

Grendon Thompson
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Ofgem
10 South Colonnade
Canary Wharf
London
E14 4PU

10 May 2019

Dear Grendon,

Call for evidence on ESO performance over the 2018-19 regulatory period

Thank you for the opportunity to respond to Ofgem's call for evidence on the ESO's performance over the last regulatory year. Our networks business SP Energy Networks is responding separately from its perspective as a Transmission Owner.

We have focussed our feedback on Principles 3 and 6, where we have concerns that baseline expectations are not being met. In particular, we think the ESO can do more to remove barriers to participation in frequency response services, make prompt payments for obligatory reactive services and coordinate outages more effectively. We expand on these points in Annex 1.

We understand that Ofgem does not intend to publish the feedback and evidence received. However we are happy for our feedback to be shared with the panel and the ESO as part of the EYR process.

Should you have any questions on this response, please do not hesitate to contact James Soundraraju (Tel: 014 1614 2421, jsoundraraju@scottishpower.com) in the first instance.

Yours sincerely,



Richard Sweet
Head of Regulatory Policy

CALL FOR EVIDENCE ON ESO PERFORMANCE OVER THE 2018-19 REGULATORY PERIOD – SCOTTISHPOWER RESPONSE

Principle 3 – Ensure the rules and processes for Balancing Services maximises competition where possible and are simple, fair and transparent

Late payments for the provision of obligatory balancing services

The ESO is required to pay users of the system for the provision of obligatory reactive power services in accordance with paragraph 3.4.1¹ of the CUSC's Mandatory Services Agreement (MSA)². However, we continue to experience lengthy delays in payments from the ESO for these services delivered throughout 2018-19 from our windfarms in Harestanes, Ewe Hill and Kilgallioch.

All three windfarms have Final MSAs³ with the ESO and payments from the point the MSAs were signed are overdue. We estimate that Harestanes is owed over £335k, Ewe Hill £106k and Kilgallioch £60k. We have raised this issue with National Grid on a regular basis but do not have any clarity on when overdue payments will be made or assurances that the ESO is taking steps to improve its payment performance.

We appreciate that the MSA does not require the ESO to make payments to a set timetable but we feel it would be reasonable to expect prompt payment as a baseline expectation.

We believe staff turnover and deficient processes between the ESO's settlement and commercial functions may be contributing factors. Over the last two and a half years, Scottish Power Renewables (SPR) has had five different account managers, leading to disruption in our engagement with the ESO on overdue payments. We have had to provide copies of final MSAs to National Grid on more than one occasion, leading us to conclude there may be some deficiencies in processes.

Barriers to participation in commercial frequency response services

The ESO is intending to trial the procurement of frequency response in weekly auctions (Spring 2019), with the intention of reviewing the potential to move to day-ahead procurement in the future⁴.

The auction will be held every Friday morning and the first available delivery window will start at 23:00 on the same day⁵. Therefore, there will be "one day-ahead opportunity per

¹ Paragraph 3.4.1 - *In respect of each **BM Unit**, and in consideration of the **User** providing the **Obligatory Reactive Power Service** from that **BM Unit**, **The Company** shall pay to the **User** in respect of each calendar month in accordance with Paragraph 4.3 of the **CUSC** the aggregate total payments calculated in accordance with Appendix 1 to the **CUSC Schedule** and referred to therein as "PT".*

² CUSC Schedule 2, Exhibit 4 : <https://www.nationalgrideso.com/document/91596/download>

³ The MSA for Harestanes was signed on the 31 January 2018, Ewe Hill on the 15 August 2018 and Kilgallioch on 27 February 2019.

⁴ Page 21, Product Roadmap for Frequency Response and Reserve (December 2017) – 'Auction trial and closer to real-time procurement' : <https://www.nationalgrid.com/sites/default/files/documents/Product%20Roadmap%20for%20Frequency%20Response%20and%20Reserve.pdf>

⁵ Future of Frequency Response – Industry Update (February 2019): <https://www.nationalgrideso.com/document/138861/download>

week which may better suit providers with particularly variable demand or generation". The trial is expected to last 24 months.

We think the ESO's decision to develop weekly auctions as an interim step continues to place barriers to full and effective participation by potential providers such as windfarms because it limits participation to one opportunity per week. It does not, as the ESO's frequency response industry update states, ensure equitable opportunities for all provider types.

The product being procured in Phase 1 of the trial is a static low frequency response service akin to Frequency Control Demand Management (a retired service). This is a product that is not designed to be utilised unless the system is under severe stress. So, there is a high likelihood that Phase 1 of the trial becomes an exercise that tests procurement processes and involves a few planned service call-offs rather than a realistic trial of service utilisation. We question how much learning there will be from Phase 1 and whether the pace of development has sufficient ambition.

Given the Grid Code requirement since 2015⁶ for wind farms to provide a real-time Power Available⁷ signal to the ESO control room and the obligation to provide mandatory frequency response in shorter call-off timescales than day-ahead, we believe there is proven frequency response capability from windfarms that the ESO is neglecting. The decision to opt for weekly trials (over a two-year period) is missing obvious opportunities to maximise liquidity and drive competition in the market. We believe it is potentially down to the ESO's limitations rather than constraints with potential providers that are undermining the pace of moving to day-ahead auctions.

We also note that the auctions were supposed to start in Q4 2018 according to plans in the roadmap. The trial is now scheduled to start in June 2019 due to complications selecting the right platform specifications for the auction⁸. If weekly trials run for two years as planned, this slippage will delay the possible introduction of day-ahead frequency response auctions until June 2021. Despite the belated development of the Wind Advisory Group (to understand more about the challenges around intermittent generation providing balancing services) these development timescales are disappointing given the capability and readiness of windfarms to provide frequency response services since 2015.

Principle 6 – Coordinate effectively to ensure efficient whole system operation and optimal use of resources.

Sub-optimal outage co-ordination

The ESO's TOGA system for outage notifications does not provide sufficient information ahead of time for us to determine the impact on our portfolio of windfarms. The system provides visibility of planned outages on the transmission network at the year-ahead stage but does not include information that will enable windfarms connected to the distribution network to identify any associated impacts on circuits they are connected to.

We have to manage this limitation by arranging ad-hoc meetings with TOs and DNOs to understand if the feeders our windfarms are connected to will be affected by outages on

⁶ <https://www.ofgem.gov.uk/publications-and-updates/grid-code-gc0063-power-available>

⁷ The Power Available signal, introduced in Grid Code modification GC0063 that was raised by National Grid, provides the SO with improved visibility of the headroom provided by wind generation so that it is better able to call on these generators to provide reserve or frequency response services.

⁸ Letter to industry from Colm Murphy – NG Head of Business Development, 31 August 2018

TOGA. A specific example of the risks we are facing with TOGA relates to our windfarm at Black Law. It is facing a six-month outage in 2020 that we were unaware of until contacted directly by the TO.

In addition to the limitations of TOGA, the ESO's use of the system to provide advance notice of disruptions is unreliable. SPR continues to experience a high volume of in-year outages which are additional to the year-ahead outages in TOGA.

The Grid Code does not require the ESO to issue the year-ahead outage plan until week 49 (December). Since December, we have received 13 in-year notifications of outages for 2019. The number of in-year outages we experienced in 2018-19 was 26. These are disruptions which have affected our output and revenue projections.

We appreciate that not all outages can be planned at the year-ahead stage. But we are typically notified of these changes sufficiently in advance (months) to suggest some could have been scheduled at the year-ahead stage. In our view, the ESO's performance in managing disruption from in-year outages is below baseline expectations.

ScottishPower
May 2019