

August 8th 2022

C16 Additional Review

Additional Industry consultation for Procurement Guidelines, Balancing Principles, SMAF and ABSVD C16 Statements for 2022/23

Proposed revisions to the: Procurement Guidelines, Balancing Principles, SMF and ABSVD C16 Statements

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1. Executive Summary

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

The war in Ukraine presents material risks to energy security in Europe due to the reliance on gas from Russia. NGESO have been requested by BEIS¹ to secure additional capacity and the potential to generate significant MWh from coal units which, under normal market conditions, would have exited the market by September 2022.

The ESO has concluded agreements with some stations and is exploring other remaining options. As part of this agreement these generators will be available for dispatch only by the ESO (i.e. not available to the open market) and will only operate following ESO instruction.

The ESO is also exploring a Winter Demand Flexibility service, to ensure greater participation of demand side response from electricity customers.

This additional review also provides an opportunity for general housekeeping and minor changes such as removal of TERRE references. To best facilitate this, and to provide transparency to the market, NGESO will now run this further consultation to ensure market participants are aware of the proposed changes to the C16 Statements and have an opportunity to provide feedback on them.

There are five statements in place to meet our Condition C16 licence obligations which are open for review and change during this consultation:

- 1) The Procurement Guidelines Statement (PGS)
- 2) Balancing Principles Statement (BPS)
- 3) System Management Action Flagging Methodology Statement (SMAF)
- 4) Applicable Balancing Services Volume Data Methodology Statement (ABSVD)
- 5) Balancing Services Adjustment Data Methodology Statement (BSAD)

We have proposed updates to the Procurement Guidelines, Balancing Principles, SMAF and ABSVD C16 Statements to seek to give effect to the changes required to provide additional winter security as noted above. The changes to the relevant statements are detailed in the Proposed Changes section of this consultation and will be effective by October 11th, 2022, unless issued a direction by the Authority for statement changes to become effective earlier or vetoed.

NGESO welcomes industry views on the proposed changes. Responses are required by 5pm on the 5th September 2022. Details on how to make a response can be found in the Consultation Questions section.

Following receipt of responses to this consultation, NGESO will prepare and submit a report to the Authority by 12th September 2022.

Indicative Dates:

Official Consultation Release: 8th August

Official Consultation Deadline: 5th September

Documents sent to Ofgem: 12th September

Ofgem Veto/Direction: October 10th, 2022

Revised C16 Statements go live: 11th October 2022

¹ <https://www.gov.uk/government/publications/ensuring-security-of-electricity-supplies-for-winter-2022-to-2023>

The current versions of the C16, 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>

If you have any questions about this document, please contact:

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Markets, National Grid Electricity System Operator

Email: balancingservices@nationalgrideso.com

Please note consequential changes resulting from modifications to GB industry codes, stakeholder suggestions and upcoming regulatory changes which are not captured here will be actioned either in future annual reviews, or individual statement reviews as appropriate.



Jon Wisdom

Code Change Delivery Senior Manager

2. Introduction & Process Overview

The Review

In accordance with Standard Condition C16 (C16) of its Transmission Licence, NGENSO has concluded its annual review of all licence statements, the updated statements have been approved by the Authority (Ofgem) and were effective as of 1st April 2022. This consultation is an additional consultation to the annual process and is due to further changes required to provide additional winter security, after the annual industry consultation had closed.

The purpose of NGENSO's review and consultation is to ensure that each of the applicable documents remains current by seeking industry views on any proposed changes. NGENSO invite the Authority to review proposed changes. If the Authority chooses to exercise their powers of veto for these proposed changes to the C16 statements, the existing versions will remain in place. Alternatively, the proposed changes will become effective by October 11th, 2022, unless issued a direction by the Authority for statements changes to become effective earlier or vetoed.

The following statements are the focus of this review:

- Procurement Guidelines Statement (PGS)
- Balancing Principles Statement (BPS)
- System Management Action Flagging Methodology Statement (SMAF)
- Applicable Balancing Services Volume Data Methodology Statement (ABSVD)
- Balancing Services Adjustment Data Methodology Statement (BSAD)

Step 1 Issue Formal Consultation

This consultation will run for 28 days. This consultation will allow industry to review recommended text changes in the statements. The consultation will be issued to industry on August 8th running until September 5th 2022.

Step 2 Report to Authority

The second step in the review process is for NGENSO to document, in the form of a report, the ESO's final position on the additional changes along with the track changed versions of the statements. The report will also include in a clear and transparent way all industry responses and NGENSO's view for each of these.

This report must be issued to the Authority (Ofgem) within 7 days (5 working) from the closure of the official consultation. The report will be submitted to Ofgem by September 12th.

Step 3 Authority Decision and Statement go live

The third step in the review process is for the Authority (Ofgem) to review all the documents submitted to them from step 2.

As part of the Licence Condition, Ofgem have 28 days to offer a direction or challenge the submission, if Ofgem do not veto the changes then the statements go live on the NGENSO website on the 11th October 2022, unless directed otherwise. If Ofgem do veto, 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 pending further changes.

3. Timelines

Step 1 Formal Consultation

The Consultation will be issued on the 8th of August 2022.

Areas highlighted by National Grid ESO are:

- Version control to Procurement Guidelines, Balancing Principles, SMAF and ABSVD statements.
- Housekeeping for Procurement Guidelines, Balancing Principles, SMAF and ABSVD statements.
- Changes required to the Procurement Guidelines statement, due to NGENSO exploring options, including a Winter Demand Flexibility service to ensure greater participation of demand side response from electricity customers.
- Changes required to the Balancing Principles and SMAF statements, due to Winter Contingency service contracts to secure additional capacity and the potential to generate significant MWh from coal units, that under normal market conditions would have exited the market by September 2022.
- Changes required to the ABSVD Statement for the addition of the Winter Demand Flexibility Product to the list of balancing services with ABSVD applied.

Responses are required by 5pm on the 5th of September. Details on how to respond can be found in the Consultation Questions section.

Step 2 Report to Authority

To be issued by 12th September 2022

Step 3 Authority Decision and Statement go live

Ofgem Veto/Direction expected by/before 10th October.

Changes to statements are effective by 11th October 2022, unless directed otherwise.

4. Review of Suggested Changes

Proposals for additional Procurement Guidelines Statement review 2022/23

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.

Background to these changes is summarised below.

The ESO is exploring a Winter Demand Flexibility service, to ensure greater participation of demand side response from electricity customers.

The Winter Demand Flexibility Product is a service which allows the ESO to access demand side flexibility that is not currently accessible in real time and expand our ability to control output from providers we cannot currently access through the Balancing Mechanism and the Platform for Ancillary Services.

The amendments proposed are:

- Version control
- Housekeeping
- Addition of the Winter Demand Flexibility service into the list of balancing services procured by NGENSO

Please see tracked change document for Procurement Guidelines Statement (PGS) for detail of changes below:

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

Proposals for additional Balancing Principles Statement review 2022/23

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.

Background to these changes is summarised below.

We have secured additional capacity with the potential to generate significant MWh from coal units, that under normal market conditions would have exited the market by September 2022. The ESO has concluded agreements with some stations and is exploring other remaining options. As part of this agreement these generators will be available for dispatch only by the ESO (i.e. not available to the open market) and will only operate following ESO instruction.

NGESO has taken the step to add this service into the BPS to describe how the winter service contracts can be used in relation to our full suite of balancing services.

The amendments proposed are:

- Version Control
- Housekeeping

- Removal of the Trans European Replacement Reserve Exchange due to NGENO no longer being a TERRE member
- Addition of an exception for the winter contingency service contracts to be added to the Balancing Principles Statements

Please see tracked change document for Balancing Principles Statement (BPS) for detail of changes below:

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

Proposals for additional SMAF Statement review 2022/23

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

Background to these changes is summarised below.

We have secured additional capacity with the potential to generate significant MWh from coal units, that under normal market conditions would have exited the market by September 2022. The ESO has concluded agreements with some stations and is exploring other remaining options. As part of this agreement these generators will be available for dispatch only by the ESO (i.e. not available to the open market) and will only operate following ESO instruction.

NGENO has proposed changes to be made to the SMAF statement; all BOAs affiliated with this service will be system flagged to prevent them from setting the cash out price.

The amendments proposed are:

- Version Control
- Housekeeping
- Addition of a system management type within system management definitions to deliver winter contingency service contracts
- Addition of winter contingency service contracts within the balancing services that will be SO Flagged

Please see tracked change document for the System Management Action Flagging (SMAF) Statement for detail of changes below:

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

Proposals for additional ABSVD Statement review 2022/23

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.

Background to these changes is summarised below.

The ESO is exploring a Winter Demand Flexibility service, to ensure greater participation of demand side response from electricity customers. The Winter Demand Flexibility Product is a service which allows the ESO to access demand side flexibility that is not currently accessible in real time and expand our ability to control output from providers we cannot currently access through the Balancing Mechanism and the Platform for Ancillary Services.

For the winter demand flexibility service, we plan to apply ABSVD to delivered volumes where it is feasible and reasonable to do so, noting that there may be a difference between volume provided by half-hourly settled and non-half-hourly settled end consumers.

The amendments proposed are:

- Version Control
- Housekeeping
- Addition of the winter demand flexibility service to the list of balancing services for inclusion within the ABSVD

5. The Consultation

The Questions

We invite industry to provide further feedback on the changes proposed to the Procurement Guidelines, Balancing Principles, SMAF and ABSVD 2022/23 C16 Statements. The consultation questions summarised below are also within the response proforma in Appendix A.

Procurement Guidelines Statement (PGS)

- 1) Do you agree with the proposed suggestions to the Procurement Guidelines in relation to housekeeping updates? Please provide rationale.
- 2) Do you agree with the proposed suggestions to the PGS in relation to addition of the Winter Demand Flexibility Service to the list of Commercial Ancillary Services we expect to procure? Please provide rationale. (Referenced p. 22)
- 3) Do you agree with the proposed suggestions to the PGS in relation to addition of the Winter Demand Flexibility Service to Table 2 Active Commercial Ancillary Services? Please provide rationale. (Referenced p. 29)
- 4) Do you have any other comments in relation to the changes proposed to the PGS?

Balancing Principles Statement (BPS)

- 1) Do you agree with the proposed suggestions to the BPS in relation to housekeeping updates required to update references of NGET to NGESO?
- 2) Do you agree with the proposed suggestions to the BPS in relation to housekeeping updates required to remove Trans European Replacement Reserve Exchange due to NGESO no longer being a TERRE member? (Referenced p.28)
- 3) Do you agree with the proposed suggestions to the BPS in relation to the addition of an exception for winter contingency service contracts? Please provide rationale. (Referenced p.38)
- 4) Do you have any other comments in relation to the changes proposed to the BPS?

System Management Action Flagging Statement (SMAF)

- 1) Do you agree with the proposed suggestions to the SMAF in relation to the addition of a system management type within the system management definitions for winter contingency service contracts? Please provide rationale. (Referenced p.7)

- 2) Do you agree with the proposed suggestions to the SMAF in relation to an additional balancing service to the list of services that will be SO Flagged for winter contingency service contracts? Please provide rationale. (Referenced p.11)
- 3) Do you believe any further changes are required as a result of the changes proposed to the SMAF Statement? Please provide rationale.
- 4) Do you have any other comments in relation to the changes proposed to the SMAF?

Applicable Balancing Services Volume Data Methodology Statement (ABSVD)

- 1) Do you agree with the proposed suggestions to the ABSVD in relation to the addition of the winter demand flexibility service to the list of balancing services for inclusion within the ABSVD? Please provide rationale. (Referenced p.11)
- 2) Do you agree with the proposed suggestions to the ABSVD in relation to applying ABSVD to HH-settled volume, but to not apply ABSVD to non-HH volume, due to the complexity of the data proportional impact on load-profiled demand? Please provide rationale. (Referenced p.11)
- 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?

6. 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 5pm September 5th, 2022.

Following the closure of the consultation, NGENSO will document, in the form of a report, the final position on the changes with the track change versions of the statements.

Appendix A: Response Proforma

The proforma can be found [here](#).