

Markets Forum

28th September 2022



Demand Flexibility



Service overview and eligibility

Overview

- The demand flexibility service is one of the **enhanced actions** we are creating as an additional tool in our toolkit for this winter.
- It will be procured when required at **Day Ahead** timescales
- The DFS is most likely to be used during **high demand periods** of the day such as the **evening peak** on **weekdays**
- Payment will be based on actual delivery and **Pay As Bid** (**no penalty** for over or under delivery)
- Accepted bid volume and prices will **energy flagged** and **fed in cash out** through Balancing Service Adjustment Data (BSAD)

Participation

- Assets require half-hourly metering
- Demand reduction must be for a minimum of 30 minutes
- Providers must provide relevant HH metering and baselining data to demonstrate delivery of demand reduction

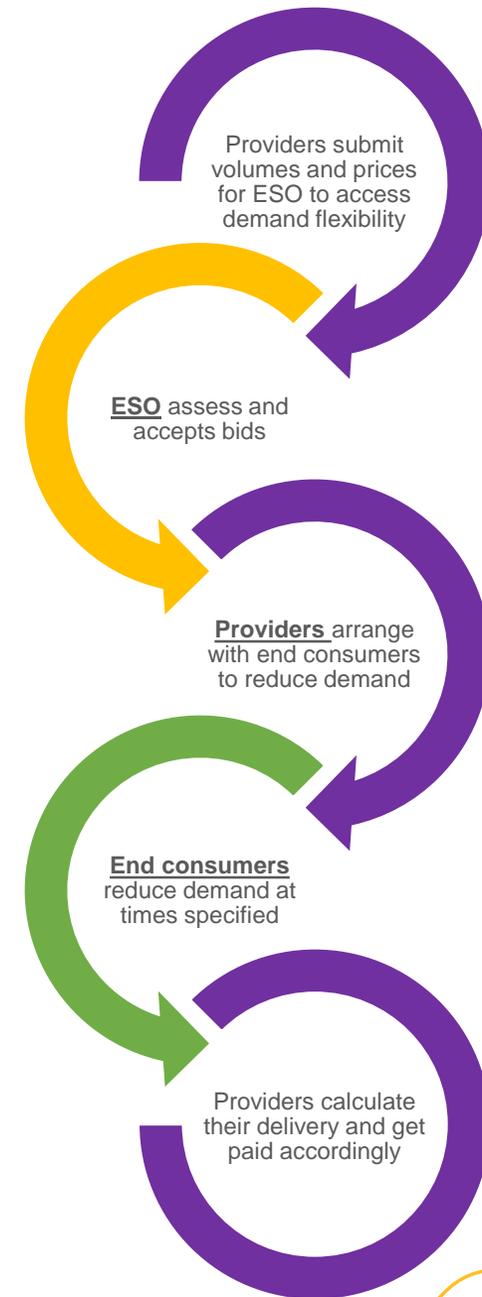
Service overview and eligibility

Target participants

- As much new demand flexibility as possible
- This includes parties/assets which we cannot currently access through BM or other ancillary services

Exclusions

- Assets with a Capacity Market (CM) contract
- Assets participating in Balancing Services for the ESO or similar services to other 3rd parties (except for ANMS)
- Stacking/splitting other services are not permitted



Commercial proposition

- We expect the service to run from **November 2022 to March 2023**
- It is **uncertain** how much we will need to use the service for real
- We want to **make the service viable** and to **build confidence** in its use
- Providers will be invited to **participate in a series of tests** while the service is live:
 - **two “regular tests” per month**, plus
 - **two “onboarding test” in their first full month** of provision
- This is up to a **total of twelve tests**
- Each test for each provider will be for a **1-hour period**
- We may **spread providers over different hours or different days**, to manage to overall delivery and impact on the system and the market.

	Regular		Onboarding	
Nov	1	2	3	4
Dec	5	6		
Jan	7	8		
Feb	9	10		
Mar	11	12		

Example for a provider entering from Nov '22

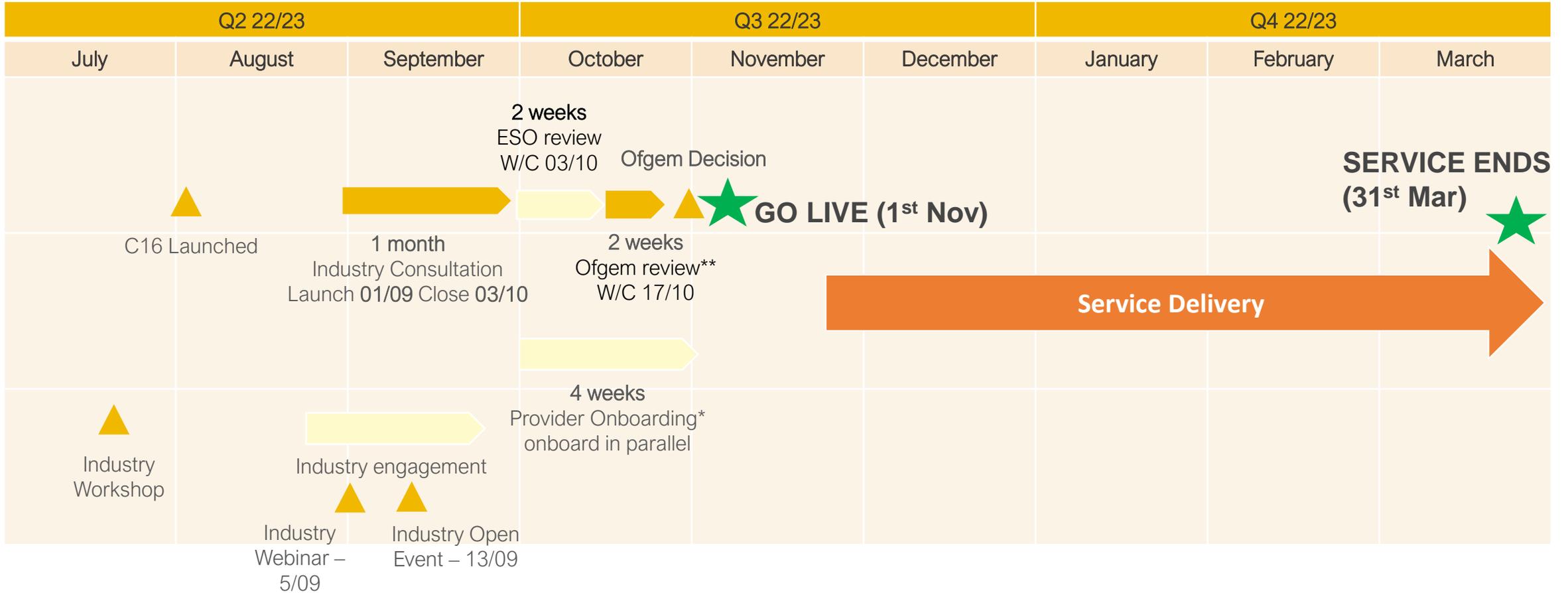
Guaranteed Acceptance Price

- We need to balance between **incentivising participation** and **managing the overall cost and impact of tests on the wider market**
- Tests will have a “**Guaranteed Acceptance Price**” to **provide revenue certainty** for providers
 - if they **bid at or below** this price, they are **guaranteed to be accepted** at the price they submit
 - **higher priced** bids **may** be accepted, but are not guaranteed to be accepted
 - Prices that exceed the marginal BM action price will not be accepted
 - We will **publish this price** with the **test requirement** before they submit bids



The “Guaranteed Acceptance Price” only applies to tests of the service; it is not applicable when we use the service in a non-test scenario

Consultation timeframe



New provider and new volume can enter the market throughout the winter

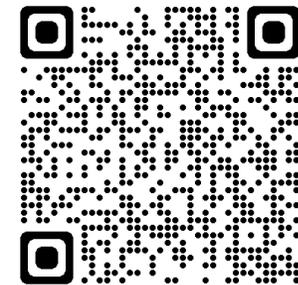
Responding to the consultation

The full consultation on terms and conditions for a new Demand Flexibility Service can be found on our website [EBR Article 18 Demand Flexibility Terms and Conditions | National Grid ESO](#)

All formal responses must be submitted by emailing the proforma to DemandFlexibility@nationalgrideso.com by the **3rd October 2022** when the consultation formally closes

The consultation will be reviewed by Ofgem and once approved all details will be published on the National Grid ESO website

Throughout the consultation we'll be offering opportunities for you to speak to our Demand Flexibility Service team. If you would like to be included on our mailing list, please email DemandFlexibility@nationalgrideso.com



Firm Regulating Reserve



Firm Regulating Reserve

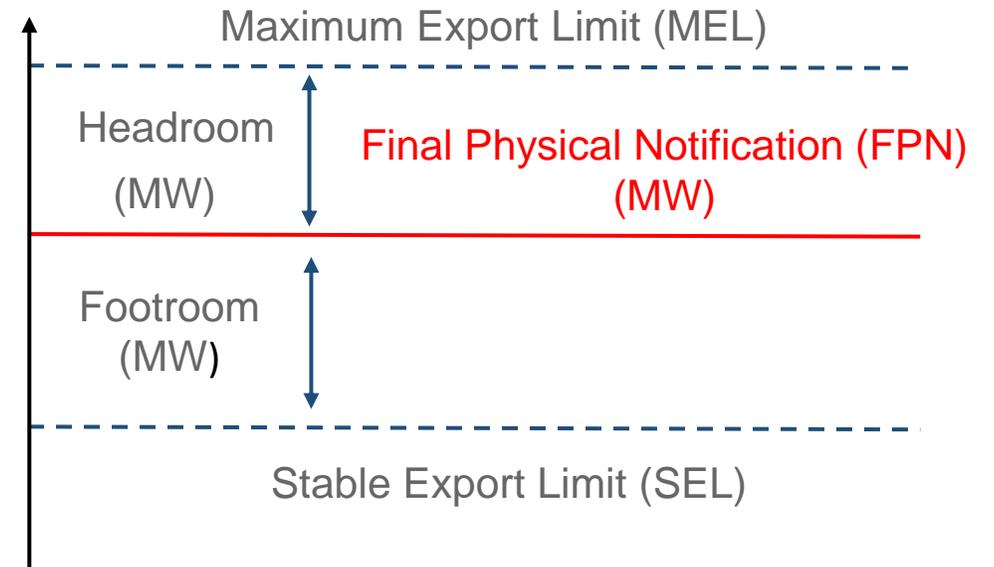
We are exploring buying Regulating Reserve through a firm market (day ahead).

What is Regulating Reserve?

Regulating Reserve is used to manage imbalances in generation and demand. We take actions in the BM to secure and then utilise headroom and footroom on units in real time.

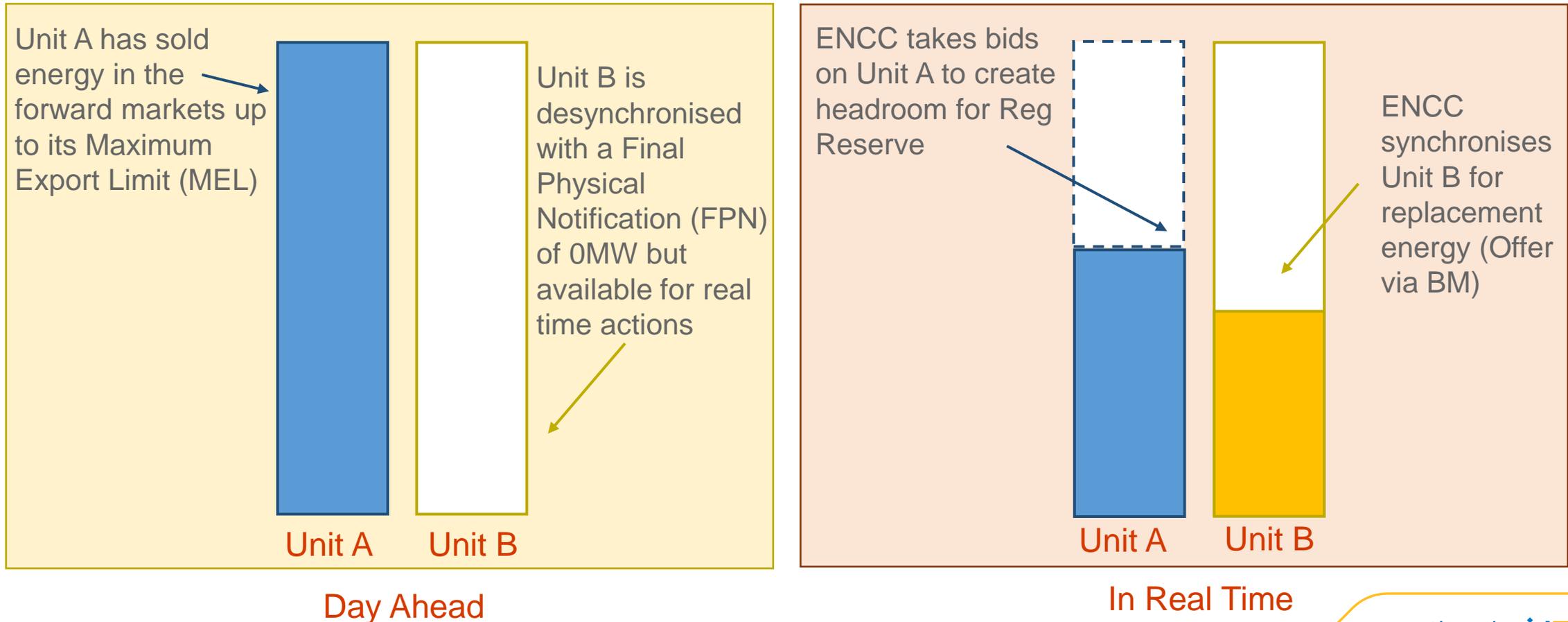


BM parameters



Regulating Reserve today

Today, we access Regulating Reserve in real time via the Balancing Mechanism.



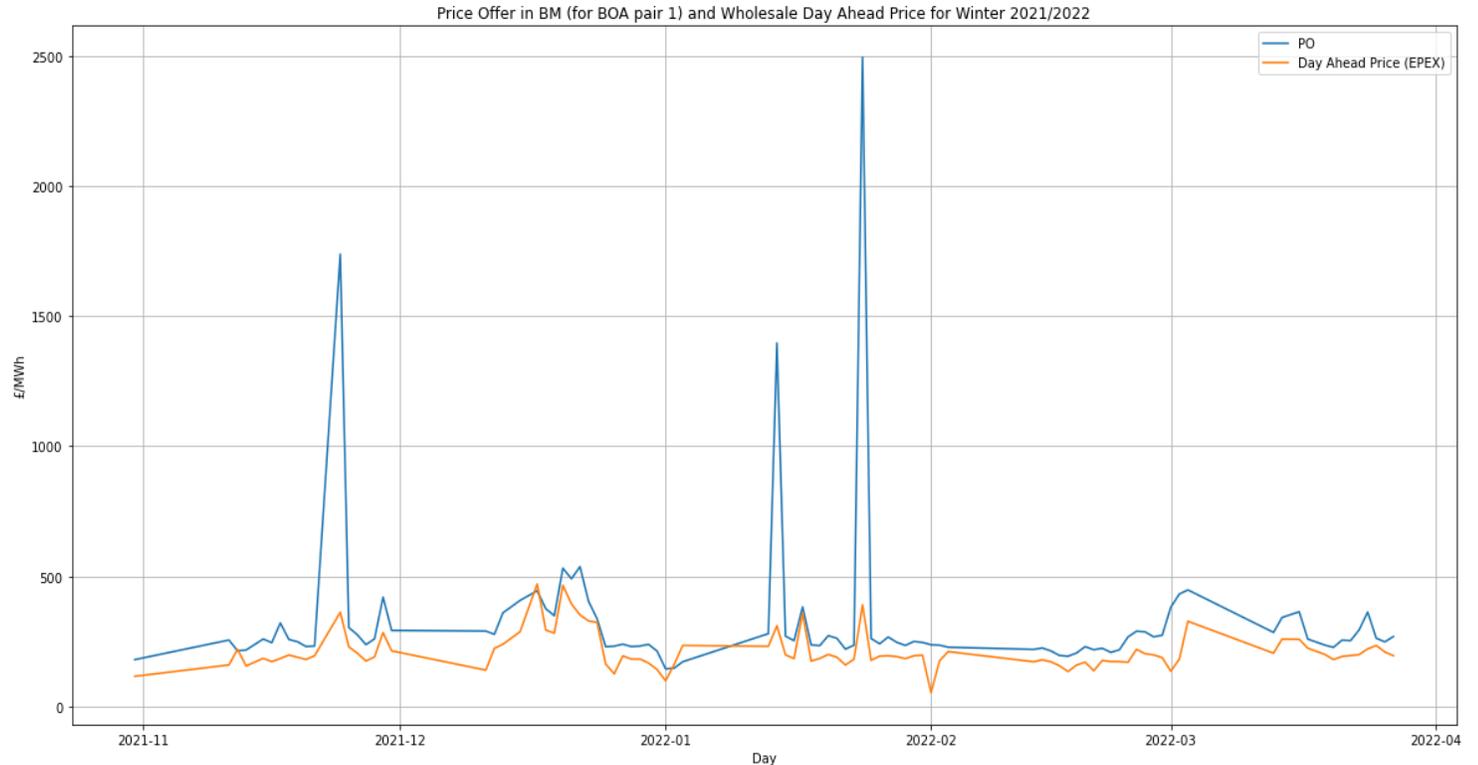
Why buy this service firm?

The cost of bids and offers has risen significantly and BM - DA price spread has increased

Reduce balancing costs

Increase transparency

Increase security of supply



We are planning a webinar to seek industry feedback on our design and delivery plan w/c 17th Oct

Q&A



Enduring Auction Capacity (EAC)



Enduring Auction Capability (EAC)

Enduring auction capability is a RIIO-2 deliverable. The project, partnering with N-SIDE, will:

- design, build and implement a new auction platform
- provide a co-optimised assessment algorithm to procure day-ahead response and reserve services
- replace interim solutions for the procurement of day ahead ancillary services

There will be further updates on how you can get involved with the design, development, testing and implementation phases of this project.

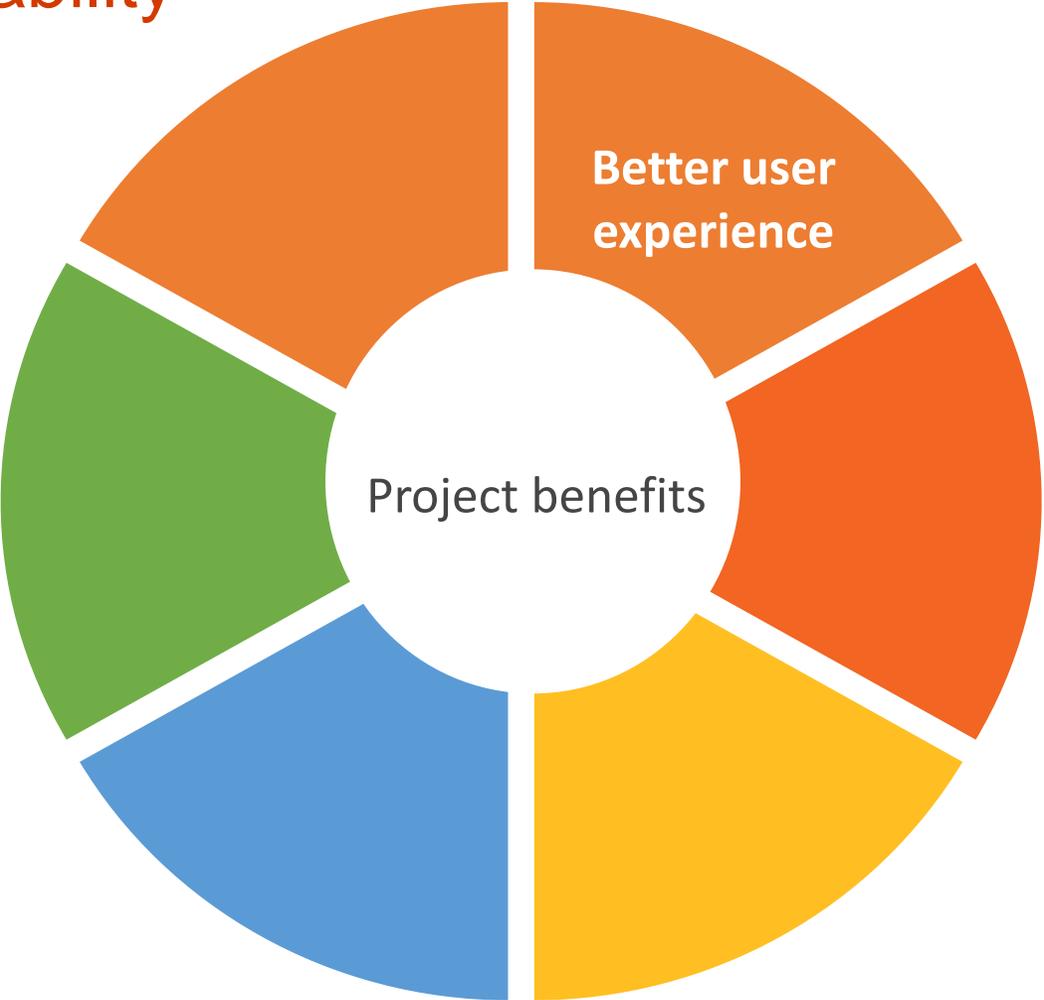
We invite you to take part in the Auction Functionalities Questionnaire

We are eager to get your feedback to help shape the new market design that will support NG ESO in meeting this ambitious commitment

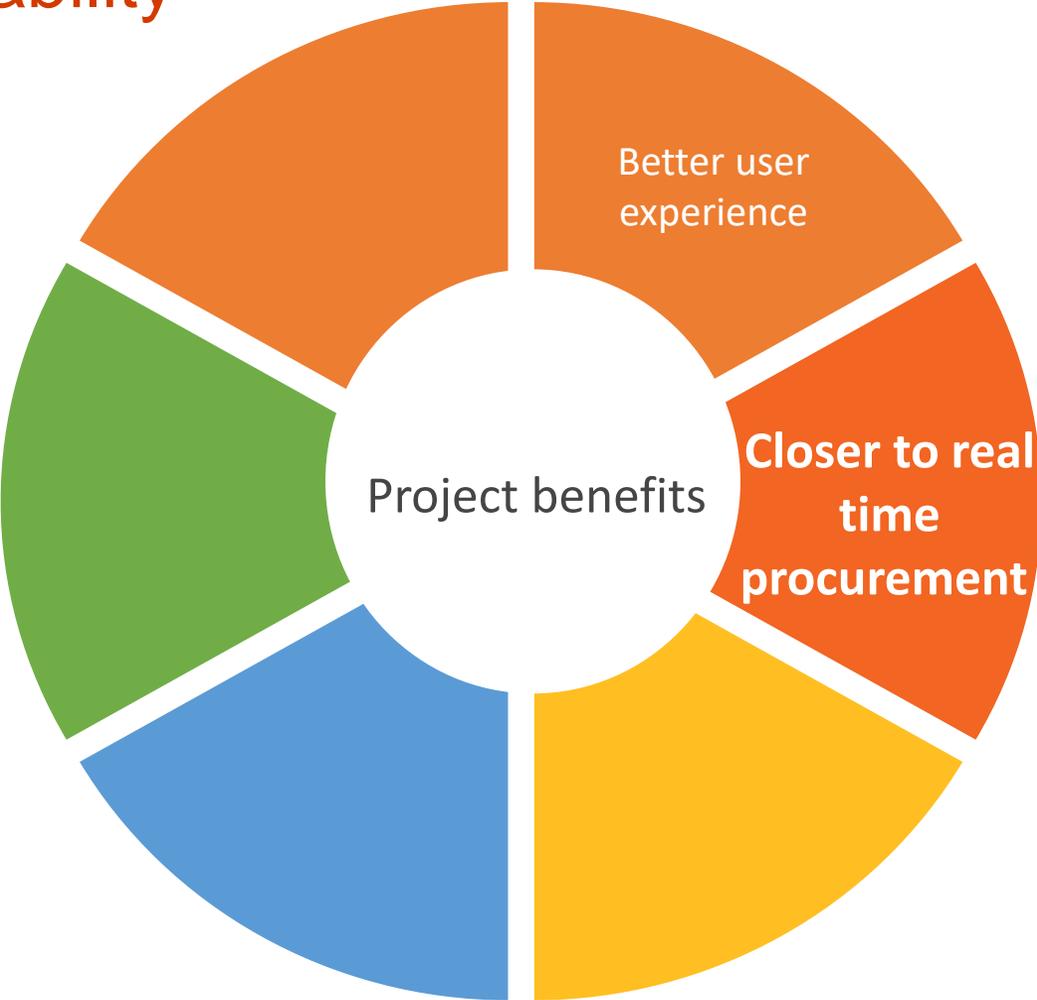


Link: <https://forms.office.com/r/Z6H2pTCbZ4>

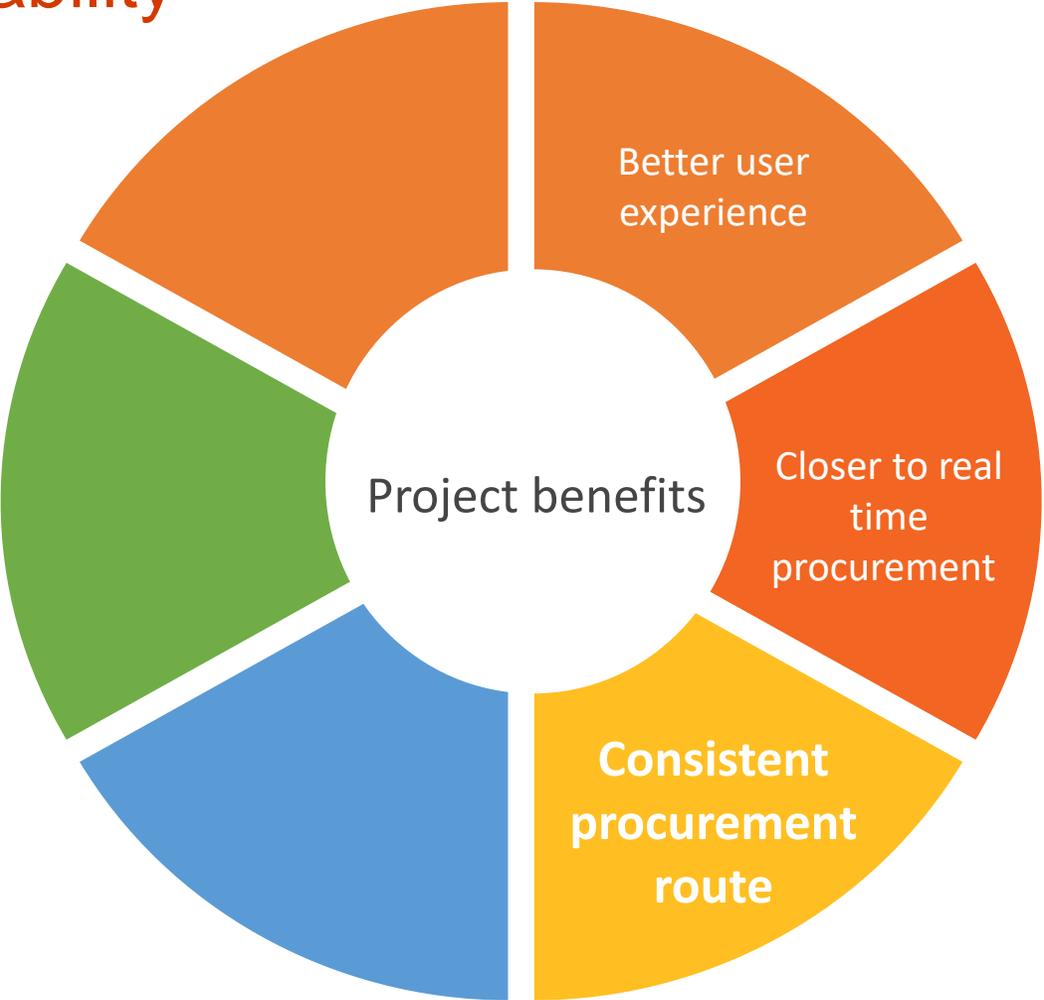
Enduring Auction Capability (EAC)



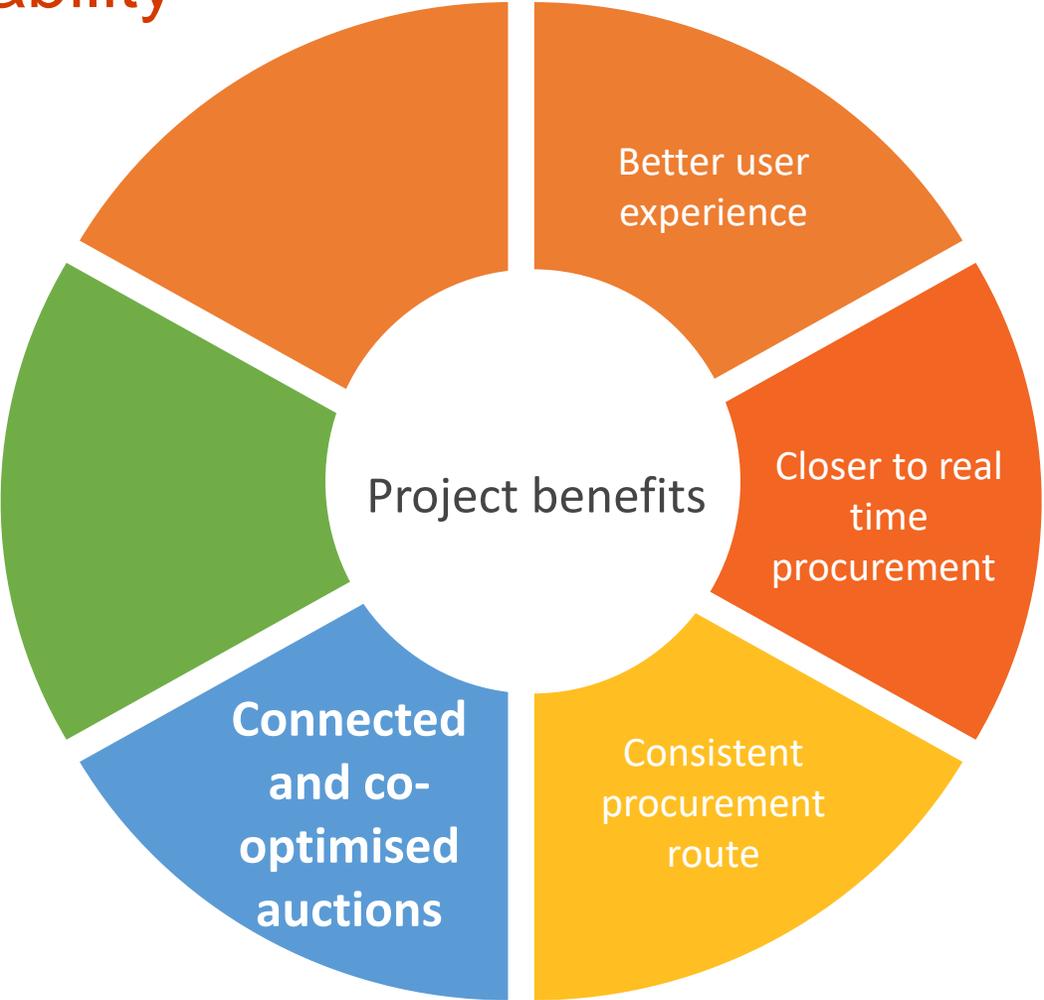
Enduring Auction Capability (EAC)



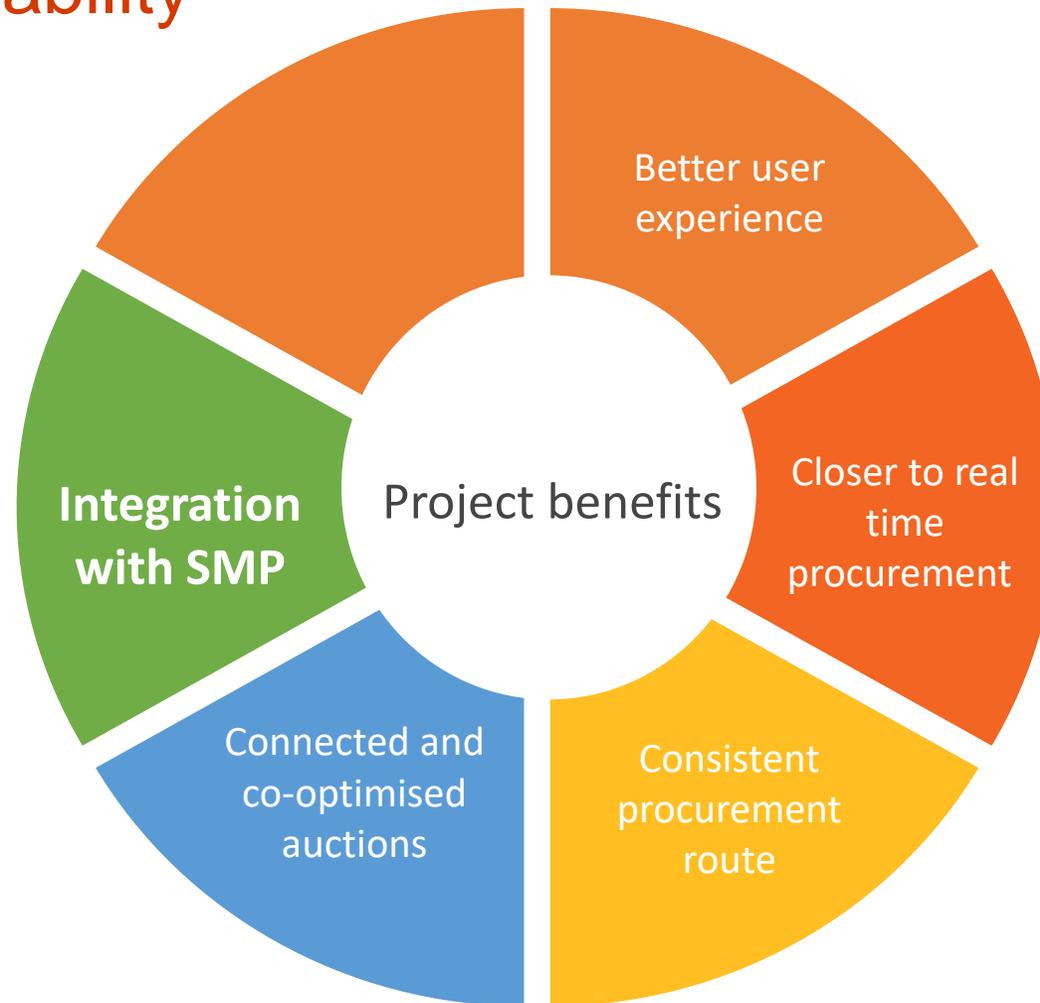
Enduring Auction Capability (EAC)



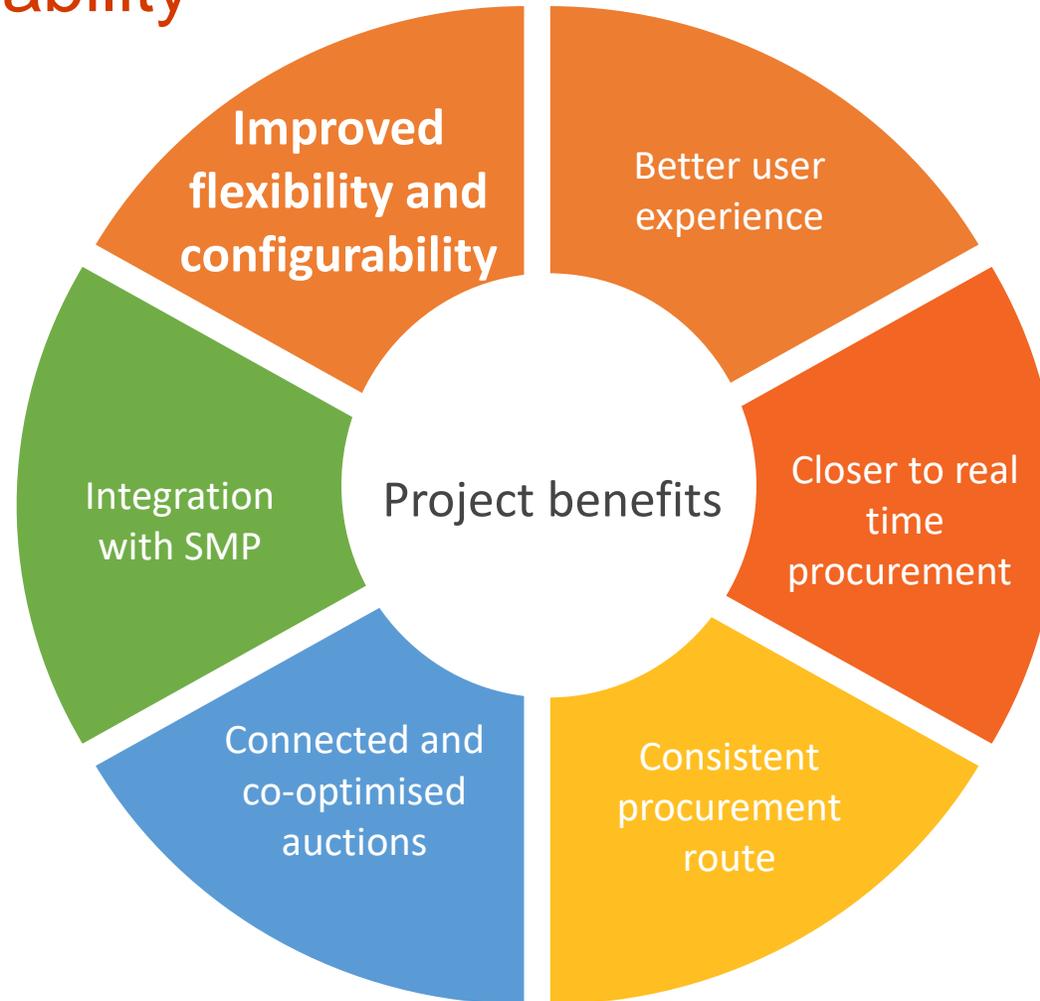
Enduring Auction Capability (EAC)



Enduring Auction Capability (EAC)

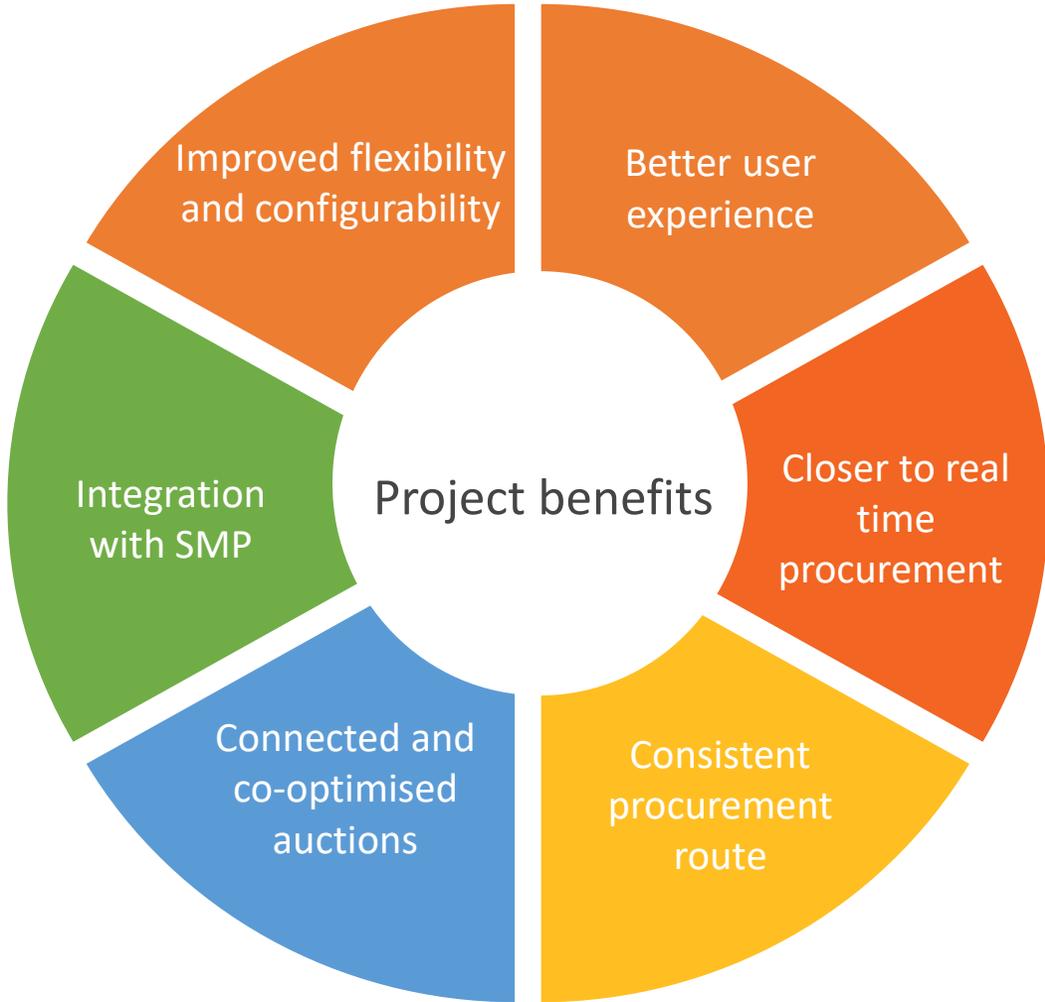


Enduring Auction Capability (EAC)



Enduring Auction Capability (EAC)

Join the medium term breakout room this afternoon to find out more



Agenda

Time	Agenda
09:15-10:00	Arrival
10:00-10:05	Welcome
10.05-10.20	Introduction and welcome from Head of Markets
10:20-11:20	Short-term priorities: Approach to Winter 2022
11.20-11.35	Break
11:35-12:30	Medium-term priorities: Updates on new projects such as demand flexibility and upward firm regulating reserve
12:30-13:25	Lunch
13:25-14:10	Long-term priorities: Net Zero Market Reform
14.10-14.15	Close to online delegates.
14:25-16:00	Breakout Collaborative Sessions
16:15-16:45	Summary, Q&A and Close
17:00-18:30	Networking event

Lunch
12.30-13.25

