



Consultation Response

By email to balancingservices@nationalgrid.com

25 July 2013

Peter Bingham
Head of Regulatory Frameworks
National Grid

Consultation on Demand Side Balancing Reserve and Supplemental Balancing Reserve

Dear Peter

We welcome the opportunity to respond to your consultation on Demand Side Balancing Reserve (DSBR) and Supplemental Balancing Reserve (SBR). ELEXON has been giving a lot of thought to issues around Demand Side Response (DSR) in recent months, in conjunction with our work under the [Profiling and Settlement Review](#) and support to Ofgem's Smarter Markets work programme (in particular the DSR work area). We have responded to the Ofgem Smarter Markets consultation on 'Creating the right environment for demand-side response'.

Our consultation response ([ELEXON DSR Response](#)) sets out ELEXON's belief that a clear policy (and commercial) framework is required to deliver the potential significant benefits of DSR to the end consumer. This framework would aim to establish new market arrangements, which would coordinate the needs and interactions of the many different DSR actors; customers, suppliers, aggregators, Distributions Network Operators (DNOs), Transmission System Operator and other new types of participant.

We recognise that the focus of your consultation is to deliver additional tools for balancing the system in the face of narrowing margins and that the implementation timescales are for services to be provided in Winter 2014/15 and 2015/16. We understand that there is a perceived threat to the security of supply for these two Winters, hence, the timescales are clearly short term, and we believe that this needs to be coordinated with the development of the longer term framework we are promoting.

Specific Comments

Accessing Half Hourly data

We note your proposal to raise a modification to BSC Section L5.2.4 to obtain half-hourly metered data for measurement and base lining. We appreciate the difficulties in both the base lining, measurement and the potential for perverse incentives and non-delivery if this is not sufficiently defined.



Consultation Response

Currently, Settlement receives aggregated half-hourly meter data for Supplier Balancing Mechanism Units (BMUs) which typically represents all a supplier's customers (as identified through MPANs) in a distribution network region (GSP Group). Additional BMUs can be set up by a supplier for a GSP Group if they wish to separately aggregate groups of MPANs (customers) for their own business purposes (or for the purposes of providing DSR). We have been exploring similar solutions in our discussions with National Grid on EMR. Alternatively a Supplier's half hourly Data Collector does have meter data by MPAN.

Impacts on Parties arising from DSR actions

We would welcome the opportunity to discuss your requirements for data and how that would be provided as this will impact the obligations on Parties (in particular if the Balancing Service was to be provided by someone other than the supplier). We understand that your participation criteria proposes that the parties tendering Demand Side Balancing Reserve, in respect of a particular MPAN, may be the consumer or a third party (including the supplier) acting on behalf of the consumer. This indicates that some alternative aggregation mechanism may be required where DSBR is to be delivered across a group of MPANs by a consumer or third party. We would welcome discussion on how this might be achieved and if any additional amendments to BSC systems or standing data may be required to facilitate such an approach.

Furthermore, we would like to discuss the interaction between existing despatch, alternative despatch outside the Balancing Mechanism and the visibility to affected parties. The aim would be to better understand the potential impacts on BSC processes and parties and what further steps may need to be taken under the BSC.

Finally, we note that, initially, the intention for both DSBR and SBR will not be included in imbalance prices. In particular the options for despatch of SBR include through the balancing mechanism which may require tagging out of certain actions and impact on BSC processes. We also recognise the potential interaction with Ofgem's Energy Balancing Significant Code Review. We understand that Ofgem is due to publish their conclusions shortly.

Please contact me to discuss the points raised in this response. We will be happy to provide any assistance we can on the interaction with and changes to the settlement processes, in drafting the modification and its progression under the BSC Modification processes¹.

We look forward to discussing our response with you and assist you in your work on unlocking the benefits of balancing reserve.

¹ In Section 6 'next steps', there is no reference to raising a modification to the BSC, we assume that would be raised following conclusions on this consultation.



Consultation Response

Yours sincerely

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