

Balancing Services Adjustment Data Methodology Statement

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National Grid Electricity System Operator Transmission
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Version Control

| <u>Date</u> | <u>Version No.</u> | <u>Notes</u> |
|-------------|--------------------|--|
| 20.3.01 | 1.0 | Initial version |
| 10.4.01 | 1.1 | Revision to include price adjusters for reserve option fees |
| 24.9.01 | 1.2 | Revision to incorporate implementation of P8 and P18 within the BSC. Effective in respect of Settlement Days from and including 25 September 2001 |
| 28.3.02 | 2.0 | Revision to incorporate implementation of P48 within the BSC. Effective in respect of Settlement Days from and including 2 April 2002. |
| 25.3.03 | 2.1 | Revision to incorporate implementation of P74/P78 within the BSC. Effective in respect of Settlement Days from and including [Date to be coincident with P74/P78 Implementation] |
| 24.10.03 | 3.0 | Revision to amend the allocation of standing reserve option fees |
| 28.11.03 | 3.1 | Revision to incorporate changes associated with Maximum Generation Service. |
| 01.01.05 | 3.2 | Revisions to incorporate changes relating to BETTA |
| 15.07.05 | 3.3 | Revisions to incorporate changes as a result of CAP076: Treatment of System to Generating Intertripping Schemes |
| 01.11.06 | 4.0 | Revisions to incorporate changes as a result of BM Start-Up service |

| <u>Date</u> | <u>Version No.</u> | <u>Notes</u> |
|-------------|--------------------|---|
| 22.01.07 | 4.1 | Revisions to update the Standing Reserve Weighting Factors and to clarify the treatment of Supplemental Standing Reserve in the BPA calculation |
| 01.04.07 | 4.2 | Revisions to incorporate Short Term Operating Reserve (STOR) and to publish STOR weighting factors on National Grid's industry information website |
| 05.11.09 | 5.0 | Revisions to incorporate changes as a result of P217A: Revised Tagging Process and Calculation of Cash Out, Cap144: Emergency Instruction to emergency de-energise, and to incorporate Commercial Intertrip volumes |
| 01.04.11 | 6.0 | Revision following annual review |
| 01.04.13 | 7.0 | Revision following annual review |
| 01.01.14 | 8.0 | Revision to incorporate Demand Side Balancing Reserve and Supplemental Balancing Reserve |
| 01.04.14 | 9.0 | Revision following annual review |
| 01.04.15 | 10.0 | Revision to provide clarification on process to include BM Start-Up in the BPA as part of annual review |
| 05.11.15 | 11.0 | Revisions: to allow Non-BM STOR actions to feed into the cash-out calculation; to remove STOR option fees from the BPA calculation; and to allow SBR and DSBR actions to feed into the cash-out calculation. |

| <u>Date</u> | <u>Version No.</u> | <u>Notes</u> |
|-----------------|--------------------|--|
| 05.11.15 | 12.0 | Revision to incorporate treatment of scenario where SBR units have a SEL equal to their MEL |
| 01.04.16 | 13.0 | Revision following annual review |
| 01.04.17 | 14.0 | Revision to remove Demand Side Balancing Reserve |
| 1.04.18 | 15.0 | Revision following annual review |
| 01.04.19 | 16.0 | Revision following annual review |
| 01.04.20 | 17.0 | Revision following annual review |
| 01.04.21 | 18.0 | Revision following annual review |
| 30.04.21 | 19.0 | Revision to update the BSAD Methodology Statement to include the Optional Downward Flexibility Management (“ODFM”) product into calculation of cashout |
| 01.04.22 | 20.0 | Revision following annual review |
| 24.10.22 | 21.0 | Revision following additional review to update the BSAD Methodology Statement for the 2022/23 Winter Contingency Services. |
| 04.11.22 | 22.0 | Revision following additional review to update the BSAD Methodology Statement for the Demand Flexibility Service. |
| <u>01.04.23</u> | <u>23.0</u> | <u>Revision following annual review</u> |

This Statement has been developed in consultation with the Authority. The Statement may only be modified in accordance with the processes set out in Standard Condition C16 of the Transmission Licence. Where we buy, sell or acquire any relevant balancing services of a kind or under

a mechanism which is not covered by this Statement then we shall promptly seek to establish a revised Statement covering such balancing services and/or mechanisms in accordance with the relevant provisions of Standard Condition C16 of the Transmission Licence.

In the event that it is necessary to modify this Statement in advance of issuing an updated version of this document, then this will be done by issuing an additional review to this Statement.

The latest version of this document is available, together with the relevant change marked version (if any), electronically from the National Grid ESO Website:

<https://www.nationalgrideso.com/balancing-services/c16-statements-and-consultations>

Alternatively, a copy may be requested from:

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CONTENTS

PART A **Introduction**

1. Purpose of Document

PART B **Balancing Services Adjustment Data ('BSAD')**

1. The Balancing Service Adjustment Data (BSAD) variables
2. Balancing Service Adjustment Actions
 - 2.1 Balancing services included within Balancing Service Adjustment Actions
3. Price Adjusters
 - 3.1. Buy Price Adjuster (BPA)
 - 3.1.1 Balancing services included within the Buy Price Adjuster
 - 3.1.2 Work Example – Buy Price Adjuster
 - 3.2. Sell Price Adjuster (SPA)
 - 3.2.1 Work Example – Sell Price Adjuster

PART C **BSAD Submission**

1. BSAD Provision
2. Basis of BSAD
3. Re-submission of BSAD

PART A: INTRODUCTION

1 Purpose of Document

This document sets out the Balancing Services Adjustment Data methodology which National Grid Electricity System Operator Limited (NGESO) is required to establish in accordance with Standard Condition C16 of the Transmission Licence. The purpose of this Statement is to set out the information on relevant balancing services that will be taken into account under the Balancing and Settlement Code for the purposes of determining Imbalance Price(s).

In the event that it is necessary to modify this Statement in advance of issuing an updated version of this document, then this will be done by issuing a supplement to this Statement.

This Statement has been developed in consultation with the Authority. The Statement may only be modified in accordance with the processes set out in Standard Condition C16 of the Transmission Licence. Where we buy, sell or acquire any relevant balancing services of a kind or under a mechanism which is not covered by this Statement, we shall promptly seek to establish a revised Statement covering such balancing services and/or mechanisms in accordance with the relevant provisions of Standard Condition C16 of the Transmission Licence.

The Statement makes reference to a number of definitions contained in the Grid Code and Balancing and Settlement Code. In the event that any of the relevant provisions in the Grid Code or Balancing and Settlement Code are amended it may become necessary for us to modify the Statement in order that it remains consistent with the Grid Code or Balancing and Settlement Code.

In any event, where our statutory obligations or the provisions of the Grid Code are considered inconsistent with any part of this Statement, the relevant statutory obligation and/or Grid Code provision will take precedence.

Unless defined in this Statement, terms used herein shall have the same meanings given to them in the Transmission Licence, the Grid Code and/or the Balancing and Settlement Code as the case may be.

PART B: BALANCING SERVICES ADJUSTMENT DATA ('BSAD')

1 The Balancing Service Adjustment Data ('BSAD') variables

The Balancing Service Adjustment Data ('BSAD') is used as part of the electricity imbalance price calculation specified in section T, paragraphs 4.4 of the Balancing and Settlement Code. Section Q Paragraph 6.3.2 of the Balancing and Settlement Code specifies the BSAD data for each settlement period as:

- (a) The unique sequential number for each Balancing Services Adjustment Actions;
- (b) for each such Balancing Services Adjustment Action;
 - i. the Balancing Services Adjustment Volume;
 - ii. the Balancing Service Adjustment Cost; and
 - iii. Whether the NETSO has classified such Balancing Services Adjustment Action as "SO Flagged"; and
 - iv. Whether the NETSO has classified such Balancing Services Adjustment Actions as "STOR Flagged";
- (c) Buy Price Price Adjustment; and
- (d) Sell Price Price Adjustment.

2 Balancing Service Adjustment Actions

Any relevant balancing service including non-BM Short Term Operating Reserve (STOR) actions, non-BM Fast Reserve actions, ~~and non-BM Quick and Slow Negative Slow Reserve~~ Actions (NSR), MW Dispatch and Local Constraint Market (LCM) service, taken outside the Balancing Mechanism, will be provided through BSAD as a Balancing Service Adjustment Action.

For each balancing service provided as a Balancing Service Adjustment Action, the energy bought or sold in MWh and the cost paid for each service in £ will be included. Each Balancing Service Adjustment Action will also be accompanied by an identifier indicating whether the balancing service was used for system management reasons. The System Management Action Flagging methodology statement describes the process NGENSO will use to identify whether Balancing Service Adjustment Actions were used for system management reasons.

2.1 Balancing services included within Balancing Service Adjustment Actions

Balancing services are defined in the Procurement Guidelines which NGENSO is required to establish in accordance with Standard Condition C16 of the Transmission Licence. The purpose of the Procurement Guidelines is to set out the kinds of balancing services which NGENSO may be interested in purchasing, together with the mechanisms by which NGENSO envisages purchasing such balancing services.

Balancing Service Adjustment Actions may include, but are not limited to, the following balancing services:

Forward Contracts

The costs and volumes of the following balancing services will be included as Balancing Service Adjustment Actions:

- energy related products
- system-to-system services (including services via Interconnectors, Constraint Management & Balancing service and Emergency Assistance service)

All system-to-system services will be included within BSAD as individual Balancing Service Adjustment Actions, except in circumstances where multiple system-to-system actions, initiated by the same party are taken within a particular settlement period on a particular interconnector from a particular service. In such cases, these services will be provided as a single Balancing Service Adjustment Action and consequently, the volume and cost of these services will be aggregated. This reflects the current contractual arrangements.

Below is an example of single aggregated situation. Note that this example is for illustration purposes only.

1. NGESO sells 50MWh in settlement period 10 over the French link at a price of £50/MWh from the Constraint Management & Balancing Service.
2. NGESO later buys 75MWh in settlement period 10 over the French link at a price of £60/MWh from the Constraint Management & Balancing Service.

The output from this example to the Balancing Service Adjustment Actions is as follows;

$$75\text{MWh} - 50\text{MWh} = 25\text{MWh}$$

The Balancing Service Adjustment Volume = 25MWh

$$25\text{MWh} * £60/\text{MWh} = £1500$$

The Balancing Service Adjustment Cost = £1500

Maximum Generation

This service is for a non-firm provision of energy, above generators Maximum Export Level (MEL), called upon after gate closure. Contracts for Maximum Generation are utilisation based only. NGESO will estimate volume and associated cost of the service and will include this estimate in a re-submission of BSAD to the Settlement Administration Agent (SAA)

for use in the calculation of the Interim Information Settlement Run. Actual energy delivered, and the associated cost of provision, will not be known until BM Unit Metered Volume (QM_{ij}), as defined within the BSC, are available following the Interim Information Run. NGESO will provide final volumes and costs associated with Maximum Generation Services as soon as practicable, but in any case prior to the Initial Settlement Run.

Emergency Deenergisation Instructions

In certain circumstances, it may be necessary for NGESO to take Emergency Deenergisation Instructions. Such actions will be taken in accordance with Section 5.2 of the CUSC for the purpose of de-synchronising and de-energising Generating Unit(s). The volume for inclusion in BSAD will be calculated as the expected energy delivered up to the 'wall'¹.

However, as payment for such actions are administered through the CUSC and are consequently not open to the 'pay as bid' approach of the Balancing Mechanism, such actions will be treated as an unpriced.

System-to-Generator Operational Intertripping

System-to-Generator Operational Intertripping service results, in certain circumstances, in the automatic tripping of Generating Unit(s). The contract details associated with a System-to-Generator Operational Intertripping Scheme are contained in section 4.2A of the CUSC and Appendix F3 of a generator's Bilateral Connection Agreement. The volume for inclusion in BSAD will be calculated as the expected energy delivered (SE_{sj}) in accordance with the methodology outlined within the ABSVD Methodology Statement, where service S is System-to-Generator Operational Intertripping. The volume for such balancing services will be

¹ The 'wall' means up to the end of the Balancing Mechanism Window Period

included within BSAD as Balancing Service Adjustment Actions. However this service is not paid on a £/MWh basis and therefore the volume will be unpriced.

Commercial Intertrip

The commercial intertrip service may, in certain circumstances, result in the automatic tripping of Generating Units(s). The volume for inclusion in BSAD will be calculated as the expected energy delivered up to the wall. However, the energy volume provided through BSAD will be unpriced as the service is not contracted on a £/MWh basis.

Optional Downward Flexibility management (ODFM)

~~ODFM costs and volumes will be submitted post instruction the day after the service usage. The information will be submitted alongside Trade data and will include costs and volumes associated with each instruction. Updates will be submitted should performance monitoring change the costs and volumes associated with an instruction.~~

Winter Contingency Services

~~Volumes delivered under the 2022/23 Winter Contingency Services will be submitted in the BSAD.~~

~~Volumes will be system flagged and priced at £99,999/MWh.~~

Demand Flexibility Service

Demand Flexibility Services (DFS) will be included in the Balancing Service Adjustment Data (BSAD).

Accepted bid volume and prices for the real DFS events will be energy flagged and fed into cash out through BSAD.

The volume that is anticipated to be delivered under DFS test runs will be system flagged.

3 Price Adjusters

With the exception of STOR services, where NGESO pays option fees to either, facilitate access to MW capacity within the Balancing Mechanism or to facilitate the withdrawal of MW capacity from the Balancing Mechanism, such fees will be represented through the Price Adjusters. Specifically, fees paid to facilitate additional MW capacity will be represented through the Buy Price Adjuster and fees paid to facilitate the withdrawal of MW capacity through the Sell Price Adjuster.

3.1 Buy Price Adjuster (BPA)

The formula below illustrates how the costs associated with such option fees are converted into a £/MWh figure.

$$BPA_j = \frac{(\sum RC_j + \sum FC_j)}{(cR_j + cF_j)} + \sum \frac{BC}{cB}$$

(The j notation indicates the variable is directly related to the settlement period)

- RC_j = cost of purchases of firm regulating reserve option fees (£)
- FC_j = cost of purchases of Forward Contract option fees (£)
- cR_j = capability of firm regulating reserve contracts for the relevant settlement period (MWh)
- cF_j = capability of Forward contracts for the relevant settlement period (MWh)
- BC = cost of BM StartUp instructions to minute t (£)
- cB = volume capability of BM StartUp instructions over the defined BPA period to minute t (MWh)
- BMStartUp Time = all minutes associated with BM StartUp instruction

For the avoidance of doubt, if the denominator of BPA is zero in any settlement period, then BPA will be set to zero in that period.

3.1.1 Balancing services included within the Buy Price Adjuster

The Buy Price Adjuster may include, but is not limited to, the following balancing services:

BM Start-Up

The BM Start-Up service allows NGENSO to access energy from BM Units that would not otherwise have run and are unable to start-up within BM timescales on the day. Firm payments for this service are made on a £/h basis, to remunerate the costs of preparing a BMU to start up and synchronise within BM timescales.

The costs incurred in creating additional reserve availability will feed into the calculation of BPA, and will be allocated into the periods where the requirement exists (based on periodically reviewed windows). As NGENSO's reserve requirements vary with lead-time, the accrual of costs will need to take account of the amount of reserve that these costs are being incurred to meet, at the relevant lead-time.

For the avoidance of doubt, the costs will not feed into the BPA calculation in circumstances where NGENSO uses BM Start-Up services for system management reasons (as defined within the System Management Action Flagging Methodology Statement).

Regulating Reserve

For firm provision of this service NGESO will pay option fees with any utilisation fees being fixed via agreement of BM Offers.

Firm Regulating Reserve option payments for increasing generation or reducing demand will feed into the calculation of the BPA. This will be calculated by dividing the total option fee in any settlement period by the total contracted capability.

Similarly any option payments for reducing generation or increasing demand (negative reserve) will feed into the calculation of the SPA.

3.1.2 Worked Example – Buy Price Adjuster

This example shows how options fees paid by NGESO for balancing services are reflected within the Buy Price Adjuster. This example is illustrative only, for the purposes of demonstrating how BPA is calculated.

The example;

- No firm Regulating Reserve contracts have been purchased

$$RC_j = \text{£}0$$

$$cR_j = 0\text{MWh}$$

- Forward contract option fees purchased

$$FC_j = \text{£}100$$

$$cF_j = 20\text{MWh}$$

- BM Start-Up

$$\text{BM Start-Up cost} = \text{£}2000 / \text{hr}$$

$$\text{Period unit is warmed} = 8\text{hrs}$$

$$BC = \text{£}2000 * 8\text{hrs}$$

$$BC = \text{£}16000$$

$$\text{Generator capacity} = 250\text{MW}$$

$$\text{Requirement period} = 4\text{hrs}$$

$$cB = 250\text{MW} * 4\text{hrs}$$

$$cB = 1000\text{MWh}$$

$$BPA_j = \frac{(\sum RC_j + \sum FC_j)}{(cR_j + cF_j)} + \sum \frac{BC}{cB}$$

$$BPA_j = \frac{(\pounds 0 + \pounds 100)}{(0MWh + 20MWh)} + \sum \frac{\pounds 16000}{1000MWh}$$

$$BPA_j = \pounds 5/MWh + \pounds 16/MWh$$

$$BPA_j = \pounds 21/MWh$$

3.2 Sell Price Adjuster (SPA)

The formula below illustrates how the costs associated with such option fees are converted into a £/MWh figure.

$$SPA_j = \frac{(\sum NC_j + \sum FC_j)}{(cN_j + cF_j)}$$

NC_j = cost of negative reserve option fees (£)

FC_j = cost of purchases of Forward Contract option fees (£)

cN_j = capability of negative reserve (MWh)

cF_j = capability of Forward contracts (MWh)

For the avoidance of doubt, if the denominator of SPA is zero in any settlement period, then SPA will be set to zero in that period.

3.2.1 Worked Example – Sell Price Adjuster

This example shows how options fees paid by NGENSO for particular balancing services are provided through the Sell Price Adjuster. This example is illustrative only, for the purposes of demonstrating how SPA is calculated.

The example;

- Forward contracts option fees
 - Option fees purchased for 15 settlement periods
 - Total option fees of £3000 to withdraw 150MWh per settlement period
 - cF = 150MWh
 - Aggregated cost of forward contract option fees per settlement period
 - = £3000 / 15

$$\begin{aligned} &= \text{£}200 \\ \text{FC} &= \text{£}200 \end{aligned}$$

$$\text{SPA}_j = \frac{(\sum \text{NC}_j + \sum \text{FC}_j)}{(c\text{N}_j + c\text{F}_j)}$$

$$\text{SPA}_j = \frac{(\text{£}0 + \text{£}200)}{(0\text{MWh} + (-150\text{MWh}))}$$

$$\text{SPA}_j = -\text{£}1.333/\text{MWh}$$

PART C: BSAD Submission

1 BSAD Provision

BSAD will be submitted in accordance with section Q, Paragraph 6.3 of the Balancing and Settlement Code. In outline this entails the submission of BSAD to the Balancing Mechanism Reporting Agent (BMRA) at or before 5pm each day to cover the 24 hour period from half-hour ending 00:30 to half-hour ending 24:00 for the following day. BSAD amendments for previous periods will also be included in the submission.

This initial submission of BSAD to the BMRA will include the Balancing Service Adjustment Actions, BPA and SPA for each settlement period.

The costs and volumes of ~~ODFM Services~~, System-to-System services, Maximum Generation services, Emergency Deenergisation Instructions, System-to-Generator Operational Intertrips and Commercial Intertrips will be included in a post event re-submission(s) of BSAD as described in section 3.

BSAD will also be published on the NGENSO Website.

BSAD will also be submitted on a reasonable endeavours basis to the BMRA on a half hourly basis as soon as possible after Gate Closure. In the event that the half hourly data is not available, then the day ahead submission will prevail.

2 Basis of BSAD

The calculation of the BSAD will be performed on the following basis:

- Reserve availability will be calculated on the basis of week ahead submissions of availability from service providers;
- If no week ahead submission is received from a service provider then zero availability of that contract will be assumed in the calculation of BPA; and
- Any forward contracts struck prior to the submission of BSAD at 5pm at the day-ahead stage will be included. Best endeavours will be employed to include all the contracts that have been entered into prior to 5pm.

3 Re-submission of BSAD

The BSAD will be re-submitted, if required, post event to cover:

- The correction of any errors in the original submission made at 5pm at the Day Ahead stage;
- Adjustments to any of the variables to account for any forward contracts entered into between the day ahead and real time that were not included in the original submission;
- Inclusion of any System-to-System services;
- Inclusion of any Maximum Generation Service volumes and payments;
- Inclusion of any Emergency Deenergisation Instruction volumes; and
- Inclusion of any System-to-Generator Operational Intertripping volumes; and
- Inclusion of any Commercial intertrip volumes.

• ~~Inclusion of the ODFM service~~

Any of these circumstances could result in revisions to any of the variables within BSAD and hence SBPF and SSP.

If re-submission of BSAD is required, for any of the reasons above, then NGESO will endeavour to do this in sufficient time to allow the revised variables to be included in the calculation of SSP and SBP in the Interim Information Settlement Run.