

C16 ANNUAL REVIEW CONSULTATION 2020-21

11th January 2021

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Executive Summary

This consultation has been produced in addition to the requirements of Condition C16 of the Transmission Licence to undertake a review of National Grid Electricity System Operator's (NGESO) C16 Statements.

NGESO held an industry forum on the 10th November 2020 and a subsequent early consultation which ran until early December 2020. The aim of these was to allow both NGESO and industry the opportunity to share their early thoughts on what changes should be considered to the five C16 statements this year and what could be considered for future reviews.

This consultation will summarise NGESO's view on the early consultation responses we received and provide further clarity on the position of some of the changes NGESO will be recommending.

NGESO's key focus areas for the C16 statements this year remain:

- Existing products such as STOR and Fast Reserve (FR) within the Procurement Guidelines
- New products such as Dynamic Containment (DC) and how they will be reflected in both the Procurement Guidelines and ABSVD
- Consideration of further products including Reserve Reform and a downward flexibility product similar to Optional Downward Flexibility Management (ODFM)
- Review of the reports and how they could be improved in the future

This consultation provides an opportunity for any further detailed industry views on the proposed changes and invites views on any other aspects of the subject documents for consideration.

Responses are required by close of play 8th February 2021. Details on how to make a response can be found in the Consultation Questions section.

Following receipt of responses to this consultation NGESO and from both the industry forum and the early consultation, NGESO will produce a report that will summarise the final changes they will look to make to this year's statements to Ofgem for review.

The current versions of the C16 statements, this consultation, industry responses and the consultation report will all be published at the link below:

<https://www.nationalgrideso.com/balancing-services/c16-statements-and-consultations>

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Key Dates:

Official Consultation Release:

11th January 2021

Official Consultation Deadline:

8th February 2021

Documents sent to Ofgem:

15th February 2021

Ofgem Direction:

15th March 2021

Revised C16 Statements go live:

1st April 2021

Introduction

Overview of C16 Process

The Review

In accordance with Standard Condition 16 (C16) of its Transmission Licence, NGESO is required to conduct an annual review of all licence statements, regular reviews of the methodologies and, if appropriate, to propose changes to these documents.

The purpose of NGESO's annual review and consultation is to ensure that each of the applicable documents remains current by seeking industry views on any proposed changes. Proposed changes can only become effective if approved by the Authority.

The following statements are the focus of each review:

- a. Procurement Guidelines
- b. Balancing Principles Statement (BPS)
- c. Balancing Services Adjustment Data Methodology (BSAD)
- d. Applicable Balancing Service Volume Data (ABSVD)
- e. System Management Action Flagging Methodology (SMAF)

It should be noted that the annual review of the C16 statements is not the primary forum for development of new products. They will be created and consulted on in a separate process, and any subsequent changes to the statements will be as a consequence of the created service. This process merely allows for industry input on these new products to be received.

Step 1 Industry Forum

The first step of the review process is for NGESO to hold an industry forum, the aim of which is to allow NGESO to engage early with industry on the key elements of change we are considering allow industry to offer early challenge and further suggestion. Any thoughts from NGESO at this forum should not be considered as NGESO's final position.

Step 2 Early Consultation

The second step of the review process is for NGESO to issue an early more "informal" consultation, this should build on the outputs from the industry forum and should allow wider industry to respond to NGESO's early thoughts on what needs to change this year.

This consultation does not form part of the C16 Licence Condition and is an additional one that allows NGESO to do more fact finding and create a more efficient and thorough review.

At this point of the process it is unlikely NGESO will suggest all text changes to the statements, however we may provide some suggestions to text changes on certain topics.

We try and allow a full 28 days, similar to the official consultation, as above any thoughts from NGESO during this early consultation should not be considered as NGESO's final position.

Step 3 Review and Final Consultation

The third step of the process is for NGESO to review all the early consultation responses and begin to finalise a draft first position on the text changes in the statements, NGESO should also offer a response to each point raised by industry.

This should be documented and issued via an “official” consultation that does form part of the C16 Licence Condition.

This consultation should allow industry to review our responses to them as well as the recommended text changes in the statements.

This consultation should run for 28 days.

Step 4 Report to Authority

The fourth step in the review process is for NGENSO to document in the form of a report their final position on the changes for this year along with the track changed versions of the statements, the report should also include in a clear and transparent way all industry responses and NGENSO’s view on them all.

This report must be issued to the Authority (Ofgem) within 7 days (5 working) from the closure of the official consultation.

Step 5 Authority Decision and Statement go live

The fifth step in the review process is for the Authority (Ofgem) to review all the documents submitted to them from step 4.

As part of the Licence Condition, Ofgem have 28 days to offer a direction or challenge the submission, if Ofgem approve the changes then the statements go live on the NGENSO website on the 1st April of that year.

If Ofgem do not approve, then there are 2 different directions for the statements to go live. Ofgem can either direct a change or they can request NGENSO to run a further consultation on the specific issues they have identified, which may push back the go live date or a statement might go live with pending further changes.

2020-21 Industry Event - Summary of Industry Feedback

This consultation marks the third step of the review process relating to the C16 statements and methodologies.

Step 1 Industry Forum

The industry forum was held on 10th November 2020. This was attended by a variety of stakeholders. The aim was to discuss potential changes to be included in the 2020-2021 annual update in more detail. The slides can be found [here](#).

Areas highlighted by National Grid ESO and stakeholders were:

- Overview of the constraint management pathfinder and any subsequent C16 changes
- Accurate reflection of STOR in the procurement guidelines and general compliance with day ahead procurement as per Clean Energy Package 6(9)
- Accurate reflection of Firm Fast Reserve in the procurement guidelines
- Accurate reflection on Dynamic Containment/Moderation/Regulation into the C16 statements including asking for industry views on the difference in treatment between BM and Non-BM Dynamic Containment providers in relation to ABSVD settlement
- Consideration for future services through Reserve reform and potential for a future service similar to ODFM
- Discovery work on BPS/SMAF/Procurement Guideline reports, identifying how we could improve them and make them more useful to industry

The forum was attended by 8 stakeholders from across industry. There was a lot of productive discussion around the proposed changes and wider feedback from attendees on a number of points which will be detailed in section 2. Industry feedback has been summarised rather than a word for word response, while the output from this consultation will contain the more detailed responses that we receive rather than summaries.

Step 2 Early Consultation

The early consultation that followed on from the industry forum ran from the 16th November – 7th December 2020. The content of that consultation can be found [here](#).

We received responses from Peak Gen and Sembcorp as well as some early comments from Ofgem in response to that consultation, further detail of our views to their responses can be found later in this consultation document.

Step 3 Review and Final Consultation

This Final Consultation is issued 11th January and will close on until 8th February 2021.

Step 4 Report to Authority

Issued 15th February 2021.

Step 5 Authority Decision and Statement go live

Decision by the 15th March 2021, Statements go live 1st April 2021.

Responses to Early Consultation

Please see detailed responses to the early consultation questions from industry with National Grid ESO's initial views below. Where industry have agreed with changes without comments, we have captured this but had not provided a response. Each industry response has been separated by the relevant C16 statement as they appear in the Consultation Response Proforma. This is indicated below with the respective questions for each statement:

- a. Procurement Guidelines:
 1. Do you agree with the proposed suggestions to the Procurement Guidelines in relation to STOR and Fast Reserve? please provide rationale.
 2. Do you agree with the proposed suggestions to the Procurement Guidelines Downward Flexibility and Dynamic Products? please provide rationale.
 3. Do you wish to add further comments on the Future of Reserve?
 4. Do you find the Procurement Guidelines Report and MBSS useful? Can you provide examples of what you have used them for? Do you have any suggestions on improvements?
 5. Do you have any other comments in relation to the changes proposed to the Procurement Guidelines? Or any additional changes you would like to see?
- b. BPS
 1. Do you find the BPS Report useful? Can you provide examples of what you have used them for? Do you have any suggestions on improvements?
 2. Do you have any other comments in relation to the changes proposed to the BPS or the BPS reports? Or any additional changes you would like to see?
- c. BSAD
 1. Do you agree with National Grid ESO's view to not propose any changes at this present time? If not, please provide rationale.
 2. Do you agree with the changes proposed by industry to the BSAD? If not, please provide rationale.
 3. Would you like to propose any additional changes to the BSAD?
- d. ABSVD
 1. Should BM DC providers be removed from providing ABSVD and why? Do you agree that the changes suggested regarding treatment of BM and Non BM Dynamic Containment in ABSVD? Please provide rationale.
 2. Do you agree that consequential changes to the ABSVD will be required as a consequence of P412? Please provide rationale.
 3. Do you have any other comments in relation to the changes proposed to the ABSVD? Or any additional changes you would like to see?
- e. SMAF
 1. Do you find the SMAF Report useful? Can you provide examples of what you have used them for? Do you have any suggestions on improvements?
 2. Do you have any other comments in relation to the changes proposed to the SMAF or the SMAF reports? Or any additional changes you would like to see?

1. Industry Response: Peak Gen

- a. Procurement Guidelines: Questions 1-4 were no comment; see 1a below for response to Question 5.
 - b. BPS: Questions 1-2 were no comment.
 - c. BSAD: Questions 1-3 were no comment.
 - d. ABSVD: Questions 1-3 were no comment.
 - e. SMAF: Questions 1-2 were no comment.
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1a) Procurement Guidelines Q5: Do you have any other comments in relation to the changes proposed to the Procurement Guidelines? Or any additional changes you would like to see?

We propose that the procurement guidelines set out how NG ESO treated the costs of services from different “classes” of provider – please see the annex to this response:

NG ESO has increased the diversity in who it procures services from. However, because different classes of provider make different contributions to overall industry costs, simply selecting the provider with the lowest price does not necessarily result in the overall lowest cost to the final user. A simple example of this is BSUoS. Different classes of user have different BSUoS exposures whilst the overall BSUoS “pot” remains constant. It may appear cheaper to buy a service that reduces demand (with the provider avoiding BSUoS on the power that they would have used) rather than a service that increase in generation (where currently the generator pays an additional BSUoS charge). If the ESO selects a cheaper service from a demand reducer, the final user will benefit from this saving but this benefit will be offset by it having to pay a larger share of the overall BSUoS pot.

We suggest that the procurement guidelines are modified such that this effect is incorporated into the ESOs procurement strategy. The following text could be consulted on:

“When selecting services from different providers the SO will consider the different classes of provider involved including:

- i. Network (Transmission/Distribution) Licences;*
- ii. Licenced Generators;*
- iii. Licences Suppliers; and*
- iv. Unlicenced parties who use a licenced supplier to register their boundary meters*

Depending on the class of meter registration, different providers will have different exposures to the following charges:

- i. TNUoS*
- ii. BSUoS*
- iii. RCRC*
- iv. FCLs*
- v. Energy and imbalance charges*

All of these charges recover a fixed amount; choosing to buy a service from a provider with a lower exposure to a certain cost may result in end users paying a higher share of this cost, more than offsetting the saving from the cheaper provider.

When selecting service providers, National Grid ESO will take account of these costs in its procurement decisions.

When considering longer term contracts where some providers may use energy to deliver the service, and provide a fixed price for the service, but other providers are not exposed to the cost of the energy (notably the network owners where the cost of energy is passed on to customers via losses) National Grid ESO will use forecasts [source?] for the future value of energy, BSUoS etc, but include a risk premium of [25%] on providers who are not exposed to these costs."

However, we accept that for a lot of NG ESO's actions the impact of these changes is trivial and the cost of modifying systems and procedures may significantly outweigh the benefit.

We suggest that initially this proposal is only applied to longer/larger contracts where there is a significant mix of provider classes. These would be the upcoming “pathfinder” contracts.

NGESO's View:

NGESO would like to thank Peak Gen for their response to the early consultation. The change being requested is quite significant and far reaching and may also impact on the response and reserve reform work that is currently being undertaken and therefore we would not be able to incorporate it into this year's suite of changes. However we will review it as something we could potentially amend for next year's 22/23 statements and will continue to provide visibility and transparency on the commercial assessment methodologies for each pathfinder .

2. Industry Response: Sembcorp Energy UK

- a. Procurement Guidelines: Questions 1-4 - see 2a below for responses; Question 5 was no comment.
- b. BPS: Questions 1-2 were no comment
- c. BSAD: Question 1 and Question 3 - see 2c below for responses. Question 2 was agreement with no further comment.
- d. ABSVD: Questions 1-3 - see 2d below for responses
- e. SMAF: Question 1-2 were no comment

2a) Procurement Guidelines Q1: Do you agree with the proposed suggestions to the Procurement Guidelines in relation to STOR and Fast Reserve? please provide rationale.

Partially.

On STOR

We agree with the need to amend the Procurement Guidelines to reflect that STOR will be procured in line with the Clean Energy Package (CEP) Art. 6(9).

However, we have some comments for the ESO to take into account:

1) The CEP mandates day-ahead procurement. However, the new proposed text for these guidelines reads “STOR is procured through daily auctions”. The wording is open to differing interpretation as “day-ahead” and “daily” are not the same thing.

Furthermore, the recent ESO Update to Industry on STOR Day Ahead Procurement 1 reads that “daily tender close will be at 05:00 on D-1”. With tender timelines intended to be carried out by 5am on the day ahead of delivery, this means that providers would need to tender for STOR ahead of any trade day-ahead auctions. Our concern is that the new procurement is not a day ahead process but, rather, a two day-ahead process.

2) At the webinar of 29th September 2020, the ESO’s presentation on STOR requirements to comply with the CEP, showed that “[the ESO] will continue to seek a derogation (aligned to the regulation for a minimum of 30% day ahead and 70% at month ahead) to allow [them] some flexibility with procurement as we transition to day-ahead.”. However, there is no mention of any month-ahead procurement in the Procurement Guidelines.

Furthermore, the new timeline for consultation and subsequent Ofgem’s approval for the new STOR Terms and Condition seems to push the process back, not actually allowing sufficient time for any month-ahead process. The question here is whether industry can actually expect any volumes being procured month-ahead or not; and if so, whether the Procurement Guidelines should reflect this. Can the ESO please clarify?

3) The Procurement Guidelines still refer to a STOR year, which is split into six seasons. While we understand that the need for STOR reserve varies depending on the time of year, the time of week

and time of day, we would assume that the move to day-ahead would remove the concept of seasonality. More clarity would therefore be welcomed on the characteristics of these six seasons.

On Fast Reserve

It is our understanding that the ESO is not looking to procure any new Firm Fast Reserve volumes because this product would not be in line with the CEP requirement for utilisation prices to be reflective of the real-time value of energy. Hence the typical Firm FR predetermined prices would not be allowed under the CEP.

However, we would ask the ESO to consider the following points:

1. The proposed text of the Procurement Guidelines simply removes the reference to Firm Fast Reserve. Yet, the ESO's intention not to procure any new Firm FR volumes does not necessarily mean that the product ceases to exist as there are existing contracts in place, which will continue to be honoured. We therefore would like some clarity on how existing Firm FR will be classified in the future, when this category will be removed.

2. We would also like to pick up on a previous response we submitted in the context of the C16 2018-19 annual review, and that is with regards to further clarity on evergreen non-tendered bilateral contracts i.e. those without an end date. While we appreciate NGESO's efforts to move away from non-tendered bilateral contracts and use market mechanisms/tenders, we believe there the Procurement Guidelines should provide a much clearer set of information around existing non-tendered contracts and justification as to why the ESO still needs them. A simple reference to the need to address system needs is not sufficient to justify why existing and competition-damaging non-tendered contracts are still in place. The lack of possibility for other providers to access the same terms and conditions seriously undermines not only competition but also the possibility for market participants to rely on a market signal that truly reflects the costs incurred by the ESO to balance the system. This issue should be addressed even more so now, as the CEP is clear about the need to ensure that prices are reflective of the real-time cost of energy. How is the ESO going to address this issue?

NGESO's View:

NGESO would like to thank Sembcorp for its response, the answer to these particular points requires a large amount of detail to answer, we have attempted to cover all the points with the right amount of detail as we recognise how important this is, please do not hesitate to seek for any further clarity with us through this consultation on any of the points we have made below.

Specific Products

Three products have been consulted upon and approved as specific products under EBGL Article 26; Short Term Operating Reserve (STOR), the Balancing Mechanism (BM) and Dynamic Containment (DC). By going through this process, we have articulated how each of these products addresses an issue that the standard product does not address, how we propose to minimise their use, and how specific products do not create inefficiencies in the balancing market.

STOR and the BM align to the standard product of TERRE, within Reserve Replacement products. TERRE is insufficient on its own to provide operational security for 5 distinct reasons: timescales of use, availability, system constraint needs, business continuity management, and pre/post-fault management. Further information can be found [here](#).

Short-term Operating Reserve (STOR) is valuable to NGENSO to provide balancing capacity in the event of a fault. It provides NGENSO with additional power when actual demand on the National Electricity Transmission Network is greater than forecast and/or there is unforeseen generation unavailability. STOR is a reserve service and is used to cover the largest loss.

Procuring a firm service provides us with certainty that energy will be available when it is needed.

The Balancing Mechanism is a platform used to ensure electricity supply and demand is balanced in each half hour trading period of every day. It is also used to address a wide range of other system needs beyond balancing, such as managing voltage levels. The BM allows NGENSO to manage system needs and volatility close to real time.

DC is a Frequency Containment Reserve (FCR) product. There is no standard product for FCR; thus products that are not standard are required in order to balance the system. In particular, dynamic containment is one such product that is designed to manage frequency post-fault. As a standard product does not exist to rectify these issues, dynamic containment has been developed and will be used to address the issues stated below. Dynamic containment is needed to arrest frequency in low-inertia, large loss scenarios. In these scenarios the Rate of Change of Frequency (RoCoF) is faster thus a faster response product is required. Dynamic containment delivers in 1 second. Further information can be found [here](#).

Compliance to Clean Energy Package

STOR will be bought at Day Ahead timescales from April 2021. This ensures compliance to Article 6(9). The BM is already bought at close to real-time, and therefore is compliant to the obligation. DC was launched in Oct 2020, and is bought at day ahead so is therefore compliant to the requirements of Article 6(9).

STOR & the BM have been granted a derogation from the requirement for Article 6(4), and can remain settling balancing energy on a pay-as-bid basis. This derogation remains in place for as long as it is necessary to use them as specific products

DC has been granted a derogation from the requirements of Article 6(2) as the price of balancing energy is zero. DC was developed in line with other consulted and approved FCR products. This derogation remains in place for as long as it is necessary to use them as specific products

STOR, the BM and DC are compliant to all other requirements under the Clean Energy Package, and other relevant regulations.

On STOR

1) The assessment and contract award will happen on a daily basis for the next day. NGENSO will change the wording to be in line with regulation to reduce the risk of mis-interpretation.

Providers are able to change their prices and MWs up to gate closure at 5am the day before it will be contracted. NGENSO believe this is in line with the requirements of Day Ahead procurement within CEP 6(9). In order to ensure there is enough time to run the assessments process, update NGENSO systems, publish results and give providers enough time to make necessary changes, the tender window must close at this time. The STOR Delivery Day commences at 05:00.

2) It is our intention to procure 100% of STOR at Day Ahead timescales from April 2021. We are also exploring what would be the process if we could not procure 100% of STOR at Day Ahead. If this were the case, a derogation would be required. Note that a derogation was submitted to OFGEM in December 2019 which covered STOR procurement under the

requirements of CEP 6(9). Since this time, our intention has changed and therefore the derogation would need to be updated to reflect the current intention.

In order to procure STOR at Day Ahead by April 2021, we must consult as per the requirements of EBGL Article 18. This is a regulatory requirement and we must consult for one month on this element. We do not intend to procure volumes at month ahead timescales.

3) We are currently restricted (existing system limitations) to any wholesale changes to the STOR service. The traditional seasons remain consistent with the requirements of our contract room and how the need varies, by month, week and day, as you have stated. We have a number of long-term STOR contracts, covered by the existing SCT that would need significant change to align with any new approach to STOR window characteristics. With the main drivers being time, system constraints and the existing Long-Term contracts, we have taken the decision to continue to operate under the 6 seasons concept and publish annually. Any shift from this position would be considered through our reserve reform work.

On Fast Reserve

1) We do not have any Firm Fast Reserve contracts. The last firm contracts expired in March 2020.

We have taken the decision not to make the existing Firm Fast Reserve product compliant with CEP and will therefore not be procuring any further firm fast reserve. We intend to look at how fast reserve fits with the future design of standardised fast acting reserve products through our reserve reform work.

The only enduring Fast Reserve currently procured is via the Optional Service.

2) We do not hold any firm fast reserve bilateral contracts. Whilst we are committed to opening up services, both new and existing to the competitive market, we do have a small number of legacy bilateral contracts (for reserve and other services), the majority of which are for optional services. Whilst these are largely without end dates, we continue to assess the appropriateness

Procurement Guidelines Q2: Do you agree with the proposed suggestions to the Procurement Guidelines Downward Flexibility and Dynamic Products? please provide rationale.

On Dynamic Products

Yes, we agree with the need to include all new faster acting frequency response products (both existing and future). We wonder whether the inclusion of Dynamic Moderation and Dynamic Regulation already in this C16 annual review means that these new frequency products will be introduced within April 2021 and April 2022? Some clarity on the timeline would be welcomed. We also notice that on the early consultation document, the ESO states its commitment to considering EBGL Article 18 and 26 consultations when creating the plan for the new services. On this, we would ask some clarity as to whether the ESO will still need to issue such consultations: the reason for this question is related to the Statutory Instrument on Exiting the EU (specific for electricity)², which is removing the difference between EU standard products and GB specific products. Therefore, does this mean that the ESO will not be required to issue EBGL consultations for specific GB products?

On Downward Flexibility Service

Yes, we agree with the initial considerations and would encourage the ESO to take into account the results of Grid Code mod GC0147, which is looking at setting out the parameters for an enduring service, building on the learnings of the temporary ODFM product.

We also welcome the proposal to include downward flexibility service volumes in the cashout.

NGESO's View:

On Dynamic Products:

It is our intention to develop Dynamic Regulation and Dynamic Moderation with industry during 2021 and as such we would like to keep the drafting in C16.

EBGL Article 18 will be retained in UK Law post Jan 2021 and will be required to be consulted upon.

EBGL Article 26 has been revoked under the Statutory Instrument and therefore will not be a regulatory requirement. This informal consultation has been drafted on the assumption that the regulatory requirement will remain. When the formal consultation is run, we should have clarity on the FTA and therefore whether or not EBGL Article 26 will be a requirement.

On Downward Flexibility Service:

We are continuing to develop a view on likely demands and the tools available to us to manage the system throughout 2021; at this stage we anticipate a route to market for commercial services to help in low demand situations although it is not yet clear to what extent they will be required. In the design of any future product NGESO will consider the best way for it to be settled and how it could be reflected in cash out bearing in mind any current system constraints.

Procurement Guidelines Q3: Do you wish to add further comments on the Future of Reserve?

Yes.

We would like the ESO to provide some clarity on evergreen non-tendered bilateral contracts and why these are still deemed necessary even though they would not be in line with the CEP requirements.

With the expected progress of the Reserve Product Reform, we would also find it useful to understand how the entirety of reserve products work together. We would also like some clarity as to why non-tendered bilateral contracts are not part of this reform.

NGESO's View:

We do not hold any firm fast reserve bilateral contracts. Whilst we are committed to opening up services, both new and existing to the competitive market, we do have a small number of legacy bilateral contracts (for reserve and other services), the majority of which are for optional services. Whilst these are largely without end dates, we continue to assess the appropriateness of all these legacy arrangements, many of which offer wider system benefits as a consequential benefit of the individual service, which remains an attractive option to the ESO under certain operational conditions. We are fully committed to full transparency of any additional, time limited, non-tendered bilateral contracts we need to contract in order to manage system constraints.

We are in the process of gathering industry feedback on how we should design future reserve products, but we will include this in the consultation on the reserve product suite in February

We are looking to include optional reserve products as part of this reform and have asked for industry feedback on how best to include products that provide additionality beyond headroom/footroom. Should this not be possible to achieve satisfactorily, then bilateral contracts remain an appropriate and economic tool to access these services.

Procurement Guidelines Q4: Do you find the Procurement Guidelines Report and MBSS useful? Can you provide examples of what you have used them for? Do you have any suggestions on improvements?

Yes, the MBSS is incredibly useful but its publication tends to be too slow to be utilised to inform any operational strategy. A more timely publication would make it more beneficial.

NGESO's View:

Thank you for the response, we are pleased this data is useful. As you will likely know, the MBSS is created to meet the license obligation to report on the balancing services bought by ESO. The data required to prepare the report is only available at the end of the following month which is the driver for the publication timeline. However, as part of our forward plan deliverables and through our ambition to become a trusted partner we are committed to bringing greater transparency of our operational decision making. We are working on many areas where we can bring enhanced transparency and the ENCC Transparency Roadmap, <https://www.nationalgrideso.com/our-strategy>, will give more information on the types of data flows that have been or are planned to be created.

2c) BSAD Q1: Do you agree with National Grid ESO's view to not propose any changes at this present time? If not, please provide rationale.

Not entirely: the BSAD should be amended to take into account the potential changes from all relevant pathfinder projects. We would like to understand why the ESO has mentioned only the constraint management pathfinder and the need to add Fast De-Load services to the BSAD statement; Why has the ESO not included the stability pathfinder?

NGESO's View:

We have only included the constraint management pathfinder to the draft BSAD statement as this is the only pathfinder from which we are procuring an active power service as opposed to Stability and Voltage which provide Short Circuit Level, Inertia or Reactive Power.

BSAD Q3: Would you like to propose any additional changes to the BSAD?

No. We agree that any consequential changes of modification P399 should be reflected in the BSAD only once (and if) the mod is approved by Ofgem. The discussion within the working group is still ongoing and the implementation is not expected until November 2021.

NGESO's View:

NGESO currently does not believe a change would be required to the BSAD statement to accommodate P399. Page 18 Part C of the BSAD statement says "BSAD will be submitted in accordance with section Q, Paragraph 6.3 of the Balancing and Settlement Code" we believe this to already be sufficient.

2d) ABSVD Q1: Should BM DC providers be removed from providing ABSVD and why? Do you agree that the changes suggested regarding treatment of BM and Non BM Dynamic Containment in ABSVD? Please provide rationale

Yes, we agree with the proposed change to allow BM DC providers to be removed from providing ABSVD. This would give them equal treatment with non-BM DC providers. If this is deemed the best available solution at this point in time, we would support that.

We are sure the ESO has already taken into account the consequence that this change would likely be deemed not in line with the solution of P354 and the intention of that mod. However, it might be helpful to clarify that the impact of excluding BM providers from ABSVD methodology for DC, in the same way that non-BM providers are, would not be material: low frequency services involve very little output and, in the case of DC, the export from batteries is negligible.

We also do not see this as a big issue because DC is still in the soft launch phase and it is not a fully-fledged market yet. We think that the issue of equal treatment between BM and non-BM providers might get solved once the full product will be rolled out in 2021 i.e. with the procurement of both low and high frequency response.

NGESO's View:

After careful review NGESO is recommending leaving BM DC providers in ABSVD, we believe that removing them would make us non-compliant against P354. It would also introduce an inconsistency in the approach for Response Services for BM units as Mandatory and FFR under the monthly tender and Weekly Auction are subject to ABSVD, we are also waiting on the outcome of modification P412 which is attempting to address the inconsistency that exists.

Additionally one of the primary drivers for the removal of BM DC providers from ABSVD is due to the fact currently they are only providing low frequency, however we believe they will be providing high frequency in the future and we anticipate that would close a large part of the distortion.

ABSVD Q3: Do you have any other comments in relation to the changes proposed to the ABSVD? Or any additional changes you would like to see?

We noticed that the early industry feedback included a recommendation for the ESO to consider how to reflect the volumes of all providers fairly in cash-out. We do not understand the scope of this feedback as, for instance, FFR volumes are not included into cash-out as there is no price associated to that service. Therefore, we are not sure we understand how DC volumes would be accounted for. A clarification on the ESO's view on this would be welcome.

NGESO's View:

FFR volumes are subject to ABSVD, NGESO will look to work with Sembcorp to understand this point further.

3. Ofgem Early Comments

Ofgem also raised some points with NGESO for consideration through a teleconference, we believe most of the responses above cover off the relevant topics outside of housekeeping changes. NGESO felt there were two further points are worth clarifying.

Procurement Guidelines Report

Ofgem have made some suggestions on additional items for consideration into the procurement guidelines report

- 1. Include a comparison of the procured services versus the utilised services for each product (and some narrative of why they differed, particularly if trends [e.g. continual over- or under-procurement] are identified).*
- 2. Include a breakdown of the technology types procured for each product*

NGESO's View:

We will take the request internally and think about how we could approach this, it would also be good to get industries views on if this would be useful as well as potentially building on the back of Ofgem's suggestion to request more items.

Pathfinder Project

How will the ESO compare commercial solutions with regulated asset build and then find the most economic solutions?

NGESO's View:

As part of our Network Development Roadmap we are developing services through pathfinder projects to allow us to compare commercial solutions with regulated asset build and find the most economic solution ahead of this new approach being included in the Network Options Assessment (NOA) methodology. The assessment of solutions for these services will be carried out using the assessment methodology as set out in the respective Pathfinder, with the overall aim of selecting solutions that enable the safe and secure operation of the electricity system at the lowest cost to consumers.

Review of Suggested Changes

Below is a high-level overview of the changes the ESO will now look to make to the C16 Statements for the year 2021/22, these are not the final changes this consultation is to allow industry to offer any further rationale for or against the changes, before we submit our position to Ofgem on the 15th Feb 2021.

Proposals for the Procurement Guideline Review 2020-21

The Procurement Guidelines set out the kinds of Balancing Services which we may be interested in purchasing, together with the mechanisms by which we envisage purchasing such Balancing Services. It acts as a generic statement of the procurement principles we expect to follow. The amendments proposed for 2020-21 are:

- Version Control
- Housekeeping
- Amendments to the STOR section
- Amendments to Fast Reserve section
- Amendments to include Dynamic Products
- Amendments to include a Downward Flexibility Service
- Thoughts on Reserve Products Reform for 2022

The proposed changes being made to Procurement Guidelines are detailed in Table 1 below:

ID	Section	Page number(s)	Overview of Proposed changes to wording
1.1	Version Control	1-3	Updating version in the version text box
1.2	Housekeeping	1-3	Dates amended
1.3	Amendments to the STOR section	17	Amendments to Part C section 2.1
1.4	Amendments to Fast Reserve section	17	Amendments to Part C section 2.1
1.5	Amendments to include a Dynamic products	19	Amendments to Part C section 2.1 to include dynamic containment service
1.6	Amendments to include a Downward Flexibility Service	19	Amendments to Part C section 2.1 to include Downward Flexibility Service

1.3 - Draft text change for STOR

“Short-term Operating Reserve (STOR) allows us to have extra power in reserve for when we need it through an increased output from generation or a reduction in consumption from demand sources. It helps us meet extra demand at certain times of the day or if there’s an unexpected drop in

generation. The requirement for STOR is dependent upon the demand profile at any time. The STOR product year starts in April, and is split into six seasons, which specify the Availability Windows where STOR is required each day. STOR is procured on a daily basis for the next day through daily auctions, starting in April 2021. You can find more detail about STOR, and the timetable for future tenders, on our website at www.nationalgrideso.com. Look under Balancing services, and then Reserve services.”

1.4 - Draft text change for Fast Reserve

“Fast Reserve provides the rapid and reliable delivery of active power through an increased output from generation or a reduction in consumption from demand sources, following receipt of an electronic dispatch instruction from NGENSO. Fast Reserve service must commence within two minutes following instruction, at rates of 25MW or greater per minute and providing a minimum of 25MW. NGENSO currently breaks down the Fast Reserve into three two categories: Firm Fast Reserve, Optional Fast Reserve for BM and Non-BM suppliers, and non-tendered Fast Reserve. You can find more detail about Fast Reserve on our website at www.nationalgrideso.com. Look under Balancing services, and then Reserve services.”

1.5 - Addition of Dynamic Containment

“Dynamic Containment

Dynamic Containment (DC) is designed to operate post-fault, i.e. for deployment after a significant frequency deviation in order to meet our most immediate need for faster-acting frequency response. Dynamic Containment will be procured on a daily basis.

For further information on how to get involved please visit:

<https://www.nationalgrideso.com/industry-information/balancing-services/frequency-response-services/dynamic-containment?overview>”

Potential for further Dynamic Products

In the future, the ESO aims to deliver a new suite of faster-acting frequency response services (Dynamic moderation and Dynamic regulation) to support our operations as the electricity system is decarbonised and to ensure that these new services enable a level playing field for all technologies. Dynamic Containment is the first of our new end-state services that we will be releasing to mitigate this risk, as with Dynamic Containment this service will be procured on a daily basis.

1.6 - Addition of a Downward flexibility product

“Potential Downward Flexibility Service

We are continuing to develop a view on likely demands and the tools available to us to manage the system throughout 2021; at this stage we anticipate a route to market for commercial services to help in low demand situations although it is not yet clear to what extent they will be required.”

Proposals for the BPS Review 2020-21

The Balancing Principles Statement defines the broad principles of when and how we will use balancing services and other balancing actions to manage the system.

The amendments proposed are:

- Version control
- Housekeeping

The proposed changes being made to BPS are detailed in Table 2 below:

ID	Section	Page number(s)	Proposed changes to wording
1.1	Version control	1-3	Updating version in the version text box
1.2	Housekeeping	1-3	Dates amended

No further changes have been recommended or suggested in terms of the BPS statement or report review from either the industry forum or the early consultation.

Proposals for the BSAD Review 2020-21

This document sets out the Balancing Services Adjustment Data methodology. It sets out the information on relevant balancing services that will be taken into account when determining the imbalance price.

The amendments proposed are:

- Version Control
- House Keeping
- Consequential changes of modification P399

The proposed changes being made to BSAD are detailed in Table 3 below:

ID	Topic	Page number(s)	Section and Overview
1.1	Version Control	1-3	Updating version in the version text box
1.2	House Keeping	1-3	Dates amended
1.3	Consequential changes of modification P399	18	We do not think any changes are required to Part C section 1 of the BSAD as they are covered by “BSAD will be submitted in accordance with section Q, Paragraph 6.3 of the Balancing and Settlement Code”
1.4	Pathfinder Changes	11	We believe changes may be required to the BSAD statement to account for Fast De-Load services under Part B section 2.1. At this time, no draft text change has been made. However we will be submitting them to Ofgem for review in the report in February.

Proposals for the ABSVD Review 2020-21

The Applicable Balancing Services Volume Data methodology set out the information on Applicable Balancing Services that will be taken into account for the purposes of determining imbalance volumes.

The amendments proposed are:

- Version Control
- Housekeeping
- Consequential Changes from Modification P412

The proposed changes being made to ABSVD are detailed in Table 4 below:

ID	Topic	Page number(s)	Section and Overview
1.1	Version Control	1-3	Updating version in the version text box
1.2	Housekeeping	1-3	Dates amended
1.3	Consequential Changes from Modification P412	Unknown	Unknown details at this time however this will be contained within the modification P412 documents and any change will apply upon the approval of the implementation date of the modification
1.4	BM Dynamic Containment	8-9	Section 1.2

1.4 Additional Text regarding BM Dynamic Containment

“Dynamic Containment (BM Only) - Utilisation volumes will be determined in accordance with system frequency and the characteristic of the response service. Non-BM providers will not be calculated under ABSVD.”

Proposals for the SMAF Review 2020-21

The System Management Action Flagging (SMAF) methodology sets out the means which NGENSO will use to identify balancing services that are for system management reasons.

The amendments proposed are:

- Version control
- Housekeeping
- Review of the SMAF Report

The proposed changes being made to SMAF are detailed in Table 5 below:

ID	Section	Page number(s)	Proposed changes to wording
1.1	Version control	1-3	Updating version in the version text box
1.2	Housekeeping	1-3	Dates amended

No further changes have been recommended or suggested in terms of the SMAF statement or report review from either the industry forum or the early consultation.

The Consultation

The Questions

We now invite industry to provide further feedback on the changes proposed to the C16 statements as part of the 2020-21 annual review process. The consultations questions are summarised below are also summarised in within the response proforma in Appendix A.

Early Consultation

- 1) Do you agree with NGESO's views in responses to the Early consultation? Please provide rationale

Procurement Guidelines

- 1) Do you agree with the proposed changes to the Procurement Guidelines? Please provide any rationale
- 2) Are there any further changes you believe need to be made to the Procurement Guidelines for April 2021? Please provide rationale

BPS

- 1) Do you agree with the proposed changes to the BPS? Please provide any rationale
- 2) Are there any further changes you believe need to be made to the BPS for April 2021? Please provide rationale

BSAD

- 1) Do you agree with the proposed changes to the BSAD? Please provide any rationale
- 2) Are there any further changes you believe need to be made to the BSAD for April 2021? Please provide rationale

ABSVD

- 1) Do you agree with the proposed changes to the ABSVD? Please provide any rationale
- 2) Are there any further changes you believe need to be made to the BSVDs for April 2021? Please provide rationale

SMAF

- 1) Do you agree with the proposed changes to the SMAF? Please provide any rationale
- 2) Are there any further changes you believe need to be made to the SMAF for April 2021? Please provide rationale

How to Respond

Responses should be submitted by replying to the consultation questions within the response proforma, attached as Appendix A and e-mailing the completed proforma to:

balancingservices@nationalgrideso.com

(Please ensure there is an “s” at the end of balancing services, as there have been issues of the “s” not populating when clicking on the hyperlink).

If you do not wish any elements of your response to be made publicly available, please mark these as confidential.

Responses should be returned no later than close of play 8^h February 2021.

Following the closure of the consultation, NGENSO will review all feedback and submit a report to Ofgem on the 15th February 2021 where Ofgem will have 28 days to review and feedback on any further changes they may wish to see.

If Ofgem do not wish to make further amendments the statements will go live on 1st April 2021 on the NGENSO website

Appendix A: Response Proforma

Please see separate document - [Here](#) - Needs updating
<https://www.nationalgrideso.com/document/184146/download>