

System operators, transmission  
system owners, generators,  
suppliers, traders, consumers,  
aggregators and other interested  
parties

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Date: 28 October 2016

Dear colleagues

**Decision to direct National Grid Electricity Transmission (NGET) to revise the Supplemental Balancing Reserve (SBR) Procurement and Operational Methodologies for Winter 2016/17**

This letter sets out our decision to direct NGET to make amendments to the approved SBR Operational and Procurement Methodologies for 2016/17<sup>1</sup> in accordance with Special Licence Condition 4K.16 of the NGET Transmission Licence. These amendments are to make SBR available from the 31 October 2016, one day earlier than the 1 November 2016 specified in the current approved methodologies. No other aspect of either methodology is to be affected.

**SBR Procurement and Operational Methodologies for 2016/17**

The 2016/17 SBR methodologies were submitted to us by NGET under Special Licence Condition 4K of NGET's Transmission Licence. They set out how NGET will procure SBR and operate it if there is insufficient generation capacity available in the market to meet demand and reserve requirements during Winter 2016/17. The Authority approved the Procurement Methodology on 4 December 2015 and the Operational Methodology on 5 October 2016.<sup>2</sup>

On 27 October 2016 NGET formally told us they consider there to have been an exceptional change in circumstances materially affecting the basis upon which the approved methodologies were approved. This has arisen from the cumulative impact of reduced French and GB generator availability, and the extended outage of the East-West Interconnector. These changes in circumstances were announced during October. These changes in circumstances coincide with the first working day where tea-time peak and lighting-up peaks combine to form a darkness peak adding 3-4GW to the peak of the day. Consequently, NGET anticipate an increased risk of generation shortfall on 31 October 2016. They have requested that the Authority direct NGET under Special Condition 4K.16 of the NGET transmission licence to revise the 2016/17 SBR Operational Methodology and the 2016/17 SBR Procurement Methodology in order to reflect the change in circumstances and so provide the ability for NGET to dispatch SBR units should this be required.

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<sup>1</sup> The methodologies and previous versions: <http://www2.nationalgrid.com/UK/Services/Balancing-services/System-security/Contingency-balancing-reserve/Methodologies/>

<sup>2</sup> Previous Ofgem decisions regarding SBR [Operational](#) and [Procurement](#) methodologies are on our website.

NGET have publicly stated that they have provisionally agreed amendments to SBR contracts which would make 1.6GW of SBR available for dispatch on 31 October if necessary. Relevant SBR providers would only be paid an utilisation fee if their plant was used on the day; they will not receive any availability fees for the 31 October.

### **Our decision**

In accordance with Special Condition 4K.16 we have assessed the change in circumstances of which NGET has notified us. We agree that the cumulative effect of these changes in circumstances coinciding with the first working day after clock change constitutes an exceptional change in circumstances in relation to 31 October 2016. We note that the revisions will only extend SBR availability by one day and that no extra costs will be incurred unless SBR services are utilised on that day. If SBR is needed, its availability will reduce the risk of NGET having to take more disruptive emergency measures. In light of this, we are satisfied that moving the start date forward to the 31 October 2016 is economic and efficient, and will provide value for money for electricity consumers in Great Britain. We therefore direct NGET to amend SBR start date in the approved SBR Procurement and Operational methodologies accordingly. No other aspect of either methodology is to be changed.

We also note here, that our open letter of 1 March 2016<sup>3</sup> said that we would expect a 2017/18 Early Capacity Market auction to procure enough capacity to meet the government's reliability standard. Therefore, we do not expect SBR and DSBR services to be needed for that year.

If you have any comments or questions on the content of this letter, please email [soincentive@ofgem.gov.uk](mailto:soincentive@ofgem.gov.uk).

Yours faithfully



Sukhinder Lalli  
Associate Partner, Legal and Wholesale Market Conduct

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<sup>3</sup>

[https://www.ofgem.gov.uk/system/files/docs/2016/02/ofgem\\_open\\_letter\\_on\\_future\\_sbr\\_and\\_dsbr\\_given\\_proposal\\_to\\_run\\_a\\_ca\\_auction\\_for\\_2017\\_18\\_2.pdf](https://www.ofgem.gov.uk/system/files/docs/2016/02/ofgem_open_letter_on_future_sbr_and_dsbr_given_proposal_to_run_a_ca_auction_for_2017_18_2.pdf)

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