

# Assessment Procedure Consultation Responses



## Phase

Initial Written Assessment

Definition Procedure

Assessment Procedure

Report Phase

Implementation

## P371 'Inclusion of Spin-Gen, Non-BM Fast Reserve and Non-Tendered Fast Reserve actions into the calculation of the Imbalance Price and extension of the cash-out price arrangements to Fast Reserve'

This Assessment Procedure Consultation was issued on 17 June 2019, with responses invited by 5 July 2019.

### Consultation Respondents

Respondent	No. of Parties/Non-Parties Represented	Role(s) Represented
Centrica	8/0	Generator, Supplier
Drax Group Plc	4/0	Generator, Supplier
EDF Energy	5/0	Generator, Supplier
National Grid ESO	1/0	NETSO
RWE Supply and Trading GmbH	2/0	Generator, Interconnector User, Non Physical Trader, ECVNA, MVRNA
Sembcorp Utilities (UK) Ltd	2/0	Generator, Supplier
Uniper UK Ltd	2/0	Generator, Interconnector User, Non Physical Trader, ECVNA, MVRNA
Zenobe Energy Limited	0/1	Storage Provider

P371  
Assessment Consultation  
Responses

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Version 1.0

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## Question 1: Do you agree with the Workgroup that the draft legal text in Attachment A delivers the intention of P371?

### Summary

Yes	No	Neutral/No Comment	Other
6	0	2	0

### Responses

Respondent	Response	Rationale
Centrica	Yes	None provided.
Drax Group Plc	Yes	The legal text will require NGESO to include non-BM fast reserve actions in the Balancing Services Adjustment Data, these actions will then be included in the cash-out calculation.
EDF Energy	No comment	No Comment.
National Grid ESO	Yes	We believe that the proposed legal text meets the objective of P371 by including non-BM Fast Reserve data in the BSAD (Balancing Services Adjustment Data) transfer between NGESO and Elexon.
RWE Supply and Trading GmbH	No comment	We agree that the draft legal text in Attachment A delivers the intention of P371. We have one minor amendment as follows: 'means a Fast Reserve that is procured outside the balancing mechanism'
Sembcorp Utilities (UK) Ltd	Yes	Yes, we agree that the legal text delivers the intention of P371. The inclusion of non-BM Fast Reserve into the calculation of cash out ensures that cash out price sends correct messages to the industry. So far, the lack of inclusion has been distorting the market signal. This lack of transparency is potentially impacting the behaviour of Market Participants, effecting costs for end consumers. NGESO should therefore send the correct signal to the market to inform participants about the constraint and the required level of capacity. As Proposer we believe that there is no reason for a different treatment of Reserve products, and Fast Reserve should have already been captured in the calculation of the Imbalance Price. National Grid should therefore send the correct signal to the market to inform about the constraint and the required level of capacity, by recognising all the taken actions.

Respondent	Response	Rationale
Uniper UK Ltd	Yes	None provided.
Zenobe Energy Ltd	Yes	<p>We agree. The draft legal text for Proposed Modification delivers the intent of P371.</p> <p>The Modification Proposal seeks to include the price of Non-Balancing Mechanism (BM) Fast Reserve actions into the calculation of the Imbalance Price.</p> <p>The modified condition 6.3.1 (a) (iii) delivers the intention of P371. We also agree with the definitions of "Fast Reserve" and "non-BM fast reserve" given in the draft legal test.</p>

Question 2: Do you agree with the Workgroup that there are no other potential Alternative Modifications within the scope of P371 which would better facilitate the Applicable BSC Objectives?

## Summary

Yes	No	Neutral/No Comment	Other
8	0	0	0

## Responses

Respondent	Response	Rationale
Centrica	Yes	None provided.
Drax Group Plc	Yes	None provided.
EDF Energy	Yes	None provided.
National Grid ESO	Yes	We agree with the Workgroup's conclusion as detailed in the consultation. We believe there may be benefit in the longer term of reviewing the Balancing Services that are included in 'cash out' but this is beyond the scope of P371 (and so require a separate BSC modification proposal) as well as potentially being subject to EBGL regulations (specifically Articles 52-55).
RWE Supply and Trading GmbH	Yes	We agree with the Workgroup that there are no other potential Alternative Modifications within the scope of P371 which would better facilitate the Applicable BSC Objectives
Sembcorp Utilities (UK) Ltd	Yes	<p>We agree with the Workgroup unanimous conclusion that there are no other potential alternative Modifications that would better facilitate the Applicable BSC Objectives for P371.</p> <p>We agree with the conclusions that the additional benefits of the proposed alternative solution did not outweigh the additional costs. The unanimously approved Option 1 (National Grid to send non-BM FR information to Elexon, without including a specific FR flag) is sufficient to address the defect, ensuring all energy balancing actions flow through into the Imbalance Price calculation.</p> <p>Although some members of the Workgroup have raised concerns over the uncertainty in the use of non-BM balancing services in the medium to long term, we urge the Workgroup - and subsequently Ofgem - to bear in mind that one of NGESO's main work streams is around expanding the capabilities of their platform for ancillary services (PAS) for non-BM providers. This platform is intended for both providers of non-BM FR and non-BM STOR. Furthermore, among the milestones indicated in the newly released Summer 2019 Operability Strategy Report, NGESO has</p>

Respondent	Response	Rationale
		indicated that reserve services will only be reviewed after 2021. Such review is preceded by the full go-live of Project TERRE, which we know has now been delayed to at least June 2020. Therefore, we believe that a quick implementation of the agreed solution for P371 provides an appropriate solution to the defect. The solution would have an overall positive impact on the behaviour of market participants, who can respond to a corrected and more reflective price signal.
Uniper UK Ltd	Yes	No alternative within the BSC.
Zenobe Energy Ltd	Yes	We understand that the Workgroup considered an alternative solution. In the alternative solution, the BSAD file would be amended to contain a flag identifying Fast Reserve Actions. The costs of the alternative solution do not outweigh the benefits. We do not believe that the alternative solution better facilitates the Applicable BSC Objectives.

## Question 3: Do you agree with the Workgroup's recommended Implementation Date?

### Summary

Yes	No	Neutral/No Comment	Other
7	1	0	0

### Responses

Respondent	Response	Rationale
Centrica	Yes	None provided.
Drax Group Plc	Yes	June 2020 is the next available release that P371 can be implemented based on NGENSO's impact assessment.
EDF Energy	Yes	We agree that the implementation should be carried out as soon as it is practically possible. We see no reason to delay implementation.
National Grid ESO	No	<p>Great Britain's route to trading on TERRE is only via France, creating an interdependency between GB and France for the delivery of TERRE in to GB. Following the recent announcement by RTE (the French System Operator) of the delay to their TERRE delivery programme (now due to complete June 2020), this will impact on Great Britain's implementation of TERRE.</p> <p>As mentioned in the consultation, NGENSO's delivery of P371 is dependent on first delivering TERRE. This means that NGENSO can no longer support the implementation approach of the Workgroup as NGENSO will need to revise the Impact Assessment associated with P371 to determine how the delay to TERRE (but continued delivery of wider BM access) impacts upon the delivery of P371.</p>
RWE Supply and Trading GmbH	Yes	We agree with the 25 June 2020 implementation date as part of the June 2020 BSC Systems Release
Sembcorp Utilities (UK) Ltd	Yes	<p>Should Ofgem approve P371, we urge NGENSO to proceed with the implementation of the Modification as soon as possible.</p> <p>NGESO stated that system changes would not be possible until the go-live of Project TERRE, which was set for December 2019.</p> <p>Now the project has been put on hold in order to align with the platform needs and delayed timeline of France.</p> <p>Therefore, we urge NGENSO to dedicate the resources that would have been needed for TERRE to the P371 implementation.</p>

Respondent	Response	Rationale
Uniper UK Ltd	Yes	We assume that the likely delay to Project TERRE does not impact on this, even though the consultation describes an interaction between the releases for P371 and P344, on the basis that the release date for P344 would go ahead as planned?
Zenobe Energy Ltd	Yes	<p>The Proposer preferred implementation date is on 1 April 2020. We would, ideally, prefer this date to be the implementation date. However, we understand the reasons why the Workgroup suggested to implement the changes on the 25 June 2020 and agree with the Workgroup.</p> <p>Project 'TERRE' has been delayed many times and considering the political context there is a risk that it would incur further changes or delays. NETSO should take the necessary actions to implement the changes by 25 June 2020. Transparency is a legal obligation and NETSO should allocate the resources to fulfil its obligations.</p>

Question 4: Do you agree with the Workgroup's view that P371 is not a Self-Governance Modification?

### Summary

Yes	No	Neutral/No Comment	Other
8	0	0	0

### Responses

Respondent	Response	Rationale
Centrica	Yes	None provided.
Drax Group Plc	Yes	P371 will likely have a material impact on competition since it includes additional actions in the cash-out price.
EDF Energy	Yes	We agree with the rationale given in the Workgroup report and that this Modification will have the potential to impact Imbalance Price.
National Grid ESO	Yes	We support the Workgroup's view that this proposal is not a Self-Governance Modification.
RWE Supply and Trading GmbH	Yes	We agree with the Workgroup's view that P371 is not a Self-Governance Modification.
SembCorp Utilities (UK) Ltd	Yes	Yes, we agree that P371 is not a Self-Governance Modification. The impacts and implications are far reaching: if approved by Ofgem, it will guarantee fair and harmonised treatment of Reserve products and will capture the value provided by Fast Reserve to the system.
Uniper UK Ltd	Yes	Potential impact on imbalance prices suggest that it should not be Self-Governance.
Zenobe Energy Ltd	Yes	We agree. NETSO should already be including these actions in the data provided to ELEXON, as they fall under 'relevant balancing actions'.

Question 5: Do you think that non-BM balancing services will continue to be used given the context of the EB GL requirements to use standard and specific balancing products?

## Summary

Yes	No	Neutral/No Comment	Other
3	0	5	0

## Responses

Respondent	Response	Rationale
Centrica	-	None provided.
Drax Group Plc	N/A	We agree there is uncertainty over how Balancing services will be branded (e.g. "BM" and "non-BM") and reformed in the future.
EDF Energy	No comment	No comment.
National Grid ESO	Yes	<p>'Non-BM' providers use assets connected to the distribution network and these assets will continue to be an important part of NGESO's Balancing Services strategy.</p> <p>NGESO's strategy for 'Reserve Services products' is yet to be developed and launched but it is likely that the current range of Reserve Services products will evolve as we begin to use EBGL standard products (TERRE &amp; MARI) and develop specific products to meet needs that aren't met through these standard products. How this translates to the current Fast Reserve and STOR products (both BM and non-BM) is unclear at this stage but will be worked through as part of the Reserve Services strategy which is due to be announced by the end of 2019.</p> <p>The work on wider BM access is likely to remove the current 'route to market' distinction of BM/non-BM services but distribution connected assets will play an important role in meeting NGESO's need for Balancing Services in future.</p>
RWE Supply and Trading GmbH	-	We would welcome the views on the GB TSO on this matter.
Sembcorp Utilities (UK) Ltd	Yes	<p>As already mentioned in our answer to Q2, NGESO's work stream on expanding the capabilities of their platform for ancillary services (PAS) for non-BM providers sends the signal that they are expecting non-BM balancing services to continue to exist in the medium-long term.</p> <p>Through PAS, non-BM STOR and non-BM Fast Reserve providers will transition to a new IT system to enable more efficient dispatch of service providers through the national control room.</p>

Respondent	Response	Rationale																										
		<p>This new platform is especially designed for smaller-scale reserve providers, who will continue to be non-BM as they would not be able to access the BM fairly and compete on a level playing field with other bigger and more established providers.</p> <p>The signal of NGENSO still procuring non-BM services is also reinforced by the fact that the newly introduced Standard Contract Terms for Fast Reserve reduced the entry level from 50MW to 25MW. This entails that the service is more accessible to smaller scale providers.</p> <p>Furthermore, when looking at the Power Responsive Demand Side Flexibility Annual Report 2018, data shows that there has been a general move towards a greater capacity accepted from Demand Side Flexibility (DSF) providers compared to traditional Parties, across several balancing services.</p> <p>We should acknowledge the fact that NGENSO has hinted that they might move away from the differentiation between BM and non-BM as a characteristic of market access. However, regardless of what smaller, “non-traditional” providers (comparable to what now are non-BM providers) will be referred to, they will still be present in the future.</p> <p>In addition to the above, the NGENSO Future Energy Scenarios show increasing installed capacity of Renewable Energy Resources: as such, we can reasonably expect that Fast Reserve dispatch will also increase to address more frequency drops and volatility.</p> <div data-bbox="499 1234 1174 1599" data-label="Figure"> <table border="1"> <caption>Forecasted Renewables Installed Capacity (GW)</caption> <thead> <tr> <th>Year</th> <th>Capacity (GW)</th> </tr> </thead> <tbody> <tr><td>2019</td><td>37.5</td></tr> <tr><td>2020</td><td>38.5</td></tr> <tr><td>2021</td><td>39.5</td></tr> <tr><td>2022</td><td>41.0</td></tr> <tr><td>2023</td><td>43.0</td></tr> <tr><td>2024</td><td>45.5</td></tr> <tr><td>2025</td><td>48.0</td></tr> <tr><td>2026</td><td>50.5</td></tr> <tr><td>2027</td><td>53.0</td></tr> <tr><td>2028</td><td>55.5</td></tr> <tr><td>2029</td><td>57.5</td></tr> <tr><td>2030</td><td>59.5</td></tr> </tbody> </table> </div> <p>Sembcorp’s analysis and forecast of Fast Reserve dispatch also shows an increasing trend: the graphic below aims to show the profile and the trend, i.e. what we can reasonably expect in terms of MWh instructed in the next year. The expectation is based on an average of the MWh instructed over the last four years, with 100% being the highest peak (which we forecast in January).</p>	Year	Capacity (GW)	2019	37.5	2020	38.5	2021	39.5	2022	41.0	2023	43.0	2024	45.5	2025	48.0	2026	50.5	2027	53.0	2028	55.5	2029	57.5	2030	59.5
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Respondent	Response	Rationale
		<p>The chart, titled 'Fast Reserve Market MWh Forecast', displays percentage values on the y-axis (ranging from 40% to 110%) against months on the x-axis (from Jun-19 to Apr-20). A solid blue line represents the forecast, which starts at approximately 60% in Jun-19, rises to 88% in Aug-19, drops to 70% in Sep-19, rises to 85% in Oct-19, falls to 80% in Dec-19, peaks at 100% in Jan-20, drops to 70% in Feb-20, and then levels off around 78% in Mar-20 and Apr-20. A dotted blue line indicates a general upward trend from about 73% in Jun-19 to 83% in Apr-20.</p>
Uniper UK Ltd	No comment	We don't fully know. We would hope that P344 will attract sufficient Parties in the Balancing Mechanism rather than into less transparent alternative arrangements, so that this is not necessary. However, we cannot be certain that this will be the case at this moment.
Zenobe Energy Ltd	Yes	<p>Given the political and regulatory uncertainty, we think that the implementation of these changes will have benefits for end consumers for a long enough period to justify the changes.</p> <p>In addition, the uptake of renewables will increase the need for non-BM actions to balance the system. Therefore, in the future, the distortion of the Imbalance Price will increase if no action is taken.</p>

Question 6: Do you agree with the Workgroup's initial unanimous view that P371 does better facilitate the Applicable BSC Objectives than the current baseline?

## Summary

Yes	No	Neutral/No Comment	Other
8	0	0	0

## Responses

Respondent	Response	Rationale
Centrica	Yes	None provided
Drax Group Plc	Yes	<p>We agree P371 does better facilitate the Applicable BSC Objectives.</p> <p>Applicable BSC Objective (b) – Positive</p> <p>The solution will make the cash-out price and NIV more reflective of market conditions, promoting efficient and economic operation of the National Electricity Transmission System.</p> <p>Applicable BSC Objective (c) – Positive</p> <p>By including non-BM Fast Reserve actions in the Imbalance Price calculation, it would be more reflective of market conditions and guarantee consistent treatment of different balancing services which promotes competition.</p>
EDF Energy	Yes	We agree that P372 does better facilitate the Applicable objectives. Our support is contingent on the necessary arrangement being put in place that makes the reporting of these actions more transparent to all market participants.
National Grid ESO	Yes	<p>Yes, we believe that P371 is either neutral or positive in relation to the Applicable BSC Objectives.</p> <p>In relation to BSC objective (a), NGENO strongly believe that we are compliant with our obligations under our license, including in relation C16 and the associated BSAD methodology. We are aware that industry has expressed a desire for us to be clearer of what is included in the BSAD methodology and welcome working with industry to develop the BSAD methodology further.</p> <p>For BSC objective (d) our interpretation of the objective is that it relates to efficient management of the BSC governance arrangements and so P371 would be neutral against this objective.</p> <p>In relation to BSC objective (e) we believe P371 is neutral against this objective. The reason for this is that the</p>

Respondent	Response	Rationale
		<p>baseline (i.e. the current arrangements) that P371 is assessed against for cash out is not affected by the EBGL requirements. We fully accept that this neutral impact will change when EBGL Articles 52-55 come in to effect (and the baseline changes) however it is not clear at this stage whether P371 will have a positive or negative effect against EBGL Articles 52-55 as the requirements of these Articles are still unclear.</p> <p>We agree with the comments provided by the proposer that P371 has a positive effect on BSC objectives B &amp; C and is neutral against BSC objectives F &amp; G.</p>
RWE Supply and Trading GmbH	Yes	We agree with the workgroup views as set out in the Consultation Document.
Sembcorp utilities (UK) Ltd	Yes	Yes, we believe that P371 better facilitates Applicable BSC Objectives a); b); c); d); e); (neutral on f); and g)). As proposer, we already explained the rationale in the WG discussions and reflected in the consultation paper.
Uniper UK Ltd	Yes	Yes, it would appear to do so by promoting a more accurate Imbalance Price calculation. We note that the real value of the Modification is that it compels this information to be put into BSAD, even though this could presumably also be facilitated through a change to the BSAD methodology.
Zenobe Energy Ltd	Yes	<p>Yes, we believe that P371 better facilitates the following Applicable BSC Objectives: (a) (b) (c) (d) (e)</p> <p>And is neutral or has no effect on the following Applicable BSC Objectives: (f) (g)</p> <p>Rationale:</p> <p>Non-Balancing Mechanism (BM) and Non-Tendered Fast Reserve actions are not included in the Imbalance Price calculations as these actions are not being included in the Balancing Service Adjustment Data (BSAD). In order to move towards an Imbalance Price which reflects the costs of all energy actions, the fair and harmonised treatment of all services, greater transparency and, ultimately, the National Electricity Transmission System Operator (NETSO)'s compliance with the BSAD obligation, non-BM Fast Reserve actions should be included in the Imbalance Price calculation.</p>

## Question 7: Do you have any further comments on P371?

### Summary

Yes	No
4	4

### Responses

Respondent	Response	Comments
Centrica	No	None provided
Drax Group Plc	Yes	We note that a more comprehensive solution was considered by the Workgroup but not progressed due to the £1 million implementation cost quoted by NGESO in their impact assessment and the future uncertainty around balancing services. Like STOR, Fast Reserve is procured in advance and has a fixed utilisation price. EBGL states that imbalance prices should reflect the real time value of energy (art 44). The more comprehensive solution included the Reserve Scarcity Price (RSP) methodology which would have inflated the cost of Fast Reserve actions where appropriate. We believe this solution did have some merit and would welcome additional clarity from NGESO on how the £1 million cost was derived.
EDF Energy	Yes	<p>EDF Energy agrees that the Imbalance Price calculations should be as cost-reflective as possible.</p> <p>EDF Energy has and continues to support transparency of information from the ESO to ensure there is no unfair advantage to certain market participants.</p> <p>We note that Issue 74 has been raised where stakeholders have raised concerns of the reduced visibility of non-BM STOR actions and ways to tackle this – we welcome this.</p> <p>We also note another recent Issue workgroup (Issue 83) which aims to ensure that the Buy Price Adjustment reflects all additional balancing costs incurred by NGESO and again support the direction that ensures that the cash-out price is as cost-reflective as possible.</p>
National Grid ESO	Yes	As part of the consultation, we don't believe it has been clearly demonstrated what the benefit to the consumer of P371 will be or how it will be realised. It has been stated that reflecting Fast Reserve actions in cash-out would provide sharper signals to market participants, but it is not clear how this translates to consumer benefit or disbenefit.

Respondent	Response	Comments
RWE Supply and Trading GmbH	No	None provided.
Sembcorp Utilities (UK) Ltd	Yes	<p>The implementation of this Modification Proposal would have an overall positive impact on end consumers as it will determine and influence the balancing behaviour of market participants, allowing then NGESO to fulfil their role as residual balancer. As such, we would expect lower costs of balancing the system.</p> <p>We strongly believe that it is of utmost importance to correct the price signal that determines balancing decisions of market participants: these have so far been based on incomplete information, as the calculation of the imbalance price does not currently include non-BM FR actions. There is also general agreement across Workgroup members that non-BM FR information should already be sent to Elexon. Although it is difficult to attribute a £ figure to the positive impact of P371 to end consumers, the unanimously approved solution would therefore be sufficient to address the defect and send a cost reflective cash-out price.</p>
Uniper UK Ltd	No	None provided.
Zenobe Energy Ltd	No	None provided.