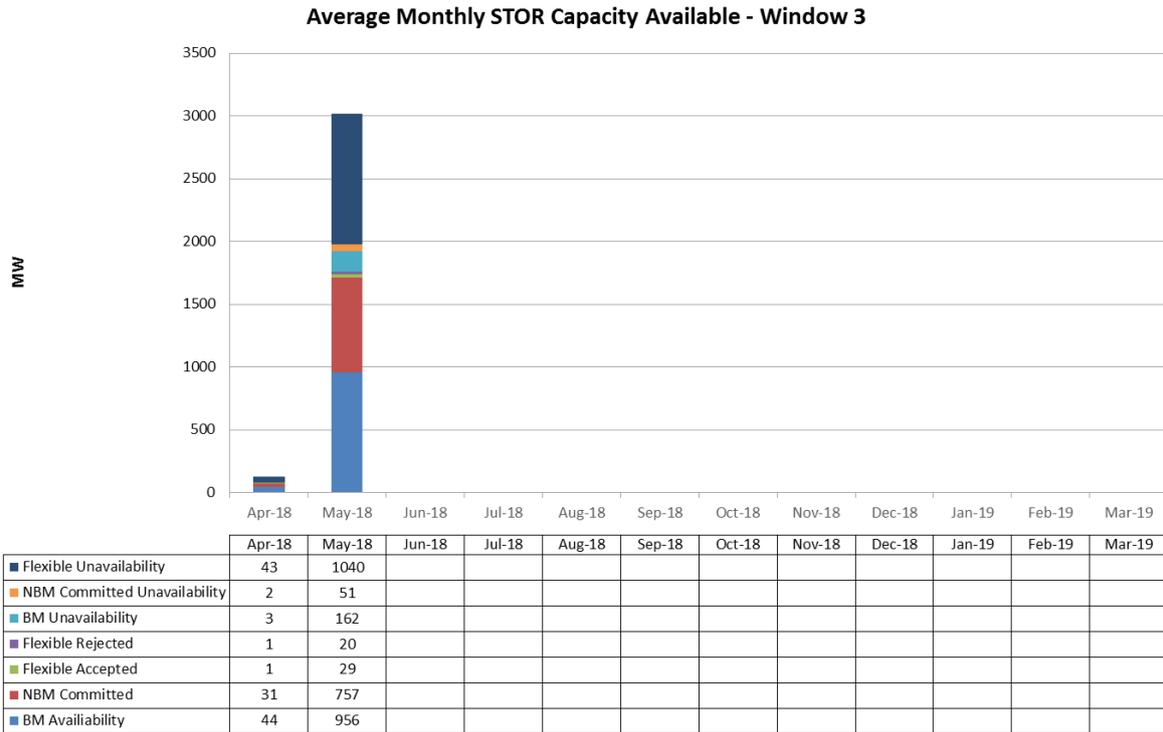


Figure 21

The average availability of STOR for Window 3 in May 2018 was:

- 1,742MW

### 3.4 Other Reserves

#### 3.4.1 Definition

This section includes the other contracted reserve services that help to offset the cost of managing reserve in the BM.

Details of the reserve types presented here can be found on our website. Look for Balancing services, [list of all balancing services](#).

#### 3.4.2 Paying for Other Reserves

Reserves in this section are paid for through commercial contracts, the demand turn-up service for example has an annual tender round.

### 3.4.3 Other Reserves Volume and Expenditure

Figure 22: Other reserves cost, in pounds sterling (£m)

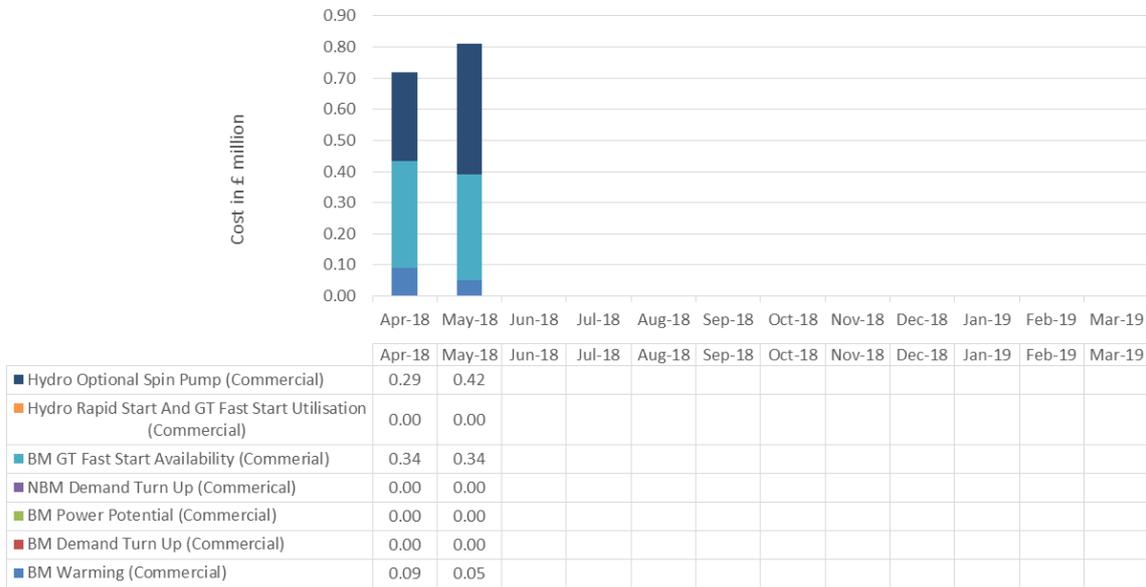


Figure 22

Table 2 below shows utilisation and availability stats for the different reserve types. Some are in MWh and some show how many sites available or instructions issued.

**Table 2: Other Reserves utilisation and availability data**

	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19
Hydro Optional Spin Pump availability (MWh)	20,733	27,100										
Hydro Rapid Start And GT Fast Start utilisation (MWh)	0	0										
BM GT Fast Start Availability number of sites	20	-										
NBM Demand Turn Up utilisation (MWh)	0	0										
BM Power Potential utilisation (MWh)	0	0										
BM Demand Turn Up utilisation (MWh)	0	0										
BM Warming instructions	3	5										

Table 2

## 3.5 Constraints

### 3.5.1 Definition

A constraint is when the flow of electricity in an area of the grid is limited by the grid's capacity.

We sometimes ask a generator to reduce, or constrain, the amount of electricity it's producing. When we do that, we still need the electricity it would have produced – so we can balance the system – but we can't move it in or out of a certain area. We make up the difference by buying energy from another generator in a different part of the transmission network.

It can also happen the other way around: we might need to produce more energy in some areas, which means we need to reduce production elsewhere

### 3.5.2 Managing Constraints

It's important that we manage these constraint activities. If we don't, equipment might be damaged or areas of the grid might be at risk of shutting down.

To deal with constraints, we use a range of mechanisms, including BM bids and offers, pre-gate BMU transactions, trading, system-to-system (SO to SO) services, and contracted services.

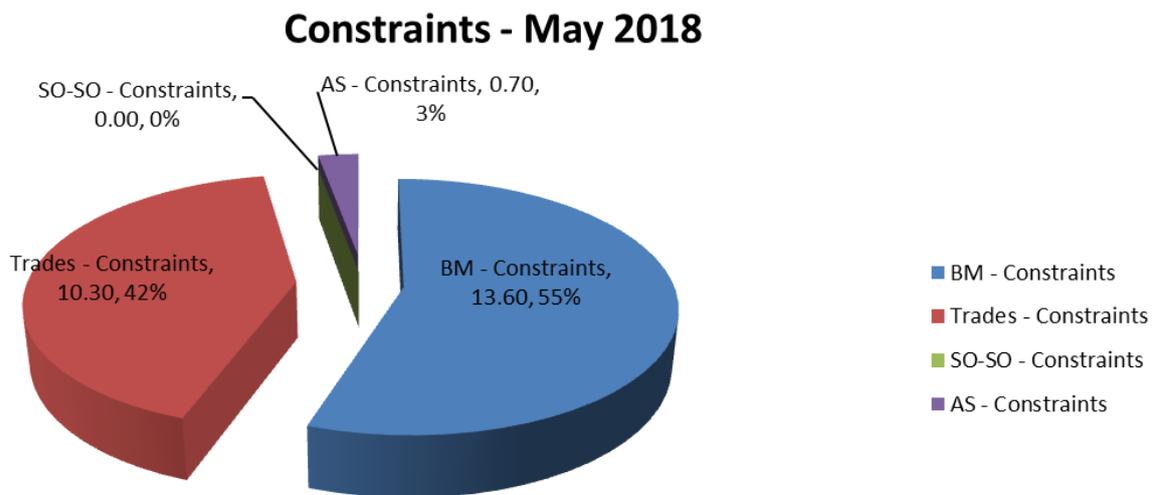
We break down constraints into three groups:

- Transmission Constraints
- Voltage Constraints
- ROCOF Constraints

### 3.5.3 Constraints Volume and Expenditure

The total spent on constraints in May was £24.6m. Figure 23 shows the constraint costs broken down by BM, trades, SO-SO and Ancillary Services.

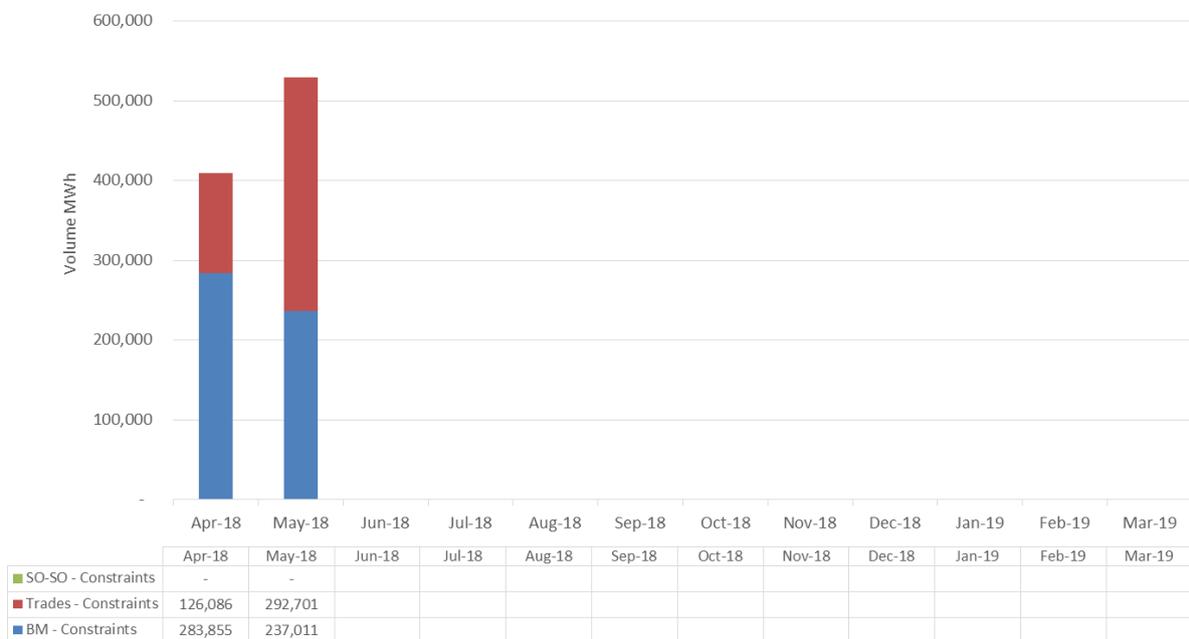
**Figure 23: Constraints costs, in pounds sterling (£m)**



*Figure 23*

The BM constraint costs are broken down by England and Wales, Scotland and Cheviot regions in the BM costs section of this report.

**Figure 24: Constraint volume, in megawatt hours (MWh)**



*Figure 24*

The total spent on ancillary services to manage constraints was £0.7 million, and are broken down further in Figure 25.

**Figure 25: Ancillary Service constraint costs, in pounds sterling (£m)**

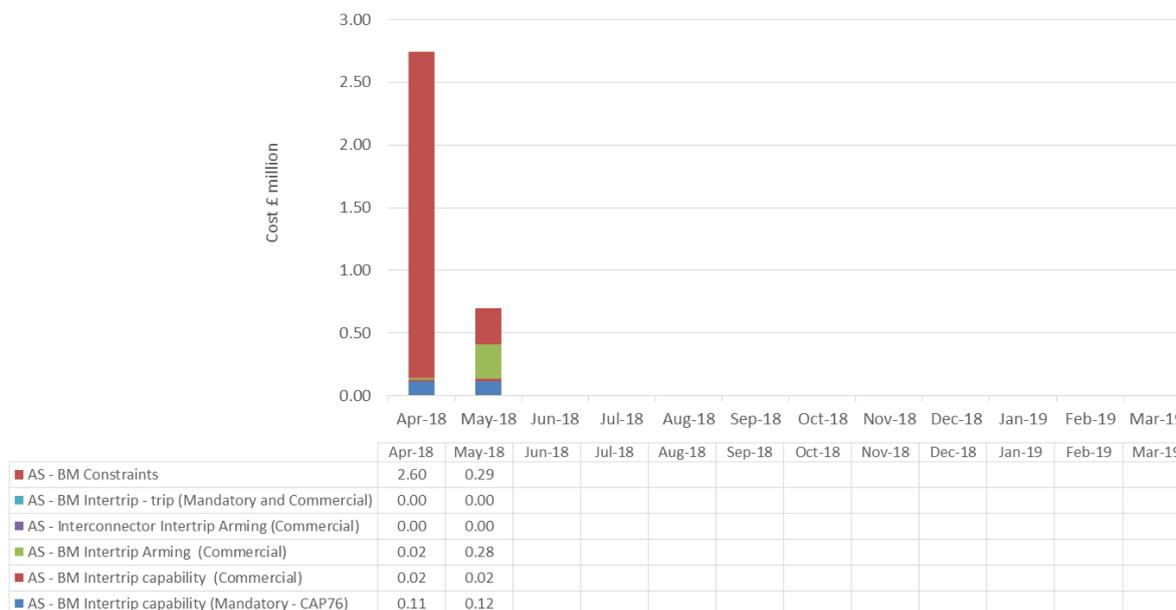


Figure 25

### 3.5.4 Constraint actions by fuel type

This section shows how the constraint costs for the reporting month break down by generator fuel type (excluding ROCOF).

Table 3 and Table 4 show the costs of the two types of payments we make, in pounds sterling (£ million):

- payments to manage the constraint – our costs in constraining electricity generation
- payments to rebalance the system – our payments to participants to bring the system back into balance

Positive values show the costs to National Grid, negative values show receipts. “Other” includes all fuel types not reported separately and includes hydro, open-cycle gas turbine (OCGT), demand side suppliers, and nuclear.

Most of the constraint costs are payments for suppliers to reduce or increase their output of electricity. But when managing constraints, we incur costs in other ways too. For example, we might use an intertrip service or bilateral contract to reduce the overall costs to consumers. As these costs arise because of the constraint, we’ve included them in the tables.

**Table 3: Breakdown of constraint costs (excluding ROCOF) by fuel type, for May 2018**

<b>May 2018</b>	<b>All Values £m</b>		
<b>Fuel Type</b>	<b>Payments to Manage Constraint</b>	<b>Payments to Rebalance System</b>	<b>Net</b>
COAL	0.85	4.53	5.38
GAS	0.10	18.13	18.23
INTERCONNECTOR	-2.35	-2.16	-4.50
WIND	3.90	0.00	3.90
OTHER	0.11	-8.58	-8.47
Total	2.63	11.92	14.54

**Table 4 : Breakdown of constraint costs (excluding ROCOF) by fuel type, for the year to date**

<b>FY2018-2019</b>	<b>All Values £m</b>		
<b>Fuel Type</b>	<b>Payments to Manage Constraint</b>	<b>Payments to Rebalance System</b>	<b>Net</b>
COAL	1.15	5.99	7.14
GAS	-0.90	32.96	32.07
INTERCONNECTOR	-2.89	-2.48	-5.37
WIND	11.19	0.04	11.23
OTHER	0.21	-9.86	-9.65
Total	8.76	26.65	35.42

## **3.6 Negative Reserve**

### **3.6.1 Definition**

A Negative Reserve service can provide the flexibility to reduce generation or increase demand to ensure supply and demand are balanced. The service is held in reserve to cover unforeseen fluctuations in demand, or generation from demand side PV and wind.

### **3.6.2 Paying for Negative Reserve**

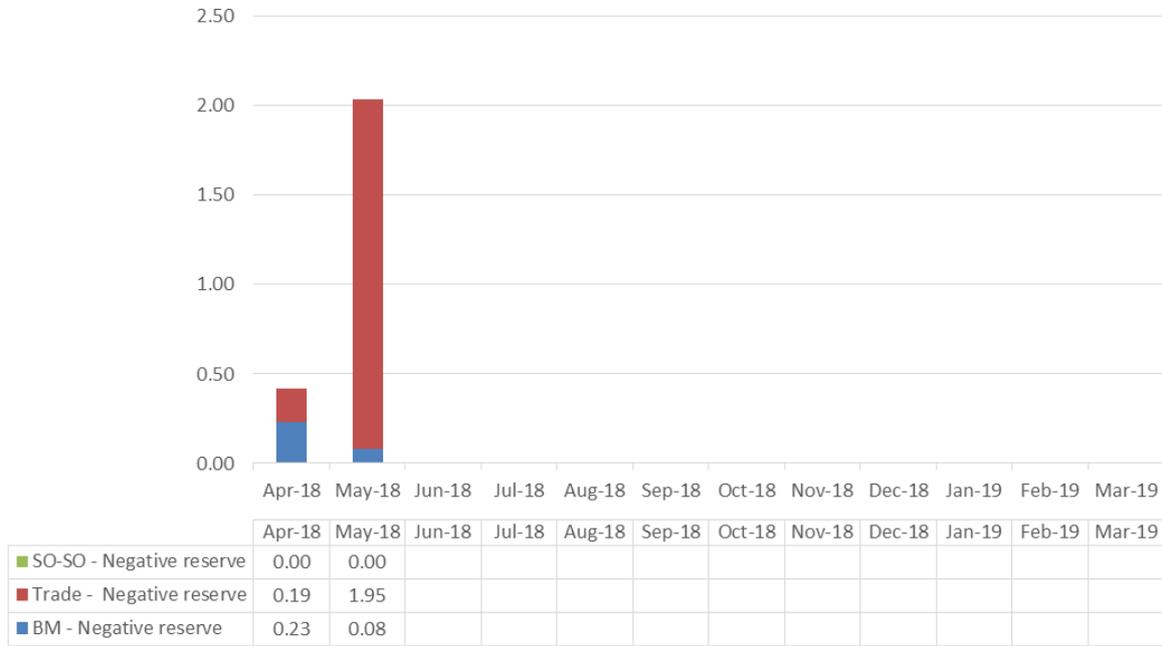
The Negative Reserve in this section is paid for through the BM, trades and SO-SO. There are Ancillary Services that are used to offset the cost of Negative Reserve (for example, demand turn-up), these are covered in the Other Reserves section of the report.

### **3.6.3 Negative Reserve Volume and Expenditure**

The total amount we paid for Negative Reserve in May 2018 was:

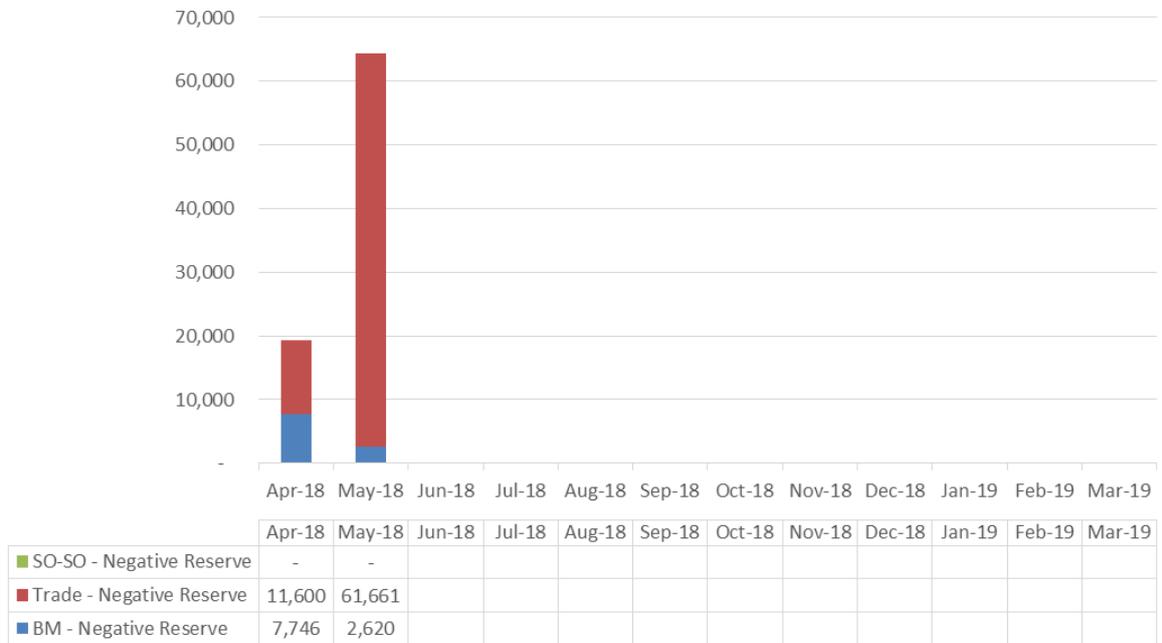
- £2.04 million.
- The total volume of Negative Reserve we procured in May 2018 was:
- 64,281 MWhrs.

**Figure 26: Negative Reserve cost, in pounds sterling (£m)**



*Figure 26*

**Figure 27: Negative Reserve volume, in megawatt hours (MWh)**



*Figure 27*

## 3.7 Fast Reserve

### 3.7.1 Definition

Fast Reserve provides the rapid and reliable delivery of active power through an increased output from generation or a reduction in consumption from demand sources, following receipt of an electronic dispatch instruction from National Grid. Fast Reserve service must commence within two minutes following instruction, at rates of 25MW or greater per minute and providing a minimum of 50MW.

National Grid currently breaks down the Fast Reserve into three categories: Firm Fast Reserve, Optional Fast Reserve for BM and Non-BM suppliers, and Optional Spin gen.

You can find more detail about Fast Reserve on our web site at [www2.nationalgrid.com/uk](http://www2.nationalgrid.com/uk). Look under Our services, Balancing services, and then [Reserve services](#).

### 3.7.2 Paying for Fast reserve

We procure Firm Fast reserve through a competitive monthly tendering process.

Only Suppliers who have entered into a Fast Reserve Framework Agreement can provide the Optional Fast Reserve service. This service is called upon through requests from the National Grid Electricity Control centre.

We procure Optional Spin Gen (for Hydro Pump Storage only) via bilateral agreements, and the services are called upon through requests from the National Grid Electricity Control centre, but not through the BM.

We make four types of payments to suppliers:

- availability payments in £/hours – these are what we pay to suppliers to be available to supply Fast Reserve to us at certain times.
- positional payments in £/hour – for firm fast reserve services only.
- window initiation payments in £/firm window – for firm fast reserve services only.
- utilisation payments in £/MWh – we pay these when we actually use the Fast Reserve. We pay providers the Capped Bid-Offer price for use of the service through the BM, or the Firm Fast Reserve Energy Fee for non-BM providers.

### 3.7.3 Volumes and expenditure

Figure 28: Fast Reserve services costs, in pounds sterling (£m)

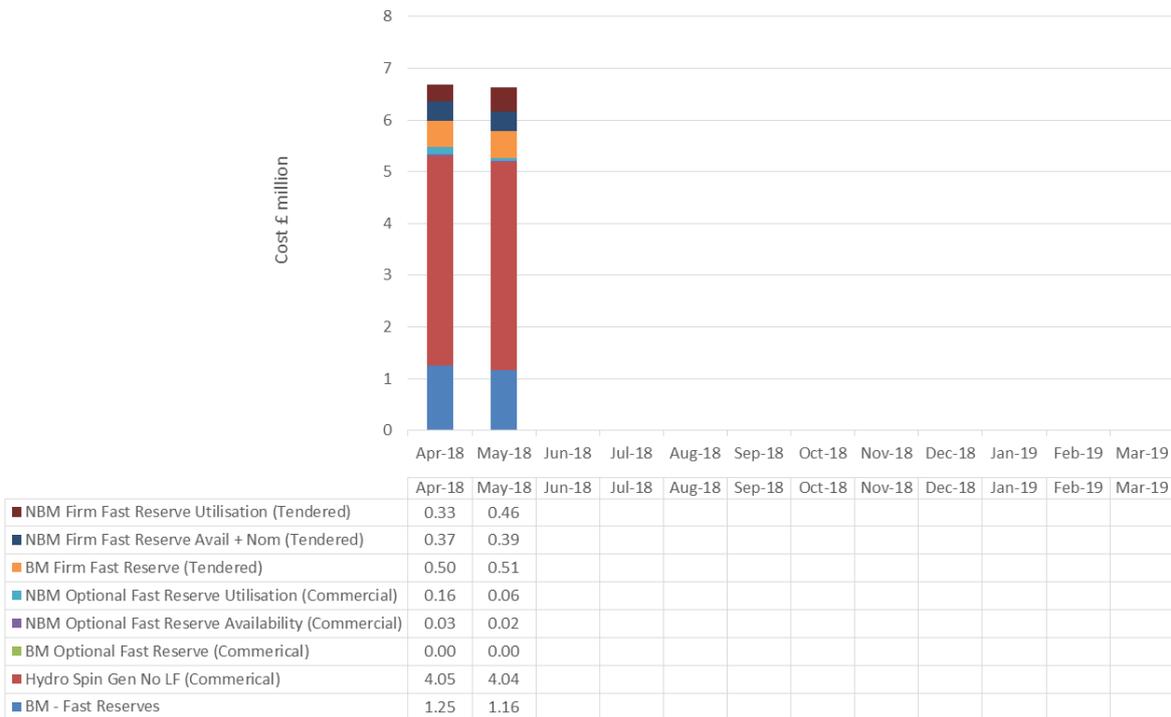


Figure 28

The total amount we paid for Fast Reserve in May 2018 was:

- £6.6 million.

That cost breaks down into

- £5.7 million to BM providers
- £0.9 million to non BM providers

**Figure 29: Fast Reserve services volume, in megawatt hours (MWh)**

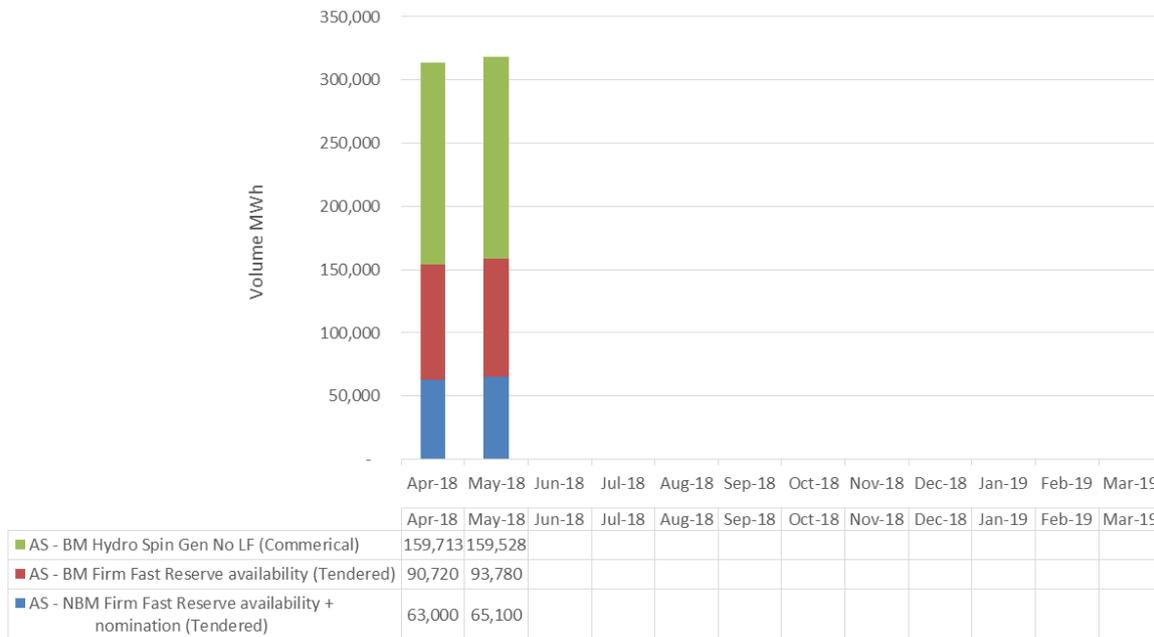


Figure 29

## 3.8 Response

### 3.8.1 Definition

Response is a service we use to keep the system frequency close to 50Hz. Fast acting generation and demand services are held in readiness to manage any fluctuation in the system frequency, which could be caused by a sudden loss of generation or demand. There are three types of frequency response known as “primary”, “secondary” and “high”. The difference between primary and secondary is the speed at which they act recover the system frequency. Both primary and secondary react to low frequency conditions, and high response reacts to high system frequency conditions, restoring the frequency to normal operational limits.

More information about frequency response and the service we procure can be found on our website. Look under Balancing Services, [Frequency Response Services](#).

### 3.8.2 Paying for Response

We procure response through the BM and through the Firm Frequency Response monthly tender process.

### 3.8.3 Response Volume and Expenditure

The total amount we paid for Response in May 2018 was:

- £11.84 million.

The Response holding volume in May 2018 was:

- Primary: 560,300 MWh
- Secondary: 735,744 MWh
- High: 480,479 MWh

These figures exclude Enhanced Frequency Response as the data has a one month lag. Data for this reporting month will be providing in the next report.

**Figure 30: Response Service costs, in pounds sterling (£m)**

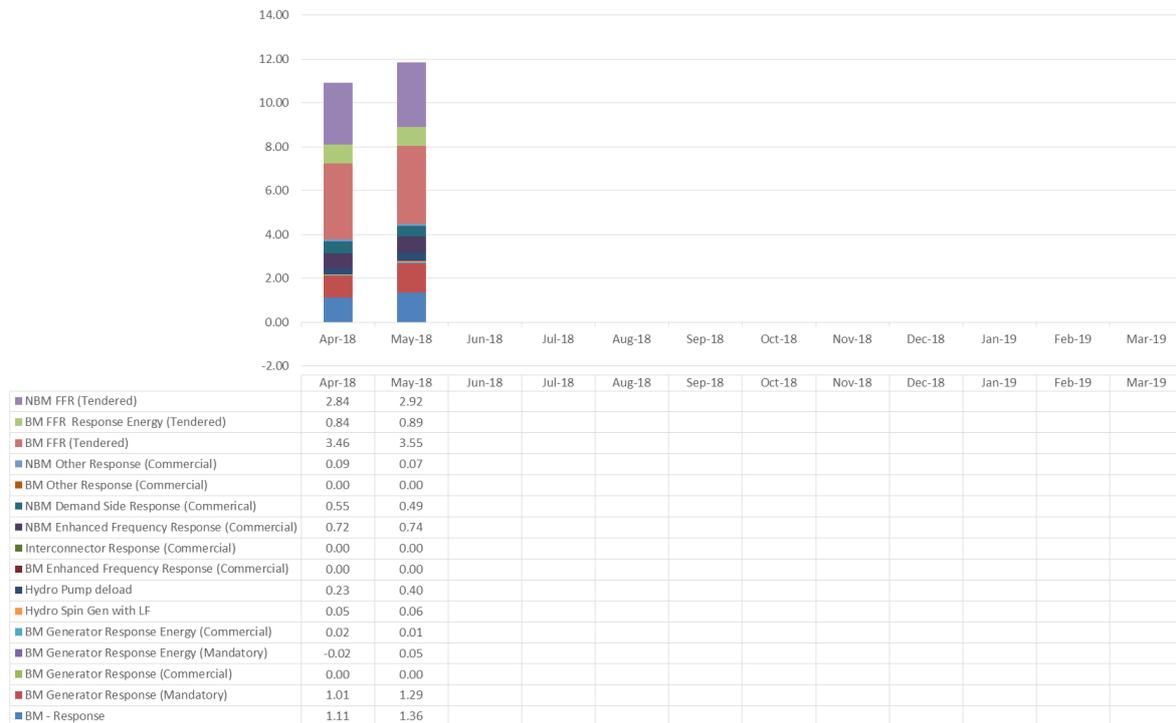


Figure 30

Figure 31 shows the dynamic and static response holding volumes in TWh, for primary, secondary and high response types (P, S, and H on the chart).

**Figure 31: Response Service volume; primary, secondary and high, in megawatt hours (MWh)**

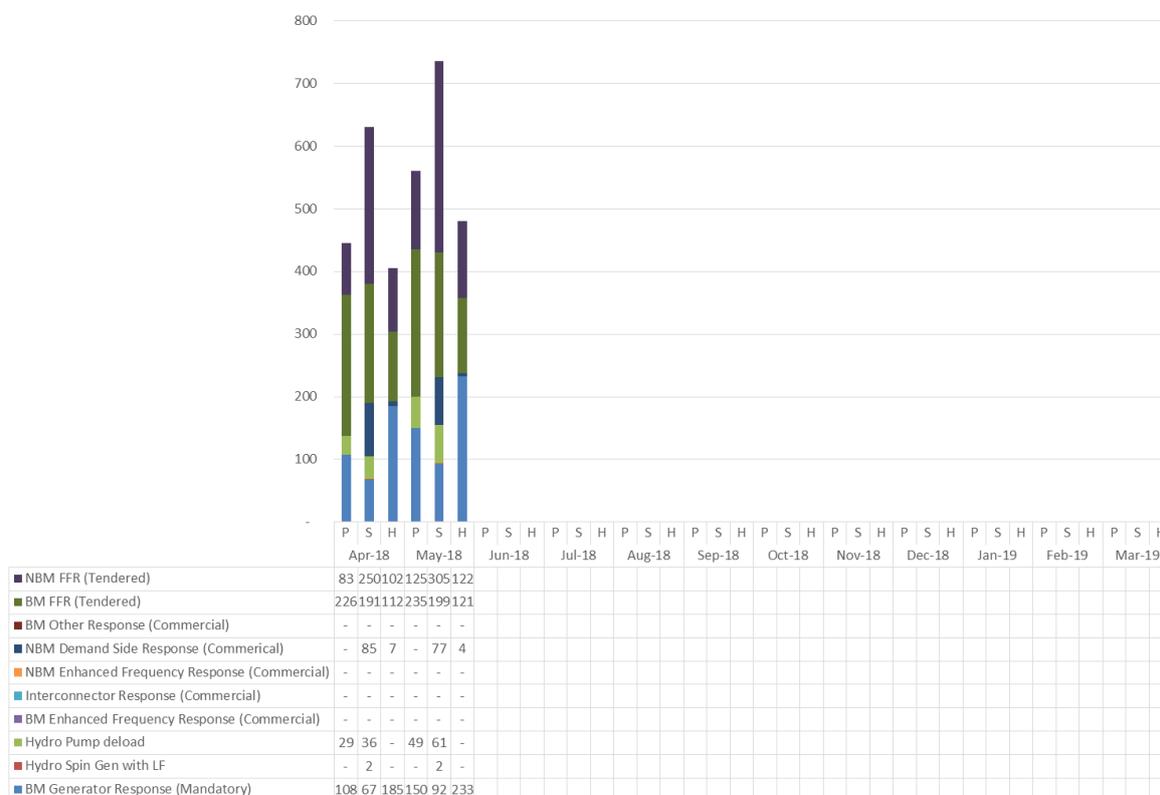


Figure 31

## 3.9 Voltage Control - Reactive Power

### 3.9.1 Definition

We manage voltage levels across the grid to make sure we stay within our operational standards and avoid damage to transmission equipment. Voltage levels are controlled by reactive power, and we pay providers to help manage voltage levels on the system by controlling the volume of reactive power that they absorb or generate.

You can find more detail about reactive power on our web site at [www2.nationalgrid.com/uk](http://www2.nationalgrid.com/uk). Look under Our services, Balancing services, then [Reactive power services](#).

### 3.9.2 Paying for Reactive Service

Generators covered by the requirements of the Grid Code are required to have the capability to provide reactive power. There is a payment mechanism that is updated monthly in line with market indicators. The latest utilisation and payment figures can be found on our website. Look under Balancing services, reactive power services, [market information](#).

### 3.9.3 Reactive Service Volume and Expenditure

The total amount we paid for Reactive Service in May 2018 was:

- £6.74 million.

The total volume of reactive power used in May 2018 was:

- 2,265,934 MVarh.

**Figure 32: Costs of Reactive Power, in pounds sterling (£ million)**

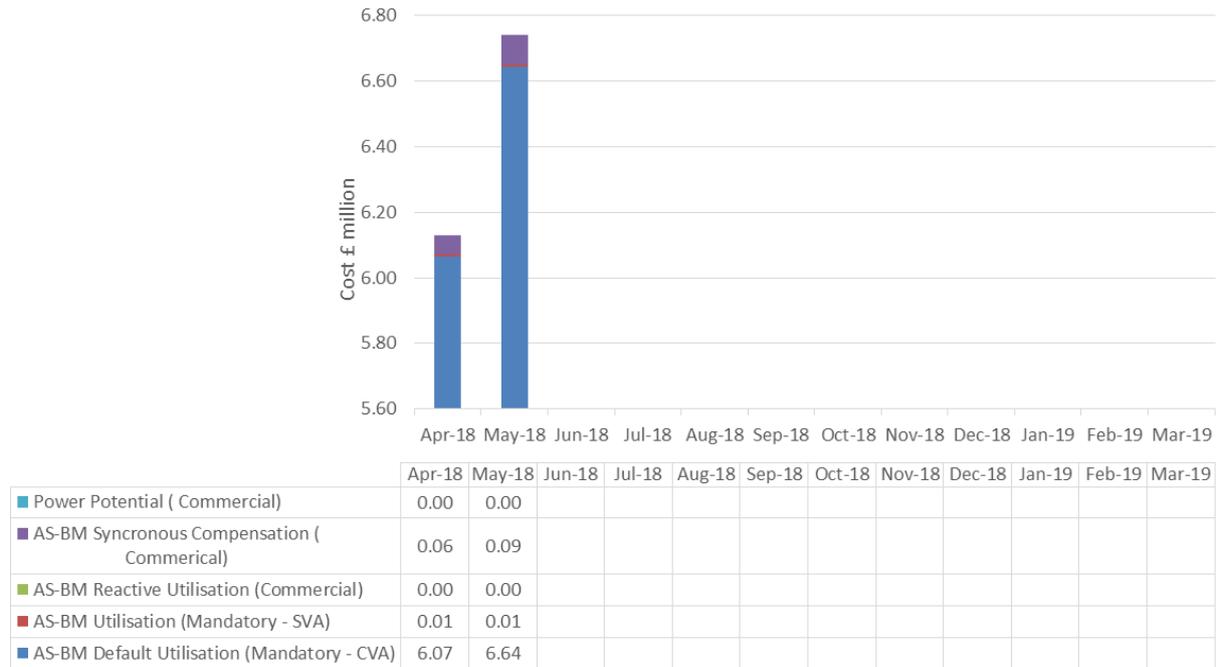


Figure 32

**Figure 33: Volume of Reactive Power volume, in mega volt amp reactive hours (MVAh)**

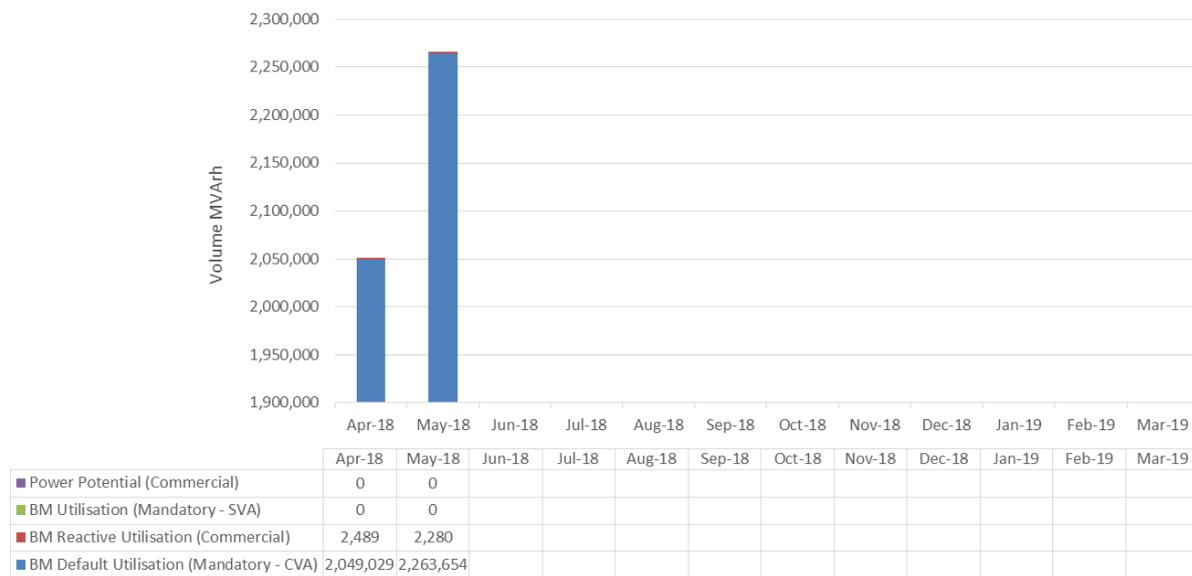


Figure 33

## 3.10 ROCOF

### 3.10.1 Definition

This is the cost of managing a system issue called ROCOF, which stands for Rate of Change of Frequency. Some embedded generators use protection relays that monitor the rate of change of system frequency to detect a fault on the network. When the protection detects that the rate of change of frequency higher is higher than a set threshold, the generator is tripped, or taken off the system. The protection relay is a safety measure, to make sure that the embedded generator is never connected to an islanded part of the network following a system fault. The increase in wind and PV generation means that the rate of change of frequency on the system can be higher than was historically allowed for following the loss of a large generator or interconnector. We need to reduce the size of the largest possible infeed loss to make sure that the ROCOF protection relays are not triggered, resulting in further loss of generation after a fault.

### 3.10.2 Paying for ROCOF

We manage the largest infeed loss through forward trades, and the BM.

### 3.10.3 ROCOF Expenditure

Figure 34: ROCOF costs, in pounds sterling (£ million)



Figure 34

## 3.11 Black Start

### 3.11.1 Definition

Black start is the procedure we use to restore power in the event of a total or partial shutdown of the national electricity transmission system. It means we can start up each power station in turn and reconnect them to the grid one by one.

In this sort of emergency, a power station can get its electricity supply from a small back-up generating plant on the same site. But not all power stations have one of these, so we have agreements with other suppliers. They help us make sure we have enough black start arrangements in place in case we need them.

You can find more detail about black start on our web site at [www2.nationalgrid.com/uk](http://www2.nationalgrid.com/uk). Look under Our services, Balancing services, then [System security](#).

### 3.11.2 Paying for Black Start

We make various types of payments (depending on several factors):

- availability payments – what we pay suppliers to be available to supply black start to us
- warming payments – what we pay suppliers to maintain readiness when they are not running in the energy market
- capital contributions – the cost of setting up black start capability
- other payments – for example, for testing

### 3.11.3 Black Start Volume and Expenditure

Figure 35 shows the amount we spent on Black Start, in pounds sterling (£ million).

The amount we spent on Black Start contracts was:

- £3.35 million.

**Figure 35: Black Start service costs, in pounds sterling (£ million)**

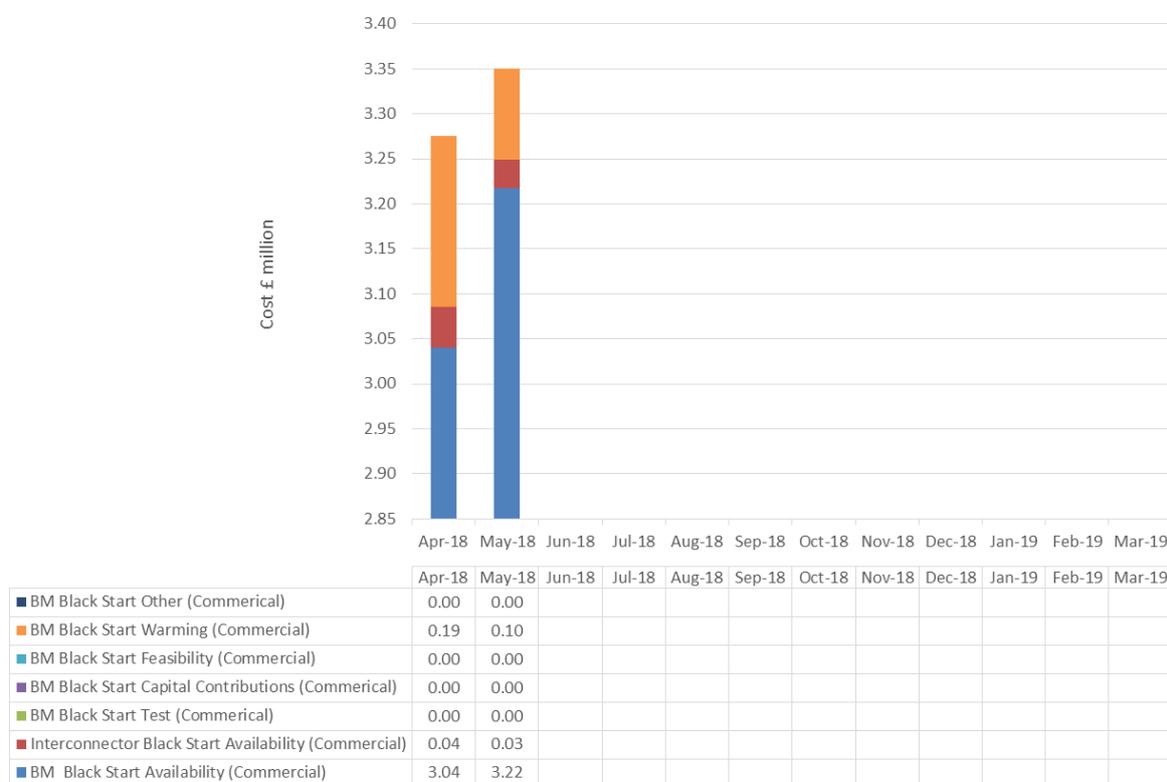


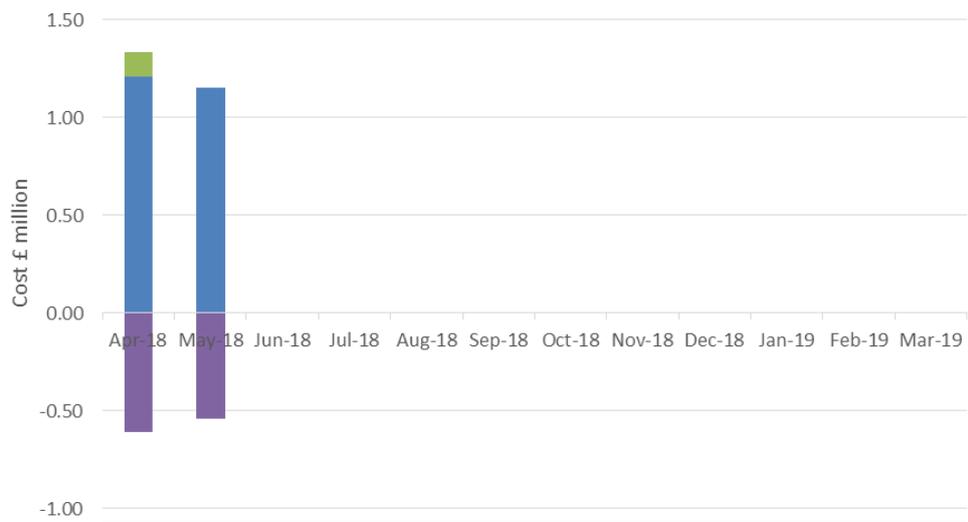
Figure 35

### 3.12 Others

The costs reported in this sections account for:

1. BM actions, which are not easily accounted for in the previously reported categories
2. Other general costs; trading option fees, bank charges, sterling adjustments
3. Non-Delivery and Reconciliation

**Figure 36: Other costs, in pounds sterling (£ million)**



	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19
■ Non-Delivery & Reconciliation	-0.61	-0.54										
■ AS - Minor Components	0.13	0.00										
■ SO-SO - Minor Components	0.00	0.00										
■ BM - Minor Components	1.21	1.15										

Figure 36

## 4. Other Information

### 4.1 New Wind Generation

This table will only include new wind generation when its settlement metering is greater than 1MWh.

There were no new connections in May 2018.

BMU ID	Month First Metered	Connection Area	Max Metered MW

Table 5

### 4.2 How we manage Wind generation

Energy generated by wind farms varies according to how windy it is. Sometimes there is very little wind, and on other days wind generation could be too strong such that the turbines shut down automatically for their own protection.

Sometimes we ask some wind farms to stop generating, or reduce output, because very high wind may affect the transmission network, causing constraints. Where economic we may also use wind powered units to resolve other system issues such as frequency management or to create flexibility across the GB generation portfolio in the same way as we would use any other type of generation for these services.

#### 4.2.1 Payments to Wind Powered Generation

The table below shows the payments made to wind powered generation since the 2010/11 financial year. There were no payments to wind powered generation prior to this. All payments to wind powered generation are included regardless of the reason that this cost was incurred.

£m	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
Payments to Wind powered generation	0.2	34.1	7.6	49.7	65.3	96.8	83.2	108.0	11.4

Table 6

#### 4.2.2 Monthly Breakdown of Wind Farm Payments

The graph below shows the monthly total payments to wind powered generation this financial year:

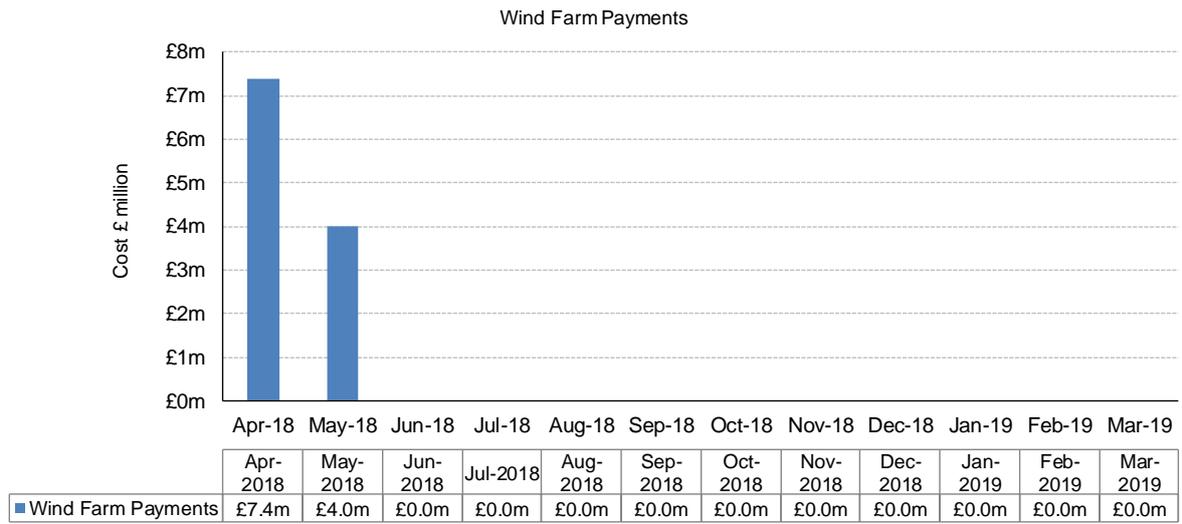


Figure 37

## 5. Further information

You'll find more detail about balancing services on our web site at [www2.nationalgrid.com/uk](http://www2.nationalgrid.com/uk).

We publish a number of documents in line with the Electricity Transmission Standard Licence Conditions (Condition C16: Procurement and use of balancing services). These documents include:

- Daily Balancing Costs – Information about the daily costs resulting from balancing the system. Find the report on our web site under Electricity, Market, operations, and data, then [System balancing reports](#).
- Monthly BSUoS Report – Information about the daily BSUoS charge resulting from balancing the system. Find the report on our web site under Electricity, Market, operations, and data, then [System balancing reports](#).
- Procurement Guidelines Report – information about the balancing services that we're going to procure. Find the report on our web site under Our services, Balancing services, then [Procurement guidelines](#).
- Balancing Principles Statement – information about balancing mechanism bid and offer acceptances. Find it under Industry information, Electricity codes, Balancing frameworks, then [C16 Statements](#).

## 6. Questions and feedback

If you have any questions or comments about our electricity balancing services, or anything in this report, please email us at [BSIS@nationalgrid.com](mailto:BSIS@nationalgrid.com).

We'll look forward to hearing from you.