

Dear Colleagues

With the implementation of P305 and P323 fast approaching on 5th November, below are some clarifications in relation to several questions that have been asked recently on SBR and related cash-out arrangements.

1. For SBR units where SEL=MEL, will all volume be tagged as energy and priced at VoLL (when dispatched in anger)?

As these units (mostly GTs) can ramp from zero to full output extremely quickly (unlike other SBR units) the resulting volume will all be considered to be “energy” by National Grid (i.e. not SO-Flagged). This is because it is clear that the volume associated with these units when they are instructed will be required to meet demand at time of use and so the arguments applied in the P323 and C16 discussions around ramping etc... do not apply in the same way. We recognise that the System Management Action Flagging (SMAF) wording does not explicitly cater for this exact situation and so hope that this note provides clarity until such time as this document can be updated.

In relation to P323, and following discussions with Elexon, it will not be possible to price this volume at the Volume of Lost Load (VoLL) as the code legal text is explicit that an “SBR action” is defined as the volume above SEL. Therefore, we will be raising a clarification BSC mod on this to reflect the unique position of these types of units (e.g. GTs) in relation to SBR as soon as possible and, until then, these SBR units will just be priced into cash-out at their utilisation price (i.e. not treated as “SBR actions” under the BSC). We appreciate that this is not an ideal situation but are keen to try to ensure that the volumes in question are treated in the most appropriate way in terms of imbalance.

2. Please clarify how the imbalance regime works for SBR plant (i.e. will providers be out of balance against a BOA as well as picking up their SBR contract penalty in the event of under-delivery?)

The imbalance rules for individual SBR providers are the same as for other generators operating in the BM and no special arrangements have been put in place. Therefore, in the event of non-delivery (or under-delivery), any shortfall in output will be considered an imbalance volume (i.e. a short position) and so exposed to the prevailing cash-out price. In effect the SBR Provider will pay for the shortfall at the cash-out price in addition to any penalties under the SBR contract.

Furthermore, and in the same way as for other BOAs, whilst providers will continue to be paid under BM cash flow for their total BOA'd volume in the event of a shortfall (i.e. instructed rather than delivered) they will also be exposed to the BSC non-delivery charges. These charges ensure that parties are not able to benefit from non-delivery by calculating the non-delivery charge based on the difference between the BM offer price (i.e. SBR Utilisation Price) and the prevailing imbalance price in the event that the offer price is greater than the imbalance price.

3. Please clarify the operational dispatch arrangements National Grid will be following in relation to SBR plant; i.e. will National Grid dispatch more SBR plant than is required and hold them at SEL to meet their volume requirement, whilst retaining some headroom (and thus avoiding cash-out rising to VoLL)?

When factoring SBR plant into our operational planning decisions, we will seek to meet the margin requirement we have identified for a period of system stress at the time the SBR plant is dispatched (e.g. potentially several hours ahead of the period in question) based on the MELs of all available plant (i.e. including the SBR plant itself). If our understanding of the question is accurate, the key here is that it is MELs that will be used to determine how many machines are required to meet this need, not SELs. Therefore, we can confirm that it will not be the case that margin requirements will be met using the SELs of several machines, if the MEL of e.g. only one would suffice.

Note that the very reason behind the proposal to only apply VoLL pricing to SBR volume above SEL is to ensure that SBR plant that has to be dispatched ahead of time to meet forecast margin requirements, but which is not subsequently needed closer to real time, does not lead to the cash-out price rising to VoLL when other volume is available to the National Grid Control Room. It also ensures that cash-out does not rise to VoLL for the period while the SBR machines are ramping up but when margins are still healthy without SBR.

Hopefully this clarification is useful but please don't hesitate to get in touch with either of us if you have any further questions on any of the above issues or more generally in relation to SBR or the corresponding imbalance arrangements.

Regards,

Alex and Claire

Alex Haffner
BSC Development Manager
National Grid
Alex.haffner@nationalgrid.com
01926 65 5838

Claire Spedding
Contingency Balancing Reserve Manager
National Grid
Claire.Spedding@nationalgrid.com
01926 65 5915