

Energy UK response to the National Grid ESO STOR Change Proposals Document

1st November 2019

About Energy UK

Energy UK is the trade association for the energy industry with over 100 members spanning every aspect of the energy sector – from established FTSE 100 companies right through to new, growing suppliers and generators, which now make up over half of our membership.

We represent the diverse nature of the UK's energy industry with our members delivering almost all (90%) of both the UK's power generation and energy supply for over 27 million UK homes as well as businesses.

The energy industry invests over £13.1bn annually, delivers around £85.6bn in economic activity through its supply chain and interaction with other sectors, and supports over 764,000 jobs in every corner of the country.

Response

Energy UK welcomes the opportunity to respond to the National Grid ESO STOR Change Proposals Document.

Compared to previous Change Proposals, this year the proposed changes will introduce a new set of contract terms that substantially change STOR as we know it. In implementing the EU Balancing Guidelines and the System Operator Guidelines, NGENSO is also minded to change retrospectively the current STOR contracts with far-reaching impacts for all providers.

As such, industry would have appreciated if NGENSO had engaged earlier than when the changes were published, to allow for more in-depth discussion and better understanding of the implications of the new terms of the service

Energy UK appreciates the subsequent engagement from the ESO and the acknowledgment that the process could be improved. We reiterate that a more structured engagement system would allow industry to continue to be confident in the change process.

Energy UK agrees in principle that STOR response time should be reduced to 20 mins. Slower units with STOR contracts receive availability payments but rarely get utilised. Units with a slower response time will still be able to access the BM market.

We note that the prequalification timings seem very long and therefore could be prohibitive, particularly for smaller market participants. Energy UK would like to see a more streamlined prequalification process.

Energy UK welcomes optional bids being included. This already happens in Fast Reserve tenders and will give increased flexibility for service providers. However, once there is confidence in the wider access to the BM this may not be used very much. The ESO may see value in procuring its need in firm service and use optional bids as a 'backup'. We also encourage the ESO to ensure that the software allowing these new functionalities is carefully tested and functioning ahead of its use, in particular the online portal.

The additional penalty where there is a loss of real-time metering via ASDP must be avoided for the time being. This is still to be properly worked out with regards to Fast Reserve and introducing a penalty now could reduce the competitiveness of parties for reasons which is outside of their control.

For both Scenarios 2 and 3, the ESO needs to clarify the weighting of the different parameters (Availability, Utilisation (in scenario 3 only) and 'other' parameters). The industry needs transparent detail around these 'other' parameters.

Industry has different views on which of the scenarios is preferable. Scenario 2 would be the simpler approach, but some members share concerns with the ESO about Utilisation prices reaching artificially high prices. However, there are other markets that the ESO could access such as BM, as well as the new Optional STOR product which may deter this behaviour. Scenario 3 is a more complicated scenario to implement and there are concerns that this approach could be circumvented by setting zero availability. The ESO needs to clarify to industry how Utilisation price will be considered in the assessment for Scenario 3 as it was not clear in the consultation. We urge the ESO to publish analysis on the two different scenarios. Further, the ESO needs to clarify as soon as possible the implementation date as there is uncertainty on this.

Should you have any questions regarding our response, please don't hesitate to get in touch.

Kind regards,

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