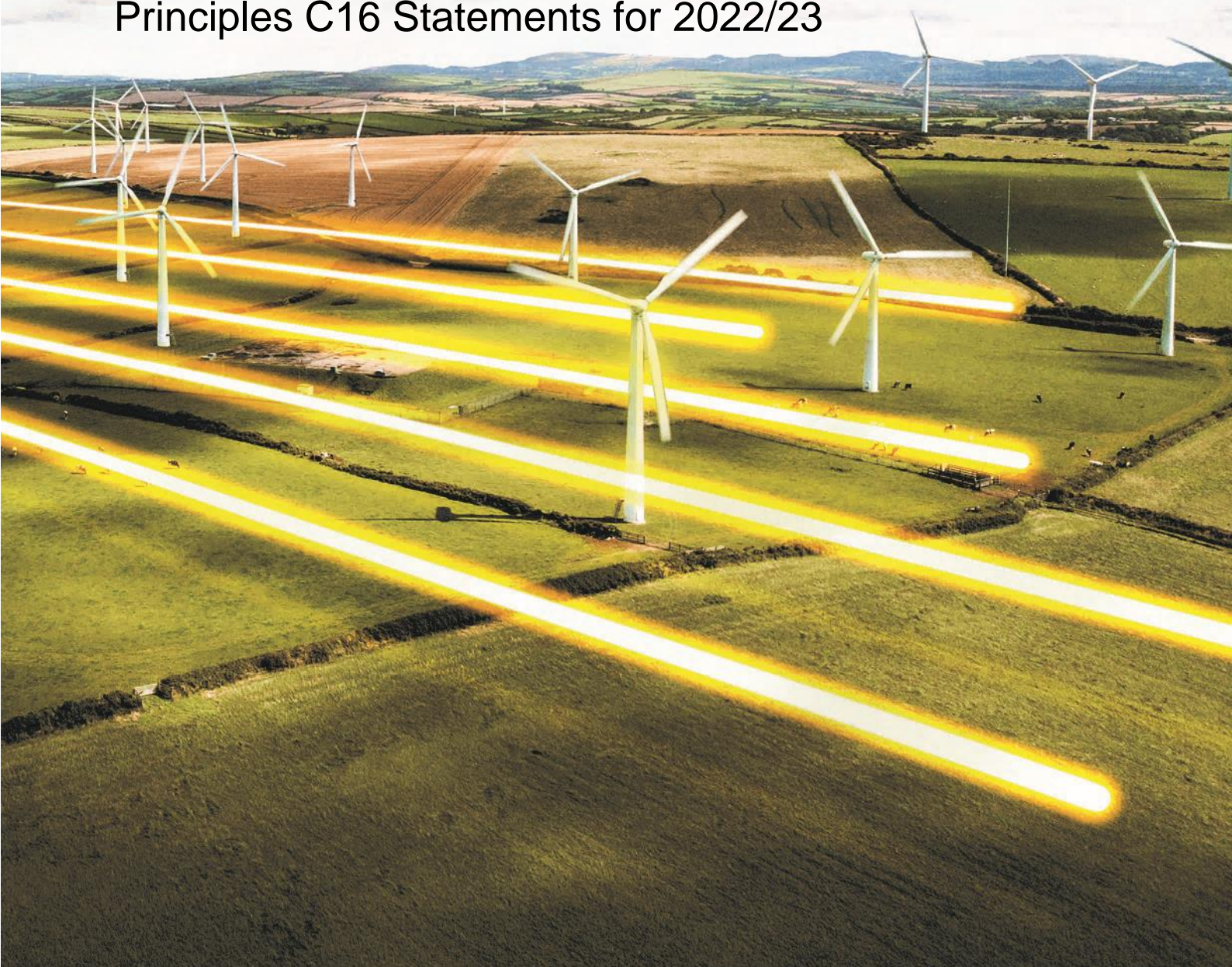


22<sup>nd</sup> September 2022

# C16 Further Review

Additional Industry consultation for BSAD and Balancing Principles C16 Statements for 2022/23



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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.

NGESO ran an additional consultation for winter contingency from 8 August 2022 to 5 September 2022, in line with the requirements of SLC. This consultation was focused on the proposed changes required for Demand Flexibility service and the Winter Contingency Services. Following feedback from industry on the proposed changes to several C16 documents required, including the Procurement Guidelines, Balancing Principles, ABSVD and SMAF statements we asked Ofgem on September 12<sup>th</sup>, 2022, to allow us to reopen a further consultation window for two weeks<sup>1</sup>.

NGESO received direction from OFGEM on the 15<sup>th</sup> of September<sup>2</sup>. This Direction allows NGESO to comply with a requirement different to that set out in Standard Licence Condition C16 sub-paragraph 9(a)(ii) of its Electricity Transmission Licence – that is, to hold a consultation for no less than 14 days, rather than 28 days.

NGESO has decided to consult for a further two weeks solely on the Demand Flexibility Service. This would provide industry a chance to provide comment on the changes we have made following the additional consultation feedback, and to resolve their concerns in relation to this. Regarding the additional changes around the Winter Contingency service and how it will be dispatched and settled the ESO believe this now requires an Urgent BSC modification to be raised as soon as possible. All relevant C16 changes will follow the urgent BSC modification timeframes so will be held in a separate document to this to be issued at a later date if necessary. The ESO will communicate all timelines with industry at the earliest opportunity.

The changes to the relevant statements for the Demand Flexibility Service are detailed in the Proposed Changes section of this consultation and will be effective by November 11<sup>th</sup>, unless the Authority issues a Direction for statement changes to become effective earlier or be vetoed. We intend to utilise the Demand Flexibility Service from November the 1st if required and therefore will work with Ofgem to allow them to issue a Direction to not use their power to veto before that date if at all possible.

NGESO welcomes industry views on the proposed changes for the Demand Flexibility Service. Responses are required by close of play on the 6<sup>th</sup> October 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 the 13<sup>th</sup> of October 2022, focussed on the Demand Flexibility Service.

The current versions of the C16, this consultation, industry responses and the consultation report will all be published at the following link: <https://www.nationalgrideso.com/balancing-services/c16-statements-and-consultations>

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

<sup>1</sup> NGESO C16 Consultation extension request letter can be found on our C16 Website

<sup>2</sup> This letter of direction from OFGEM to the ESO is due to be published on their website from the 28<sup>th</sup> of September 2022

### Indicative Dates:

**Official Consultation Release:** 22<sup>nd</sup> September

**Official Consultation Deadline:** 6<sup>th</sup> October

**Documents sent to Ofgem by:** 13<sup>th</sup> October

**Ofgem Veto/Direction before/by:** 10<sup>th</sup> November

**Revised C16 Statements go live before/by:** 11<sup>th</sup> November

Ruby Pelling

Markets, National Grid Electricity System Operator

Email: [balancingservices@nationalgrideso.com](mailto: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.



**Jonathan Wisdom**

Code Change Delivery Senior Manager

National Grid ESO

## 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 a further consultation to the annual process and is due to further changes required to provide additional winter security, after the annual industry consultation had closed.

Following feedback from industry on the proposed changes to several C16 documents including the Procurement Guidelines, Balancing Principles, ABSVD and SMAF statements within our additional consultation launched on August 8<sup>th</sup> closing on September the 5<sup>th</sup>, we asked Ofgem to allow us to reopen and extend the consultation window, to allow us to publish a further consultation to address any concerns. NGENSO received direction from OFGEM on the 15<sup>th</sup> of September<sup>3</sup>. This Direction allows NGENSO to comply with a requirement different to that set out in Standard Licence Condition C16 sub-paragraph 9(a)(ii) of its Electricity Transmission Licence – that is, to hold a consultation for no less than 14 days, rather than 28 days.

NGESO has decided to consult for a further two weeks solely on the Demand Flexibility Service. This will give industry a chance to provide comment on the changes we have made following the additional consultation feedback, and to resolve their concerns. Regarding the additional changes around the Winter Contingency service and how it will be dispatched and settled the ESO believe this now requires an Urgent BSC modification to be raised, we are working with Ofgem and Elexon to raise this as soon as possible. All relevant C16 changes will follow the urgent BSC modification timeframes so will be held in a separate document to this to be issued at a later date if necessary.

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. The changes to the relevant statements for the Demand Flexibility Service are detailed in the Proposed Changes section of this

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<sup>3</sup> This letter of direction from OFGEM to the ESO is due to be published on their website from the 28<sup>th</sup> of September 2022

consultation and will be effective by November 11<sup>th</sup>, unless the Authority issues a Direction for statement changes to become effective earlier or be vetoed. 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.

The following statements are the focus of this review:

- Balancing Services Adjustment Data Methodology Statement (BSAD)
- Balancing Principles Statement (BPS)

## **Step 1 Issue Formal Consultation**

This consultation will allow industry to review recommended text changes in the statements.

The consultation will be issued to industry on the 22<sup>nd</sup> of September until the 6<sup>th</sup> of October.

## **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 containing Demand Flexibility Service final proposed changes and consultation responses 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 October 13<sup>th</sup>.

## **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.

Ofgem then have up until 28 days to offer a direction or challenge the submission, if Ofgem do not veto the changes then the statements will go live on the NGENSO website on/before the 11<sup>th</sup> of November, 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.

We intend to utilise the Demand Flexibility Service from November the 1st if required and therefore would hope that OFGEM could issue a direction to not use their power to veto before that date.

## **3. Timelines**

### **Step 1 Formal Consultation**

The Consultation will be issued on the 22<sup>nd</sup> of September 2022.

Responses are required by close of play on the 6<sup>th</sup> of October.

Details on how to respond can be found in the Consultation Questions section.

## **Step 2 Report to Authority**

To be issued by 13<sup>th</sup> of October 2022

## **Step 3 Authority Decision and Statement go live**

Ofgem Veto/Direction expected by/before the 10<sup>th</sup> of November.

Changes to statements are effective by the 11<sup>th</sup> of November 2022, unless directed otherwise.

## **4. Review of Suggested Changes**

### **Proposals for additional Balancing Services Adjustment Data (BSAD) Statement review 2022/23**

The Balancing Services Adjustment Data Methodology Statement sets out the Balancing Services Adjustment Data methodology. It sets out the information on relevant balancing services that will be considered when determining the imbalance price.

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 demand flexibility service to the balancing services included within the BSAD

Please see tracked change document for BSAD for detail of changes below:

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

### **Review of the Balancing Principles Statement (BPS) 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-

Following industry feedback on whether the Demand Flexibility Service should be included within the BPS, upon review NGENSO believes it does not need to be added to the statement.

The ESO believes part C 3 and 4iii) of the BPS covers this service (p.17).

For more information on the service please see our Article 18 EBR consultation.

## 5. The Consultation

### The Questions

We invite industry to provide further feedback on the changes proposed to the 2022/23 C16 Statements. The consultation questions summarised below are also within the response proforma in Appendix A.

#### Balancing Services Adjustment Data (BSAD)

- 1) Do you agree with the updates for housekeeping? Please provide rationale.
- 2) Do you agree with the addition of the demand flexibility service to the balancing services included within the BSAD? Please provide rationale.
- 3) Do you have any other comments in relation to the changes proposed to the BSAD?

#### Balancing Principles Statement (BPS)

- 1) The ESO does not believe the Demand Flexibility Service is required to be listed within the BPS. We are comfortable part C 3 and 4iii) of the BPS covers this service (p.17). If you do not agree, please provide rationale.

## 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](mailto: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 October 6<sup>th</sup>, 2022.

Following the closure of the consultation, NGESO 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](#).