

Peter Bingham,
National Grid House,
Warwick Technology Park,
Gallows Hill,
Warwick

Sent via email to: balancingservices@nationalgrid.com

25th July 2013

Re: Demand Side Balancing Reserve and Supplemental Balancing Reserve

Dear Peter,

PassivSystems welcomes the opportunity to respond to this consultation. Over the last number of years we have spent considerable effort investigating the potential to utilise this facility to deliver a demand response to the electricity network. Our work in this area has included market analyses; a proof of concept demonstration of domestic-scale battery storage; the development of algorithms for the flexible control of heat pumps; and an on-going project in this latter area. We are therefore encouraged to see National Grid moving to open up the market for demand side resources to profit from providing balancing services.

In general we are supportive of the scheme as it is described in the consultation document. In particular the provisions to not to enforce exclusivity will help providers such as us to maximise returns for our customers. We are also supportive of the approach to base-lining and despatch as described.

We would welcome more clarity on the minimum capacity requirements for participation and would urge National Grid to be cognisant of the need for businesses in this area to secure revenues as they build their capacity when setting these requirements.

Finally, we wish to make the point that for demand side resources of all sizes to be encouraged to participate, thus ensuring electricity is delivered reliably and economically, they must be rewarded for all of the benefits they provide, i.e. balancing, maintaining capacity and so on. We would also ask that special provision is made to attract small businesses like our own (which seek to deliver innovative, customer-facing, home based solutions) in order to encourage diversity in this new market.

Therefore, while we understand the reasons for minimising availability payments or set-up fees set out in this consultation, we would encourage National Grid to consider how the capacity

contribution of demand side resources can be rewarded in advance of the capacity mechanism in order for the business case to become attractive.

PassivSystems would welcome further discussion with National Grid on this topic, particularly in regard to our technological capabilities and on-going research in the area of domestic demand response.

Yours sincerely,

Trevor Sweetnam – Techno Economist

Dr Michael Patterson – R&D Director