

FAO Rachel Fletcher
Interim Senior Partner, Markets

Our response to the questions raised in the open letter are as follows:

1. Do you agree with our assessment regarding the risk to mid-decade electricity security of supply?

NBS Agrees

2. If so, do you agree with our view that it is prudent to consider the development by NGET of additional balancing services, which NGET would procure and use if there is a need for them?

NBS believes the current balancing services (namely STOR) could be amended to provide these services rather than the introduction of additional services. Whilst we recognize that STOR is a pre-emergency service designed to aid renewable generation, we feel that sufficient capacity is being rejected in each tender round that could be utilized to support the needs of the proposed services.

STOR is in principle a short notice reserve where the tendered capacity is assessed primarily on price and technical merit (speed of response). Whilst NGC have suggested DSBR and SBR are 'longer term' solutions the framework could still provide these services.

DSBR has a similar requirement to STOR, with less onerous monitoring and verification techniques, but may be required for longer events (2 hours plus) and has a proposed tranche payment structure. It would appear that events will occur less frequently than STOR.

SBR is likely to be used even less often and would have a longer response time.

A better proposal would be to integrate all of the packages into STOR but have different 'flavours' of capacity. For example, sites with relatively long response times but with sustainable capacity could bid the SBR element. Arguably tendered sites today with low availability but high utilization prices are suggesting a preference for infrequent calls. DSBR could be introduced via STOR simply by awarding more capacity in the winter seasons and simplifying the monitoring requirements as outlined in the proposal.

The proposed payment arrangements for DSBR could be introduced to a revised STOR package and assessments/bundles could be awarded on;

- Response time
- Min/Max events per season
- Min/Max runtimes per event
- Normal availability and utilization prices

Introducing the tranche approach and / or bands on response time would also increase the competitiveness of STOR.

The commercial viability of STOR is already under threat for aggregators and would benefit from additional work streams rather than introducing more competition and confusion.

3. Do you agree with our assessment of the key factors we should have regard to when considering whether to approve any changes to NGET's Balancing Services Procurement Guidelines and associated documents?

NBS Agrees

Please don't hesitate to contact me if you require any clarification.

Regards

David Peake
Sales Director



Tel: +44 (0) 1332 638085
Fax: +44 (0) 1332 638001
Mob: +44 (0) 7968 112719
Email: david.peake@negawatt.com
Web: www.negawatt.com

Negawatt Business Solutions Ltd
Unit 1B, Herald Way, Pegasus Business Park, Castle Donington, Derby, DE74 2TZ.