

# ELEXON'S RESPONSE TO NATIONAL GRID ESO'S C16 ANNUAL REVIEW

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**Company Name:** ELEXON

**Does this response contain confidential information? If yes, please specify** No

## Consultation Questions

Question No.	Question	Response (Y/N)	Rationale
<b>Procurement Guidelines</b>			
1	Do you agree that the changes proposed to the Procurement Guidelines, shown in Table 1 have been implemented correctly to the Procurement Guidelines in Appendix A? If not, please provide rationale.	Y	No Comments
2	Do you agree that the changes proposed to the Procurement Guidelines, shown in Table 1 and in Appendix A, should be made? If not, please provide rationale	Y	No Comments
3	Do you have any other comments in relation to the changes proposed to the Procurement Guidelines?	Y	We note the following sentence "All licensed generators are required to provide Part 1 System Ancillary Services to ensure the provision of a minimum technical capability to provide reactive power and frequency sensitive generation." We expect a large number of generators to become licensed in the future who were not previously licensed, to avoid the Final Consumption Levy. It is our understanding that not all licensed generators are required to provide System Ancillary Services, just those classed as Large. The Grid Code wording in CC.8.1 supports this view. The proposed wording in the Procurement Guidelines is therefore misleading. It is also our understanding that it is not a requirement for all licensed generators

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to be signatories to the Grid Code or CUSC. Page 8 and 9 of Ofgem's consultation on "Clarifying the regulatory framework for electricity storage: licensing" supports this viewpoint.

If NGESO disagrees then we suggest that this requires urgent clarification and an agreed consistent view amongst all Parties to be derived to prevent unnecessary Industry confusion.

We note there is no mention of Replacement Reserve in this document. Industry may expect to see Replacement Reserve mentioned within the Procurement Guidelines, or at least an explanation within the document to explain why it is not specifically mentioned. At the moment it may appear like an accidental omission.

## BPS

1 Do you agree that the changes proposed to the BPS, shown in Table 2 have been implemented correctly to the BPS in Appendix B? If not, please provide rationale. Y

We note the following in regards to Part C;

No mention is made of the aggregation facilities introduced under P344 and GC0097 (Virtual Lead Parties) or how will these will impact operational planning activities.

Replacement Reserve product is inconsistent with the stated principles of paragraph 5 in Part C i.e. 'We shall call off balancing measures defined in 4(i), 4(ii) and 4(iii) in a cost order to maintain system balance.' NGESO is mandated to procure RR Activations at marginal price. Replacement Reserve does not therefore follow Balancing Principles 4(i) to (iii).

In regards to paragraph 8. Beyond the Wall Actions and paragraph 9. BOA returning to PN - Our understanding is that RR Instructions (as defined in GC0097) will on occasion be beyond the wall and so is therefore relevant to these paragraphs. Does Replacement Reserve therefore need to be separately mentioned?

And in regards to Part E, how will Replacement Reserve fit within the Within Day Balancing Process as it has different timescales to the BM?

2 Do you agree that the changes Y

No comments

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proposed to the BPS, shown in Table 2 and in Appendix B, should be made? If not, please provide rationale

3	Do you have any other comments in relation to the changes proposed to the BPS?	Y	Market Participants is capitalised in Part C of the BPS but is lower case in other parts of the document. The previous wording BSC Parties is a clear and defined group of Parties. To capitalise this wording may lead Parties to think that this is a defined group (which they may or may not be a member of)
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## BSAD

1	Do you agree that the changes proposed to the BSAD, shown in Table 3 have been implemented correctly to the BSAD in Appendix C? If not, please provide rationale.	Y	No comments
2	Do you agree that the changes proposed to the BSAD, shown in Table 3 and in Appendix C, should be made? If not, please provide rationale.	Y	No comments
3	Do you have any other comments in relation to the changes proposed to the BSAD?	Y	<p>We agree that BSC Modification P371 may require changes to the BSAD. However at the first workgroup held, certain workgroup members did note that the current wording within the BSAD did already require the inclusion of Non BM Fast Reserve actions into the Imbalance Price calculation and therefore this is something which should be already happening. Dependent on the end solution, changes to the BSAD may not actually be necessary. We think it would be inefficient to create the situation where the inclusion of actions into the Imbalance Price calculation is dependent on that particular Balancing Service being specifically named within the BSAD or BSC. Principle rather than prescriptive wording works better, especially with the amount of change envisaged due to SNAPS etc.</p> <p>This principle-based approach is supported by the European Electricity Balancing Guideline harmonisation of imbalance pricing, which is likely to require (if the <a href="#">current TSOs' proposal</a> is approved by European</p>

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regulators) that imbalance price will be calculated from two classes of reserve (Frequency Restoration Reserve and Replacement Reserve). So as long as the GB balancing services can be classified as such, then they can be included in the imbalance price.

Following on from the above comment the process to alter and update the C16 statements is different to the change processes for the CUSC/Grid Code. Although Industry has the opportunity to suggest changes, ultimately NGESO decide what changes are required to be made, and when those changes will be made. Taking the above into account, have NGESO considered potentially moving some or all of the C16 statements into the various Industry code documents, similar to the process which moved the Connection and Charging Methodologies into Section 14 of the CUSC in January 2011?

Ofgem's formal [Request for Amendment of the terms and conditions for balancing dated 4 February 2019](#) requires that the relevant provisions of balancing services standard conditions and terms are placed in a code or a code subsidiary document. Now would therefore be an opportune time to consider codifying elements of the C16 statements to coincide with this. We would suggest that the BSC should be considered as a prime candidate for this, given that it is in essence a multi-lateral commercial contract for balancing and imbalance settlement and already covers the settlement of balancing mechanism acceptances. Putting balancing services into the BSC would join the two halves of the whole balancing market (balancing mechanism and balancing services) together.

A number of proposed changes to the C16 statements this year are minor and akin to housekeeping or self-governance. The Industry Code change process will have allowed these changes to be made in a more efficient and timely manner.

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**SMAF**

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1	Do you agree that the changes proposed to the SMAF, shown in Table 4 have been implemented correctly to the SMAF in Appendix D? If not, please provide rationale.	Y	No Comments
2	Do you agree that the changes proposed to the SMAF, shown in Table 4 and in Appendix D, should be made? If not, please provide rationale.	Y	No Comments
3	Do you have any other comments in relation to the changes proposed to the SMAF?	Y	<p>Bid-Offer Acceptances</p> <p>All Bid-Offer Acceptances (BOAs) taken within the Balancing Mechanism (BM) <b>including Replacement Reserves Acceptances</b> in relation to Balancing Mechanism Units (BMUs) will be considered, to determine whether they were used for system management reasons. ELEXON was of the understanding that NGENSO would not, or may not be able, to determine the activation purpose for Replacement Reserve. By including Replacement Reserve in this paragraph it commits you into performing this function.</p>

## ABSVD

1	Do you agree that the changes proposed to the ABSVD, shown in Table 5 have been implemented correctly to the ABSVD in Appendix E? If not, please provide rationale.	Y	<p>The formula given for <math>QBS_{ij}</math> is incorrect and should be as below:</p> $QBS_{ij} = \sum^n (QAO^n_{ij} + QAB^n_{ij}) + QAS_{ij} + BMUADDV_{ij} - QDD_{ij}$ <p>noting that BSC modification P344 will be amending the calculation to include replacement Reserve Volumes in 2019 to be as below:</p> $QBS_{ij} = \sum^n (QAO^n_{ij} + QAB^n_{ij}) + \sum^n (RRAO^n_{ij} + RRAB^n_{ij}) + QAS_{ij} + BMUADDV_{ij} - QDD_{ij} + QBSD_{ij}$ <p>And the <math>QABS_{ij}</math> formula is to amended as part of the same BSC Modification P344 as below:</p> $QABS_{aj} = (\sum_i QBS_{ij} * TLM_{ij}) + (\sum_{i2} QSND_{i2j} * TLM_{i2j})$
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	Do you agree that the changes proposed to the ABSVD, shown in Table 5 and in Appendix E, should be made? If not, please provide rationale.	Y	No Comments
3	Do you have any other comments in relation to the changes proposed to the ABSVD?	Y	When reviewing the ABSVD we came across the following sentence. "The calculation of ABSVD will include the instructed volume from non-BM providers in relation to the utilisation of Fast Reserve." Is this sentence correct? With regards to P371, it creates the query; how is it possible to provide instructed volumes in relation to Non BM Fast Reserve for the purposes of ABSVD, but not possible to provide volumes and prices for Non BM Fast Reserve in the BSAD?

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