

Simplification of products – Next steps

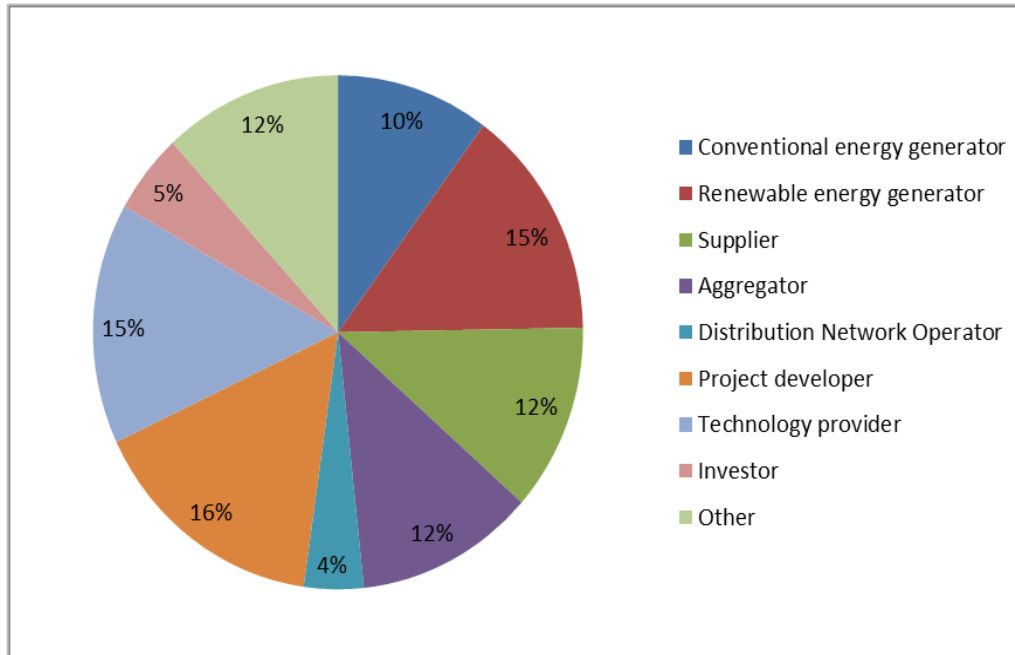
Asheya Patten
September 2017

Recap – SNAPS



- Published in June 2017
- Provided an overview of SO system needs
- Consulted on potential future changes to balancing services products

Consultation responses statistics



128 responses

10+ industries consulted

98% Agree with approach

Insights

57%

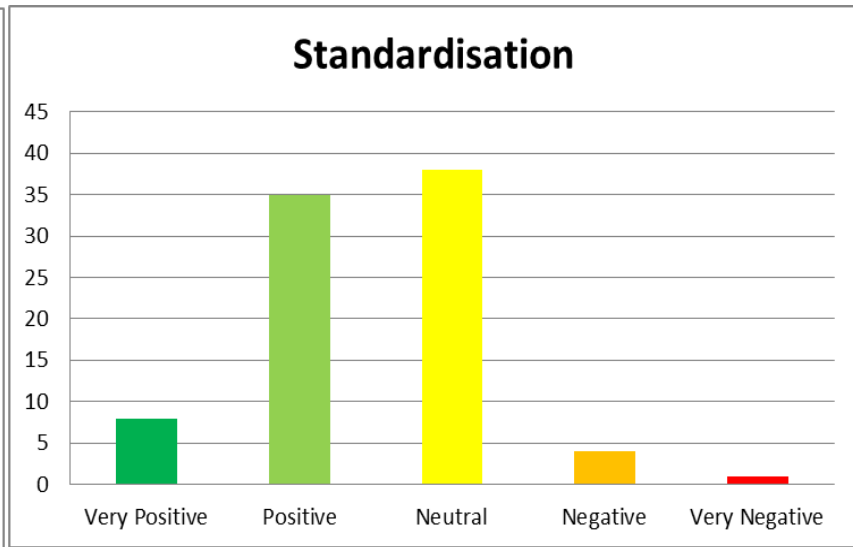
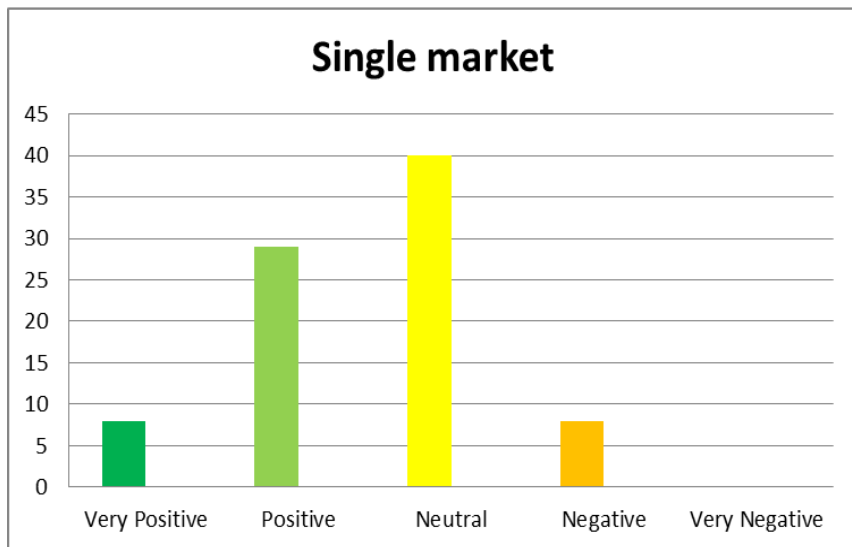
believe standardising products will
have a positive effect on Competition

79%

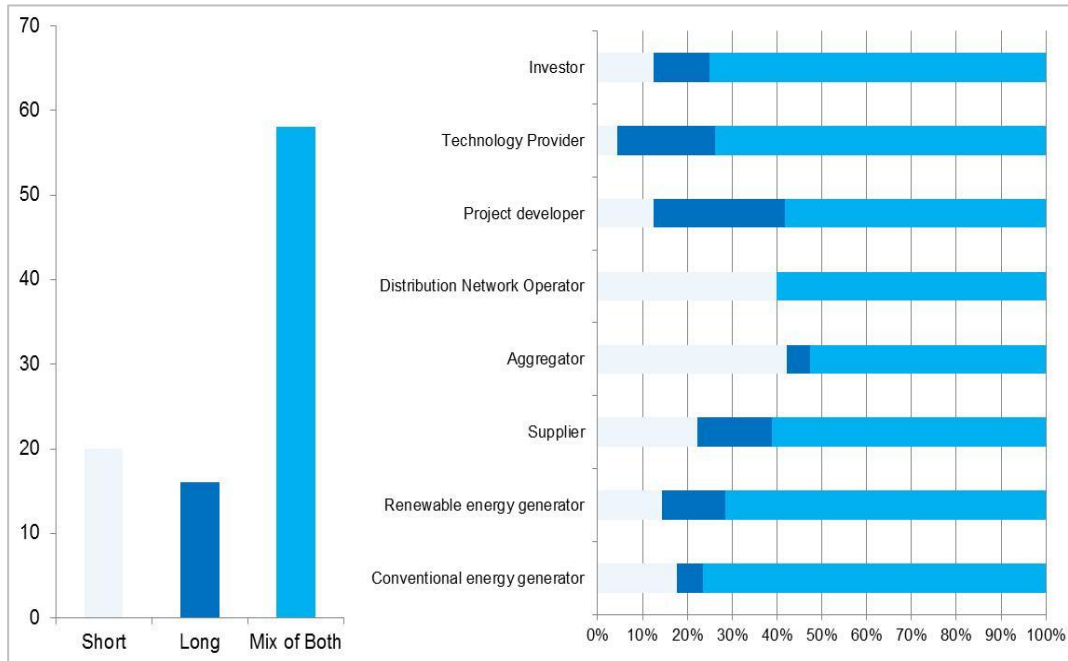
believe standardising products will
have a positive effect on Transparency

Insights – Service Stacking: Impact of Single Market and Standardisation

Consultation demonstrates the broad view that standardised products, rather than single markets, would better enable stacking of services.



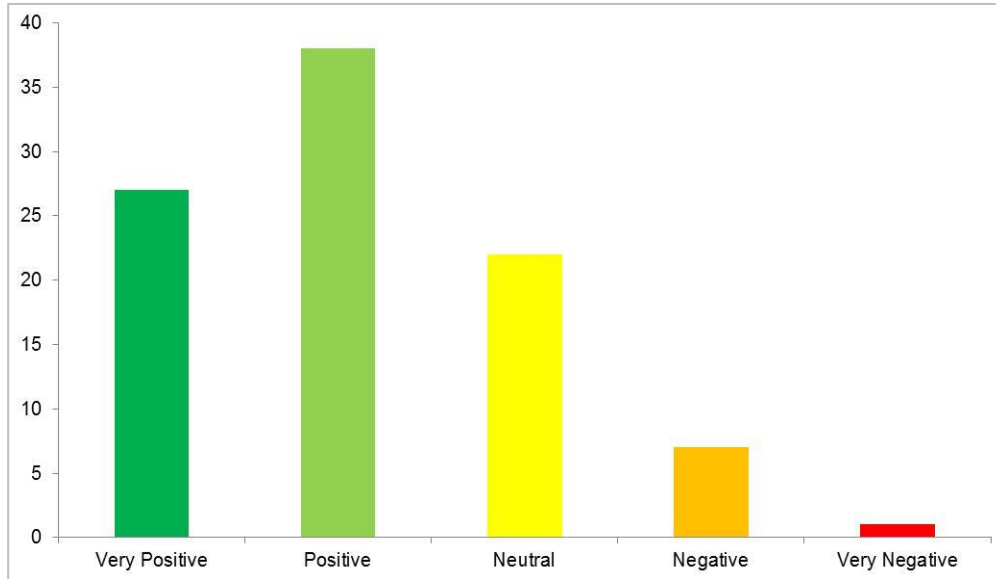
Insights – Short Term Markets v Long Term Contracts: A Balance Preferred



62%

favour a mix of short and long term contracts

Insights – Procurement Trials: Positive response



68%

positive or very positive about trialling
alternative procurement approaches

Key Themes from consultation responses

1

Greater transparency of the System Operators day to day activities

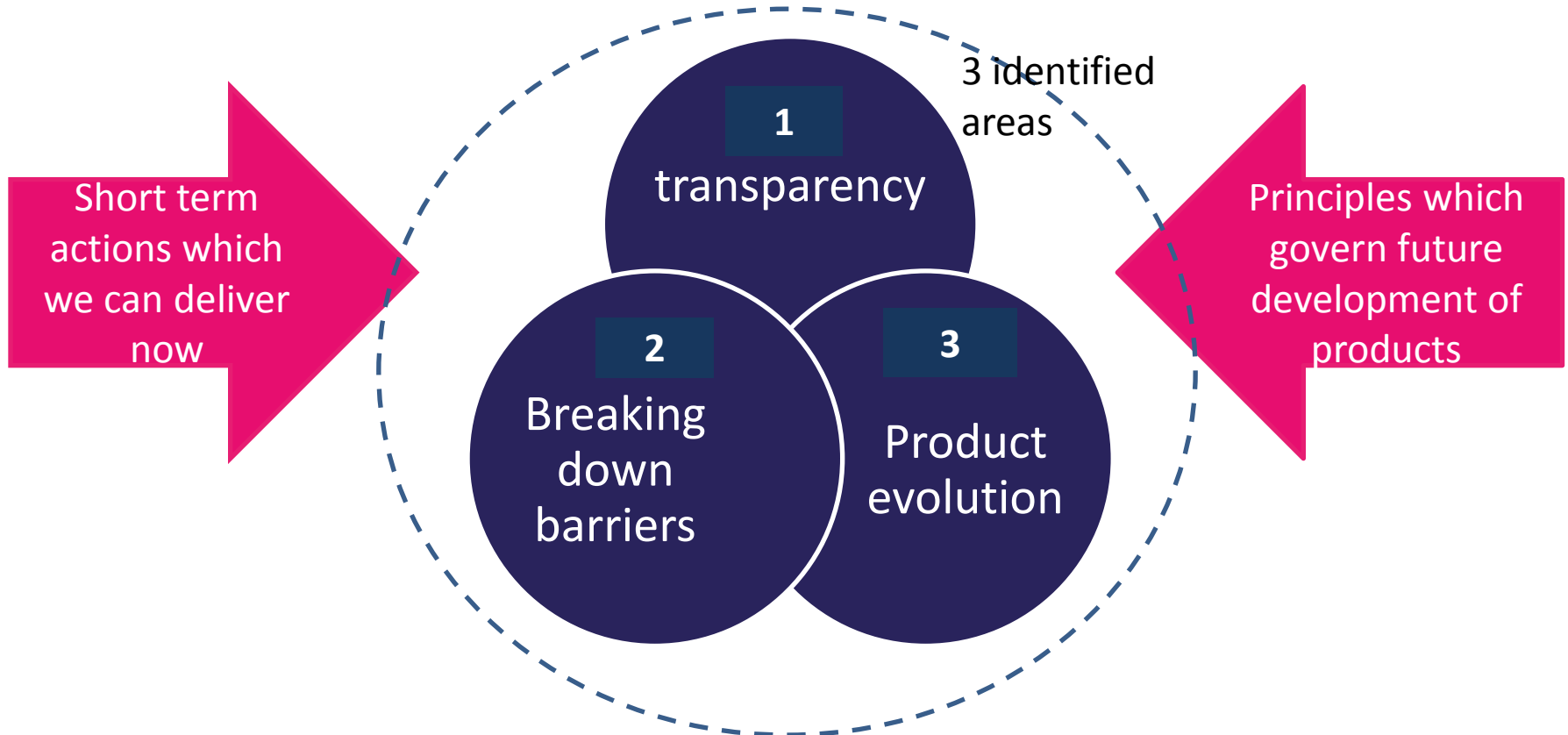
2

A reduction in barriers to entry

3

The System Operator to provide more details on its simplification of products

What are we proposing to deliver



You wanted greater transparency of information and of what we purchase and why....

1

Our procurement decisions will be transparent and our methodology and needs will be clear to the market ahead of time



In practice, this means:

- Providing information on our needs and methodology before procurement
- Parties understanding why they were successful or not
- Avoiding bundled procurement of products where possible
- Where there is a justifiable reason for bundled procurement, we will be clear on the value interaction between the requirements
- Clearly defined products which do not allow variability of key parameters; deviations are identified through ongoing performance monitoring and contractual penalties imposed

improve the monthly average BSUoS forecast process

Develop tools required to provide more granular forecast

Create a separate BSUoS forecast report with scenarios and a range to the forecast, with explanation for the drivers

BSUoS forecast

Trading activity will be published at near real time

Trading activity

Publish a daily and monthly summary of balancing costs and volume

Publish high level summary of system conditions

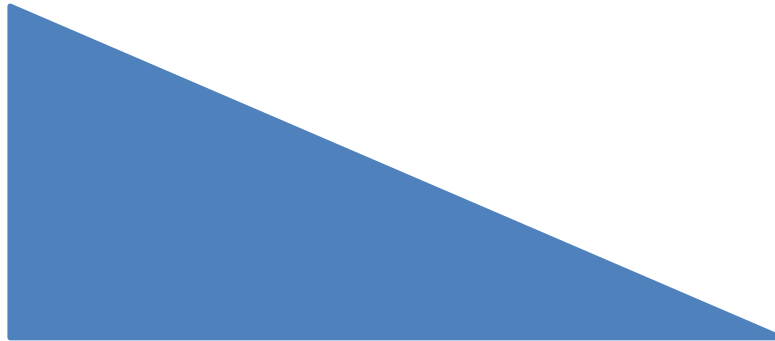
Balancing costs

Make all underlying data available in excel (MBSS)*

MBSS and demand side balancing report will be combined into one report

Other reports

(*) – Monthly Balancing Services Summary



Example of current barriers:

- Upfront requirements for testing and compliance



- Ongoing performance monitoring
- Simplify contracts

You told us to lower all barriers to entry, sort out testing and compliance as well as review contract lengths and structures....

2

The design of our products, the way we procure, and the contractual arrangements will increase competition in provision of services to SO

In practice, this means delivering on the following:

- Where possible, products will facilitate stacking of revenues through review of contracts
- Products will allow for variable baselines / close to realtime capability updates to account for different types of assets e.g. wind and solar
- Providers ensure compliance with upfront pre-qualification; SO increases focus on ongoing performance monitoring supported by a rigorous and published process, and backed up by significant penalties
- Mix of short term markets and periodic long term contracts will be made available



Product changes – proposed principle

3

You told us to create more standardised buckets as well as deliver for all parties....

3

Our products will be designed to meet clear operational requirements first, and the technical ability of provider assets second

In practice, this means:

- Products designed predominantly on operational need rather than the technical ability of specific assets
- However, the product design will take some account of general technical performance to ensure that the product captures the greatest number of potential providers



KEEP
CALM
AND

STANDARDIZE

You told us to future proof changes as much as we can...

4

The procurement of balancing services shall comply with European guidelines, insofar as this represents the most economic approach for GB consumers

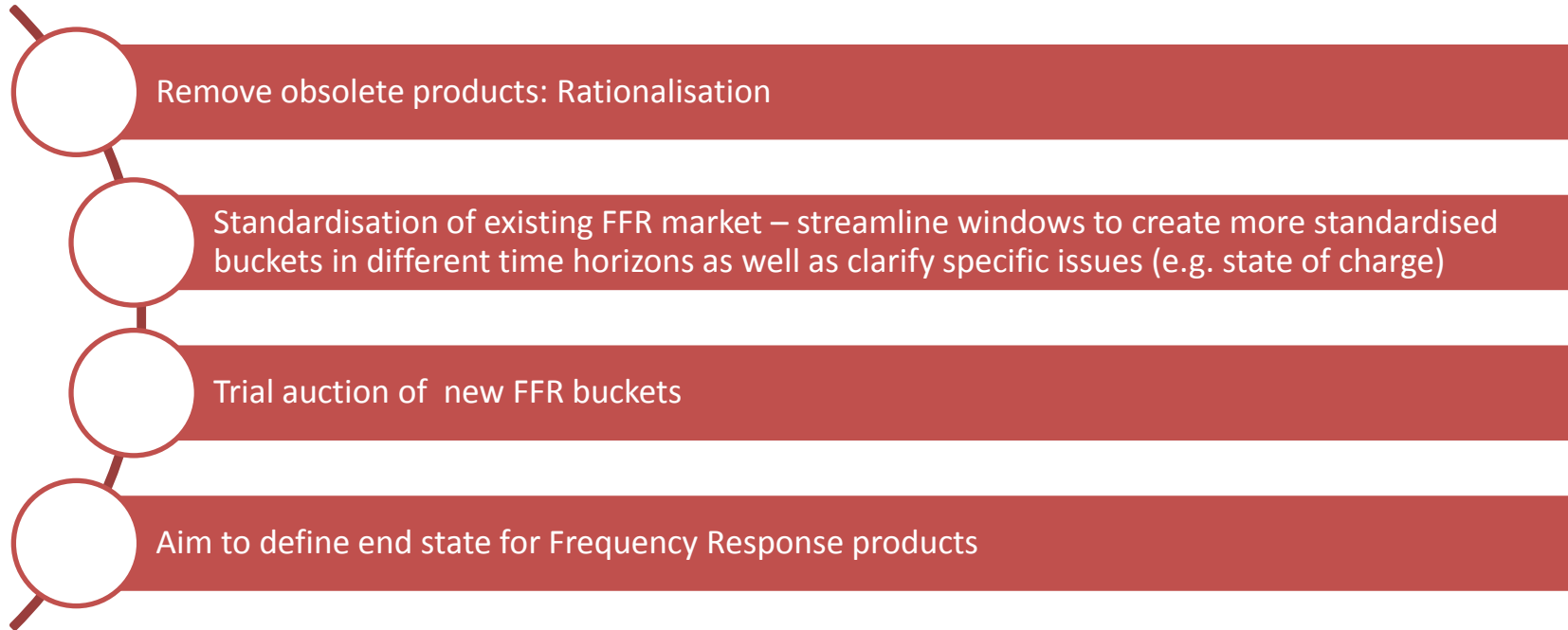
In practice, this means:

- Payment structures to be aligned to the European Balancing Guidelines (EBGL) where appropriate
- Minimum technical requirements for DER providers as per the Demand Connection Code (DCC)
- Technical pre-qualification process for all providers as per the System Operation Guidelines (SOGL)
- New Standard Products (TERRE and MARI) included holistically within the balancing product suite



What product evolution actions are we taking in the next 12 months?

Frequency Response



Creation of more liquid buckets which will provide greater transparency to market participants

	1 mon th	2 mnt hs	3 mon ths	4 mon ths	5 mon ths	6 mon ths	24 mon ths
1 hour									
2 hour s									
3 hour s									
..... .									
24 hour s									

576 combinations



	e.g. 1 month	6 months	12 months	24 months
Xxx (e.g. day time)				
xxx				
xxx				

~12-18 combinations

Other actions we are taking/contributing to which deliver access to markets

Reserve, Publications, constraint management, reactive power and black start



Focus on stakeholder feedback

September

Overview of SNAPS consultation responses to industry

October

Publication of outcome of rationalisation process
Engage with industry on key potential options/actions and gather their views (Energy UK, Power Resp etc.)
Refining recommendations based on stakeholder views

November/December

Publish outcome of standardisation of existing products
Publication of recommendations through a product roadmap



- What are your views on the principles outlined?
- What are your views on the actions we are proposing to take?