

Future of Balancing Services – System Needs and Product Strategy:

Response from the Energy Intensive Users Group

The Energy Intensive Users Group (EIUG) represents manufacturing industries that depend on access to secure, internationally competitive energy supplies to remain in business. It is in the interest of all electricity consumers, including large industrial users, that National Grid (NG) as System Operator has the full range of tools needed to ensure system balancing actions can be taken at least cost. We strongly believe this is most likely to be achieved by minimising barriers to entry and therefore maximising the potential range of participants in the markets through which these actions are procured. We therefore welcome the opportunity to comment on some of the higher level issues raised in the System Needs and Product Strategy consultation.

EIUG shares NG's concern to ensure there are new routes to market for all providers to offer flexibility, whether through demand response, generation or storage, on a non-discriminatory basis. We also recognise that NG is likely to require greater access to these services in future as the UK becomes increasingly dependent on inflexible, intermittent and/or asynchronous low carbon power generation, and that the Balancing Mechanism may be becoming a less cost effective means of accessing some of the near real time flexibility required. It is timely therefore to review balancing services markets to meet these changing system needs.

It is important to recognise that there is no 'typical' industrial user in terms of demand profile, or ability to provide system balancing services. Some EIUG members operate relatively flexible processes, with a well-established track record of engagement in providing demand side services such as frequency response and reserve – some operate on site generation that may also contribute directly to supply, or help facilitate demand response – others operate continuous process with limited scope for demand response where maintaining continuity of supply is paramount. One characteristic common to all is that energy, though a critically important cost driver, is not their core business – so, procedural, legal, contractual or unrelated commercial concerns may act as a greater deterrent to participation than would be the case for (say) large conventional power generators. Similarly, complex, un-automated or uneconomic access to real time pricing, demand and generation data can also create barriers to entry for non-traditional providers.

EIUG agrees that complexity and lack of standardisation can act as barriers to participation in providing balancing services, especially for energy users. Sometimes this is inevitable (e.g. when the nature of the service being procured is inherently complex) but barriers may also arise for other reasons (e.g. where products originally designed to suit licensed suppliers and generators are not optimally tailored to accommodate new demand side or storage operators). What to NG and some energy companies as an entirely logical suite of products may seem to others like a bewildering array. Clearly there is a balance to be struck, but it should be uncontroversial to note that the more complex it is to understand a range of products and their associated risks and responsibilities, the less participation there will be – especially from those for whom energy is not a core business. In general, therefore, we would welcome moves to simplify balancing services markets and access to them, in order to widen participation and reduce costs for non-participants.

NG should take care to prevent any overlap in contracts that could give rise to double payment for flexibility services when establishing new standardised or simplified balancing services, and to avoid actions that may have unintended consequences in terms of the availability of flexibility solutions.