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## Demand Side Balancing Reserve and Supplemental Balancing Reserve

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### Energy Pool response to National Grid's Final Proposals Consultation

11 November 2013

#### Introduction

Energy Pool is an active Demand Side Response aggregator, providing flexible demand-side balancing services to the electrical system (transmission and/or distribution network operators; energy suppliers) in Great Britain, France and Belgium.

We welcome National Grid's effort to answer the questions raised by the industry through the initial consultation on DSBR and SBR. We strongly believe National Grid should take forward the DSBR product as it will provide a good signal to the demand side response industry while minimising the risk of power outages throughout the coming winters.

We also believe the design of this product should be reviewed after the first delivery period (i.e. Winter 2014/2015) in light of the experience acquired during the first procurement/delivery period.

#### DSBR Questions

##### **Q1: Do you consider that the proposed amendments to the DSBR product sufficiently address the issues raised in the consultation?**

We believe National Grid addressed most of the problems with the initial design of the DSBR product (e.g. the amendments related to the baseline methodology and the introduction of a process to be able to recover the set up payment). However there are still a few points which should be reviewed either before National Grid submits its final proposal to Ofgem or after the first year of delivery. We list those points below.

Although we understand National Grid wants to have simple arrangements and therefore wants to use metered data which are used in central settlement, we would strongly recommend reviewing this requirement next year:

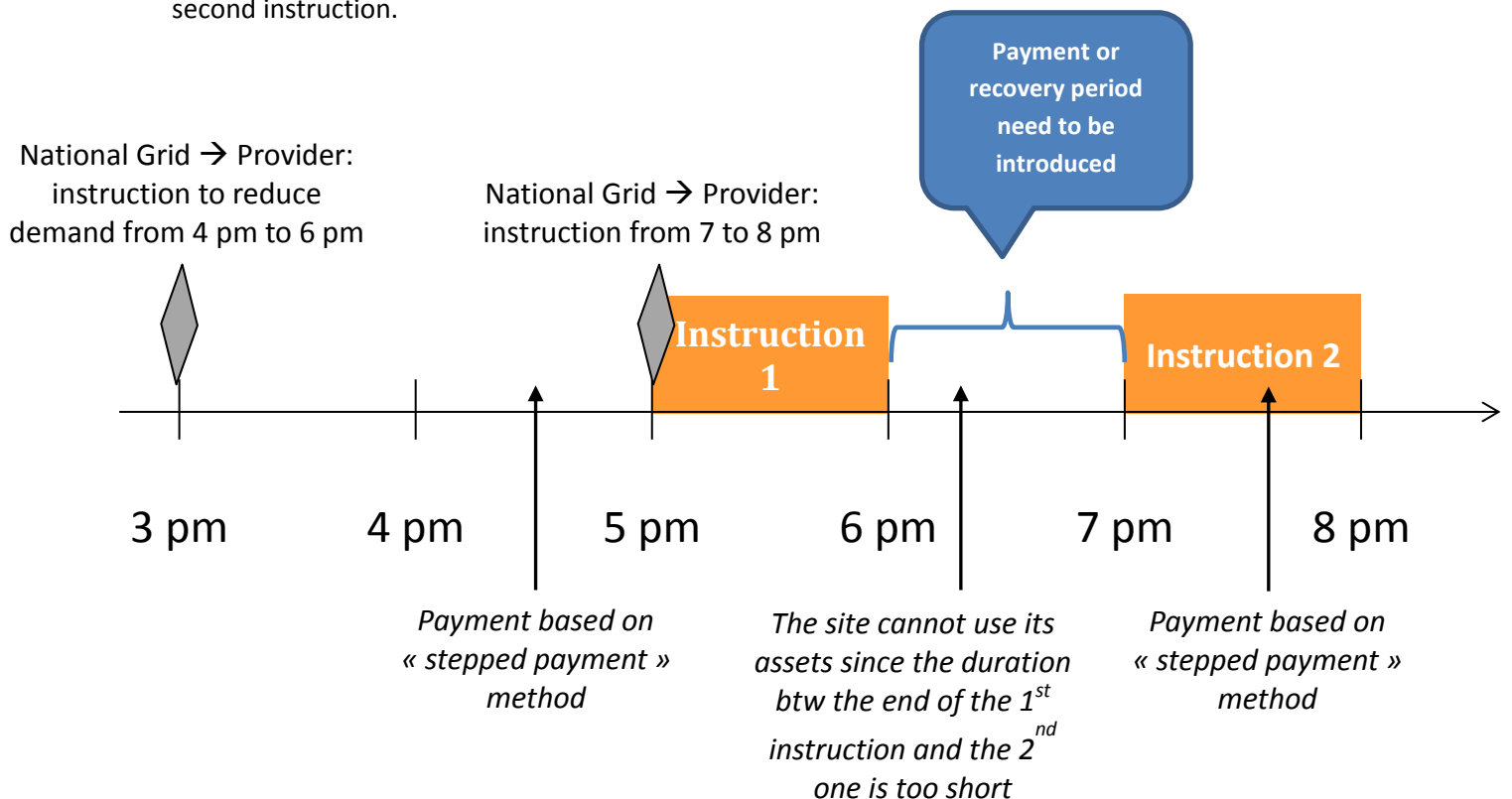
- This requirement will indeed limit the participation of sites which are not half hourly settled but could provide half hourly metered data.
- It could also exclude from the DSBR large industrial sites which may have multiple large assets able to provide Demand Response on different balancing services (for ex: STOR and DSBR) and therefore requiring different metering equipment to measure the delivery of balancing services from each assets.

In order to simplify participation and increase the reliability of the DSB service we would strongly recommend to consider using STOR/BM system for the participants who have it installed already. We do not think this would provide any competitive advantage to participants having a STOR/BM system in place but will reduce the overall cost of DSB implementation.

If the utilisation of STOR/BM system is not possible we recommend using different types of channels for the transmission of instructions. We believe that using the phone along with sending an SMS and an email should be a sufficiently reliable.

Although we proposed a different baseline methodology in our response to the initial consultation, we believe the new methodology proposed by National Grid addresses part of the drawbacks of the initial proposal.

It appears from the final consultation paper that a capacity can be instructed one hour after the end of a previous instruction. For some sites, it is not possible to recover during this one hour period to reduce their load again at the end of it. Therefore, we would suggest introducing a payment for the hour between the two instructions so as to offer providers an incentive to deliver reserve during the second instruction. If the payment is not possible, in case of combined instructions which are not contiguous, it would be helpful to some providers to introduce a recovery period allowing them to be ready for the second instruction.



As we stated in our response to the initial consultation, we regret not to see a minimum non-performance penalty giving National Grid the insurance it has a balancing service it can count on. This, along with an accurate baseline methodology and a better set-up payment, would give providers an adequate incentive for reliability of service.

Finally, as we stated in our previous response, capacities capable of delivering more than 2 hours should get a premium on availability price

**Q2: Do you support us taking forward the DSBR product with these amendments?**

Energy Pool supports National Grid taking forward this new product as it is a tool for capacities that cannot currently provide balancing services.

We strongly believe the implementation of this new product should have no impact on the implementation of the DSR transitional arrangement. The DSR transitional arrangement and DSBR do not necessarily target the same types of demand side capacities. Also they both are necessary tools to increase the participation of demand within the balancing reserves. Therefore, these two initiatives should be both considered separately and be as stable as possible so as to create a genuine market for demand side response. In particular, the implementation of DSBR should not delay the DSR arrangement. Such delay would have a tremendous negative impact on the demand side response industry in Great Britain.

We understand that National Grid gives priority to DSBR over SBR. In an extreme case, this means no SBR volumes will be accepted if National Grid's forecast shows enough DSBR will be procured. We also understand the technical reason why, in practice, National Grid aims to tender for SBR volumes before tendering for DSBR. However in order to avoid confusing the signal sent to the Demand Side Response industry we believe that the procurement of SBR should have no impact on the volumes of DSBR procured. In practice this means that while assessing the need for DSBR in Summer 2014 and Summer 2015, the assumption used by National Grid should be that no SBR volumes have been procured.

Finally we would recommend National Grid consider extending this scheme to Winter 2016/2017 if the first trials in Winter 2014/15 and 2015/17 show DSBR provides additional reserves to National Grid from capacities which cannot participate in any other balancing services.

**Costs & Funding Questions**

**Q6. Do you agree that our cost estimates, and the underlying assumptions, are reasonable?**

No comments.

**Q7. Do you agree that it would be inappropriate to include these costs in the Balancing Services Incentive Scheme until such time prices and volumes for these products are better understood?**

No comments.

**Q8. Do you agree with the proposed approach to the recovery incremental internal costs we would incur if we were to procure these additional balancing tools?**

No comments.