

Demand Side Balancing Reserve

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Summary

In December 2013, Ofgem gave National Grid approval for two new services to help with balancing the transmission system if margins tighten during the next few winters.

One of these services, Demand Side Balancing Reserve, provides a new opportunity for large industrial and commercial electricity consumers to earn money by offering to reduce or shift demand.

It is a voluntary service and will not be used to force consumers or businesses to switch off or reduce electricity demand.

Overview

In December 2013, Ofgem gave National Grid the approval for two new services for balancing the electricity transmission system if the margin between generation and demand gets tight during the mid-decade period.

One of these services, Demand Side Balancing Reserve (DSBR) provides a new opportunity for large industrial and commercial electricity consumers to earn money by offering to reduce or shift demand during periods of high system demand if instructed to do so by National Grid.

The service is aimed at those businesses with the flexibility to offer a load shifting/load reduction service. It is a voluntary service and will not be used to force consumers or businesses to switch off or reduce electricity demand.

Service Requirement

National Grid will pilot the service during the winter of 2014/15, running a tender from 10th June 2014 for a period of 6 weeks. We are looking for up to 330MW of DSBR capability this winter, with more the following winter.

The service would be required for short periods between 4pm and 8 pm on weekday evenings between November and February. The service can be delivered by reducing/shifting demand or running backup embedded generation to offset demand.

Those who sign up to the scheme would receive £10,000 for each MW of demand reduction capability contracted, and be paid between £250 and £15,000 per MWhr for any demand reduction they deliver. Further payments are available for intermediaries who help National Grid establish the service.

DSBR is not intended for those consumers who already reduce/shift demand or run embedded generation during peak times on winter weekday evenings in response to pricing signals (e.g. Triad avoiders).

Tenders will be validated and subject to economic assessment. Contracts will be offered to organisations offering the most cost effective service, thus ensuring value for money for consumers.

Stimulating the DSR Market

DSBR represents an excellent opportunity to stimulate the growing Demand Side Response (DSR) market, which will make an increasingly important contribution to keeping energy system costs down for consumers by avoiding the need to build additional power stations to service "peak" demands.

Using DSBR

The DSBR product would only be used as a last resort, and so is unlikely to be used often – it is needed to provide a safety net in the very unlikely event that there is insufficient generation available in the market to meet demand.

If used, those signed up to the scheme would be given advanced warnings, and ideally receive 2 hours' notice of the need to reduce/shift demand. National Grid will issue instructions via SMS and an Application that can be installed on a Smartphone, PC or Tablet.

More Information

More detail on the DSBR service and the 2014/15 pilot can be found on National Grid's website at www.nationalgrid.com/uk/electricity/additionalmeasures or by emailing dsbr.sbr@nationalgrid.com.