

November 18th 2022

C16 and Relevant Balancing Services (RBS) Annual Review

Informal industry consultation for Procurement Guidelines, Balancing Principles, SMAF, BSAD and ABSVD C16 Statements for 2022/23 and the Relevant Balancing Services (RBS) Guidelines

Proposed revisions to the: Procurement Guidelines, Balancing Principles, SMAF, BSAD and ABSVD C16 Statements and Relevant Balancing Services (RBS) Guidelines

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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 Relevant Balancing Services (RBS) Guidelines will also now be reviewed in alignment with the annual C16 review. As of July 2021, Ofgem changed the Capacity Market (CM) Rules regarding RBS, following the Statutory Consultation¹. The main changes involve the removal of the list of RBS (Schedule 4 Part 1) and of the Non-Balancing Mechanism Adjustment Formulae (Schedule 4 Part 2) from Schedule 4 of the CM Rules, which are now published within a separate document, the RBS guidelines. NGESO is responsible for the process administration and governance of the RBS guidelines review. This includes managing the production of a consultation document, running an industry consultation, collating consultation responses and submission of recommendations to Ofgem for approval. To streamline the review process, we will be conducting an annual RBS Guidelines review alongside C16 for changes effective from April 1, 2023.

NGESO held an industry forum on 7 November 2022, the aim of which was to enable both NGESO and industry to share their early thoughts on what changes should be considered to the five C16 statements and RBS Guidelines this year and what could be considered for future reviews.

This consultation will summarise the key elements of that forum and allow wider industry to submit more detailed thoughts on the changes NGESO should consider during this year's review and future reviews.

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)

NGESO's proposed key focus areas for review of the five C16 statements this year are:

- Housekeeping updates
- Addition of new regulating reserve product: Balancing Reserve
- Addition of new MW Dispatch Constraint Management Service
- Addition of new Local Constraint Market (LCM) service
- Addition of new reserve products: Slow and Quick reserve (Positive and Negative)
- Amendments to frequency response products: Dynamic Moderation and Dynamic regulation and the Demand Flexibility Service (DFS)
- Separation of Dynamic and Static Firm Frequency Response (FFR)
- Removal of the Winter Contingency Service (WCS) contracts and ODFM

NGESO's proposed key focus areas for review of the Relevant Balancing Services Guidelines (RBS) this year are:

Indicative Dates:

Early Consultation Release: 18 November 2022

Early Consultation Deadline: 6 December 2022

Final Consultation Release: 9 January 2023

Final Consultation Deadline: 6 February 2023

Documents sent to Ofgem: 13 February 2023

Ofgem Veto/Direction: 13 March 2023

Revised C16 Statements & RBS Guidelines Go live: 1 April 2023

¹ [Ofgem Decision on Amendments to the Capacity Market Rules](#)

- Addition of new Local Constraint Market (LCM) service
- Addition of new Balancing Reserve (BR) product
- Addition of Network Services Procurement: Constraint Management Pathfinder

NGESO welcomes industry views on the proposed changes to the C16 statements and RBS Guidelines. Responses are required by close of play on 6 December 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 incorporate feedback where possible in a first draft of changes to the statements. This will then be documented and issued via an official consultation to meet the specified regulatory timescales.

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

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

<https://www.emrdeliverybody.com/CM/Guidance.aspx>

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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.

Camille Gilsenan

European Frameworks Manager

2. Introduction & Process Overview

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. NGESO 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 from 1 April 2023.

The following statements are the focus of each review:

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

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 a consequence of this.

For the Relevant Balancing Services Guidelines, the following sections are the focus of the review:

- Part 1: Relevant Balancing Services
- Part 2: Non-Balancing Mechanism Adjustment Formulae

If the Authority chooses to exercise their powers of veto for these proposed changes to the RBS guidelines, the existing versions will remain in place. Alternatively, the proposed changes will become effective from 1 April 2023.

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 and enable industry to offer early challenge and further suggestions. 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 builds on the outputs from the industry forum and allows wider industry to respond to NGESO's early thoughts on what needs to change.

This consultation does not form part of the C16 Licence Condition or RBS Governance 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 allow up to 28

days for our stakeholders to review, like 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 position on the text changes in the statements. NGESO will also offer a response to each point raised by industry. This will be documented and issued via an "official" consultation that does form part of the C16 Licence Condition. This consultation will allow industry to review our responses to them as well as the recommended text changes in the statements.

This consultation will run for 28 days.

Step 4 Report to Authority

The fourth step in the review process is for NGESO to document in the form of a report the final position on the proposed changes for this year along with the track changed versions of the statements, including any proposed revisions. The report will also include in a clear and transparent way all industry responses across both consultations and NGESO's view for each of these.

Two separate final reports will be submitted for the C16 review and the RBS Guidelines review following the close of the consultations. The C16 report must be issued to the Authority (Ofgem) within 7 days (5 working) from the closure of the official consultation, whilst the RBS report must be issued within 7 working days. The reports will be submitted to the Authority together where possible.

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 C16 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 NGESO website on the 1st of April of that year.

For RBS Guidelines the Authority would then determine whether to approve or reject amendments to the RBS Guidelines, with the updates made to the RBS Guidelines within 7 days of the Authority determinations on amendments.

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 NGESO 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. 2022 Industry Event and Next Steps

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

Step 1 Industry Forum

The industry forum was held on 7 November 2022. The aim of this workshop was to seek industry views on the review process and discuss any changes that industry would like to propose ahead of the annual review or provide feedback on the changes proposed by ESO for the upcoming consultation.

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

Areas highlighted for C16 by National Grid ESO were:

- Review of progress since last year's annual review for MW Dispatch constraint management Service
- Removal of Winter Contingency Service contracts across PGS, BPS, SMAF, ABSVD and BSAD
- Removal of ODFM from statements
- Addition of new regulating reserve product: Balancing Reserve
- Addition of new reserve products: Slow and Quick Reserve (Positive and Negative)
- Changes required for separation of Dynamic Firm Frequency Response and Static Firm Frequency Response
- Changes required for Dynamic Moderation (DM) and Dynamic regulation (DR)
- Update on other reports i.e., BPS Report, Procurement Guidelines Report

Areas highlighted for the Relevant Balancing Services Guidelines (RBS) by National Grid ESO were:

- Addition of new Local Constraint Market (LCM) service
- Addition of new Balancing Reserve (BR) product
- Addition of Network Services Procurement: Constraint Management Pathfinder

The forum was attended by one industry stakeholder plus two representatives from Ofgem. Despite low attendance, there was good engagement during the webinar on the proposed changes and feedback was taken on board which we will seek to incorporate within the final consultation and provide responses to within our report submission to the Authority.

Step 2 Early Consultation

November 18 – December 6, 2022

Step 3 Review and Final Consultation

Final Consultation to be issued 9 January – 6 February 2023

Step 4 Report to Authority

To be issued by 13 February 2023

Step 5 Authority Decision and Statement go live

Ofgem Veto/Direction expected on/before 13 March 2023.

Changes to C16 statements and RBS Guidelines are effective 1 April 2023

4. Review of Suggested Changes to C16 statements

Proposals for 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.

The amendments proposed are:

- Version control
- Housekeeping
- Addition of new reserve product: Balancing Reserve (BR)
- Addition of new reserve response products: Slow and Quick Reserve
- Separation of Dynamic and Static Firm Frequency Response (FFR)
- Amendments to frequency response products: Dynamic Moderation (DM) and Dynamic Regulation (DR)
- Removal of ODFM from the list of balancing services procured by NGENSO
- Addition of wording for the Demand Flexibility Service (DFS)
- Addition of new MW Dispatch constraint management service
- Addition of new Local Constraint Market (LCM) service

More detail of these changes is outlined below:

Addition of new regulating reserve product, Balancing Reserve (BR)

We are planning to deliver a new Balancing Reserve product in March 2023 (subject to implementation). Balancing Reserve will fulfil the Control Room requirements for synchronised reserve, which is used to manage imbalance between generation and demand in real-time and response shortfalls. The reserve should be made up of synchronised generators able to deliver a contracted volume in the form of increased or decreased generation output within 2 minutes following the instruction. The Balancing Reserve will be procured from BM providers at Day Ahead stage for the next day delivery in 48 Services Windows (Settlement Periods). The providers will be paid Availability Payment when awarded the contract at Day Ahead and Utilisation Payment when dispatched in BM during the Service Windows. This product will offer Negative Reserve and Positive Reserve, which will be procured independently.

Addition of new reserve products; Slow and Quick Reserve

We are planning to deliver two new reserve products in Q3/Q4 2023-24. Quick Reserve will react to pre-fault disturbances to restore the energy imbalance quickly and return the frequency close to 50.0 Hz. Slow Reserve will displace large losses on the system and recover frequency to $\pm 0.2\text{Hz}$ within 15 minutes.

They will be Firm and Optional Services in dual direction: Positive & Negative Reserve. Whilst these new services do intend to replace the existing STOR and Fast Reserve services, we have no specific plans to phase them out for the time being. Negative Slow Reserve was included in the statements listed below last year; however, its delivery has been reprioritised.

We therefore intend to update the statements to include Slow and Quick Reserve ready for their delivery in late 2023/early 2024.

Amendment to frequency response products: Dynamic Moderation (DM) and Dynamic Regulation (DR)

The new suite of dynamic frequency response products was completed in spring 2022 with the launch of DM and DR. These new dynamic response services are better suited both to the current and future operability challenges, and the technical abilities of modern assets. Both new services will be procured at day ahead in EFA blocks on a pay-as-clear auction platform in the same way as Dynamic Containment (DC).

Therefore, we will be updating wording and adding DM and DR products under Frequency Response products.

Separation of Dynamic and Static Firm Frequency Response (FFR)

We can see value in having a static response service (like Static FFR) to support our post-fault frequency needs and analysis has shown that it could offer a cost-effective way of supporting frequency recovery in post fault situations. We are therefore proposing to move procurement of the existing Secondary Static FFR service to day-ahead of service delivery to be compliant with the Clean Energy Package regulation. Day-ahead procurement of Static FFR will start on 1st April 2023, subject to implementation due to the potential knock-on impacts of winter readiness activities

We are planning to move procurement of our Static FFR service to day-ahead delivery whilst our Dynamic FFR service continues to be procured via monthly tenders. For this reason, we need to update the C16 statements to distinguish between the two different types of FFR and provide correct and complete information to industry on their procurement mechanisms.

In 2023, our aim is to replace Dynamic FFR with our new pre-fault frequency services DR and DM. First, we must deliver a number of IT changes and update internal processes to begin offsetting dynamic FFR with DM and DR. Delivery of these IT changes will allow us to increase the volume caps on the new dynamic services. We currently don't have sufficient volume to help manage the steady transition from dynamic FFR to DM and DR, we intend to seek an extension to the existing CEP derogation for Dynamic FFR. This derogation will enable us to buy Dynamic FFR through the monthly tenders throughout FY23/24.

Amendments to the procurement of Operational Downward Flexibility Management (ODFM)

The ODFM product was a temporary arrangement to manage unforeseen and unprecedented low demand conditions between April and October 2020, and to minimise any potential use of Grid Code emergency measures to curtail embedded generation. The service was reinstated for summer 2021 as there were credible forecast scenarios in which it was required, however it has not been utilised since being reinstated in May 2021 and the service is no longer operational. In the 2021 C16 review

we indicated we would be reviewing to remove ODFM. We will be removing ODFM from the Statements in this year's review and so will be removing the service from the ABSVD statement.

Amendments to the Demand Flexibility Service (DFS)

The DFS service runs from November 2022 until 31 March 2023. DFS was added to the Procurement Guidelines following Authority approval from additional C16 consultations issued in September and October 2022. In this year's C16 review we intend to keep DFS within the statements, outline the service terms and review existing wording accordingly.

Addition of new MW Dispatch constraint management service

MW Dispatch is a transmission constraint management service and the first product to be developed through our joint Regional Development Programmes with DNOs. This service expected to go live in 2023 is initially only open to Distributed Energy Resource (DER) connected to specific Grid Supply Points in National Grid Electricity Distribution (Southwest) DNO area. This enables those DER with specific connection terms and conditions to fulfil these obligations and the ESO expects to open this service up to more parties and geographies in the coming months.

The service, regardless of technology, requires providers to reduce real power output to zero ('turn to zero') when instructed by NGENSO under certain network conditions and when it is economic to do so. If instructed, and providing they comply with the instruction, MW Dispatch Service Providers will be paid for the volume of energy they have curtailed.

Addition of new Local Constraint Market (LCM) service

Local Constraint Market (LCM) is a thermal constraint management service which will provide an interim solution over the next three to four years to help manage the high and rising costs at the England/Scotland boundary. With industry and partners, we are finalising service terms for the LCM, which will be instructed ahead of BM actions. LCM is expected to be launched in Q1 2023.

Historically, we have only been able to use generation turn down from BM registered assets. The new service will engage new flexibility providers and will be an additional option where it is more cost-effective than the BM. It will be available to generation turn down and demand turn up Providers who are non-BM, including those registered in the Capacity Market (CM).

Please see the 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 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.

The amendments proposed are:

- Version Control
- Housekeeping i.e., updating Mvar to MVar
- Addition of Dynamic Moderation (DM) and Dynamic Regulation (DR), including small changes to existing wording
- Addition of new reserve response products; Slow and Quick Reserve

- Removal of the Winter Contingency Services (WCS)

More detail of these changes is outlined below:

Addition of frequency response products Dynamic Moderation and Dynamic Regulation

A new suite of frequency response products were implemented in March 2022, that are better suited both to the current and future operability challenges, and the technical abilities of modern assets.

- Dynamic Regulation (DR)
 - Pre fault frequency service designed to slowly correct and deliver between +/- 0.015 and +/-0.2 frequency deviation.
- Dynamic Moderation (DM)
 - DM is a pre fault frequency service designed to rapidly deliver between +/-0.1 and +/-0.2 frequency deviation

We will be updating wording and adding DM and DR products under Response.

Addition of new reserve products; Slow and Quick Reserve

We are planning to deliver two new reserve products in Q3/Q4 2023-24. Quick Reserve will react to pre-fault disturbances to restore the energy imbalance quickly and return the frequency close to 50.0 Hz. Slow Reserve will displace large losses on the system and recover frequency to ± 0.2 Hz within 15 minutes.

They will be Firm and Optional Services in dual direction: Positive & Negative Reserve. Whilst these new services do intend to replace the existing STOR and Fast Reserve services, we have no specific plans to phase them out for the time being. Negative Slow Reserve was included in the statements listed below last year; however, its delivery has been reprioritised, due to conflicting IS deliverables and the reprioritisation to focus on requirements for this winter.

We therefore intend to update the statements to include Slow and Quick Reserve ready for their delivery in late 2023/early 2024.

Amendments to the procurement of the Winter Contingency Services (WCS)

The WCS contracts are in place between 1 October 2022 to 31 March 2023 and therefore shall be removed from the C16 statements from 1 April 2023, as the services will not be utilised beyond this point.

Please see the 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 System Management Action Flagging (SMAF) Statement review 2022/23

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

The amendments proposed are:

- Version Control
- Removal of the wording relating to the Winter Contingency Services (WCS)

More detail of these changes is below:

Amendments to the procurement of the Winter Contingency Services (WCS)

The WCS contracts are in place between 1 October 2022 to 31 March 2023 and therefore shall be removed from the C16 statements from 1 April 2023, as the services will not be utilised beyond this point.

Please see the 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 Applicable Balancing Services Volume Data Methodology (ABSVD) Statement review 2022/23

The Applicable Balancing Services Volume Data methodology sets out the information on Applicable Balancing Services that will be considered for the purposes of determining imbalance volumes.

The amendments proposed are:

- Version Control
- Housekeeping
- Addition of new Slow and Quick Reserve products (Positive and Negative)
- Addition of new MW dispatch Constraint Management Service
- Addition of new Local Constraint Market (LCM) service
- Removal of ODFM and the Winter Contingency Services (WCS)

More detail of these changes is below:

Addition of new reserve products; Slow and Quick Reserve

We are planning to deliver two new reserve products in Q3/Q4 2023-24. Quick Reserve will react to pre-fault disturbances to restore the energy imbalance quickly and return the frequency close to 50.0 Hz. Slow Reserve will displace large losses on the system and recover frequency to ± 0.2 Hz within 15 minutes.

They will be Firm and Optional Services in dual direction: Positive & Negative Reserve. Whilst these new services do intend to replace the existing STOR and Fast Reserve services, we have no specific plans to phase them out for the time being. Negative Slow Reserve was included in the statements listed below last year; however, its delivery has been reprioritised, due to conflicting IS deliverables and the reprioritisation to focus on requirements for this winter.

We therefore intend to update the statements to include Slow and Quick Reserve ready for their delivery in late 2023/early 2024.

Addition of new MW dispatch constraint management service

MW Dispatch will be included within the ABSVD calculation for non-BM providers.

Addition of new Local Constraint Market (LCM) service

LCM will be included within the ABSVD calculation for non-BM providers.

Amendments to the procurement of Operational Downward Flexibility Management (ODFM)

The ODFM product was a temporary arrangement to manage unforeseen and unprecedented low demand conditions between April and October 2020, and to minimise any potential use of Grid Code emergency measures to curtail embedded generation. The service was reinstated for summer 2021 as there were credible forecast scenarios in which it was required, however it has not been utilised since being reinstated in May 2021 and the service is no longer operational. In the 2021 C16 review we indicated we would be reviewing to remove ODFM. We will be removing ODFM from the Statements in this year's review and so will be removing from the ABSVD statement.

Amendments to the procurement of the Winter Contingency Services

The WCS contracts are in place between 1 October 2022 to 31 March 2023 and therefore shall be removed from the C16 statements from 1st April 2023, as the services will not be utilised beyond this point.

Please see tracked change document for the ABSVD Statement for detail of changes below:

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

Proposals for the Balancing Services Adjustment Data (BSAD) review 2022/23

This document 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.

The amendments proposed are:

- Version Control
- Housekeeping
- Addition of new reserve products; Slow and Quick Reserve
- Addition of new MW Dispatch Constraint Management Service
- Addition of new Local Constraint Market (LCM) service
- Removal of Operational Downward Flexibility Management (ODFM)
- Removal of the Winter Contingency Services (WCS)

More detail of these changes is below:

Addition of new reserve products; Slow and Quick Reserve

We are planning to deliver two new reserve products in Q3/Q4 2023-24. Quick Reserve will react to pre-fault disturbances to restore the energy imbalance quickly and return the frequency close to 50.0 Hz. Slow Reserve will displace large losses on the system and recover frequency to ± 0.2 Hz within 15 minutes.

They will be Firm and Optional Services in dual direction: Positive & Negative Reserve. Whilst these new services do intend to replace the existing STOR and Fast Reserve services, we have no specific plans to phase them out for the time being. Negative Slow Reserve was included in the statements

listed below last year; however, its delivery has been reprioritised, due to conflicting IS deliverables and the reprioritisation to focus on requirements for this winter.

We therefore intend to update the statements to include Slow and Quick Reserve ready for their delivery in late 2023/early 2024.

Addition of new MW Dispatch constraint management service

The MW dispatch constraint management service will be provided through BSAD as a Balancing Service Adjustment Action.

Addition of new Local Constraint Market (LCM) service

LCM will be provided through BSAD as a Balancing Service Adjustment Action.

Amendments to the procurement of Operational Downward Flexibility Management (ODFM)

The ODFM product was a temporary arrangement to manage unforeseen and unprecedented low demand conditions between April and October 2020, and to minimise any potential use of Grid Code emergency measures to curtail embedded generation. The service was reinstated for summer 2021 as there were credible forecast scenarios in which it was required, however it has not been utilised since being reinstated in May 2021 and the service is no longer operational. In the 2021 C16 review we indicated we would be reviewing to remove ODFM. We will be removing ODFM from the Statements in this year's review and so will be removing from the BSAD statement.

Amendments to the procurement of the Winter Contingency Services (WCS)

The WCS contracts are in place between 1 October 2022 to 31 March 2023 and therefore shall be removed from the C16 statements from 1st April 2023, as the services will not be utilised beyond this point.

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

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

5. Review of Suggested Changes to RBS Guidelines 2022-23

The RBS Guidelines,

- a) Define which services are Relevant Balancing Services and thus are eligible for a β adjustment (Part 1); and
- b) Set out the terms "Declared_Availability" and "Contracted_Output" for a Capacity Market Unit (CMU) that is not also a Balancing Mechanism (BM) Unit, depending on which balancing service the CMU is providing (Part 2).

Proposals for Relevant Balancing Services Guidelines

The amendments proposed are:

- Version Control
- Housekeeping i.e., addition of page numbers
- Addition of new services to the list of Relevant balancing services: Local Constraint Market (LCM) and Balancing Reserve (BR)

- Addition of existing services to the list of Relevant balancing services: Constraint Management Pathfinders

More detail of these changes is below:

Local Constraint Market (LCM)

The Local Constraint Market (LCM) service will provide an interim solution over the next three to four years to help manage the high and rising costs at the England/Scotland boundary. With industry and partners, we are finalising service terms for the LCM, which will be instructed ahead of BM actions. LCM is expected to be launched in Q1 2023.

Historically, we have only been able to use generation turn down from BM registered assets. The new service will engage new flex providers and will be an additional option where it is more cost-effective than the BM. It will be available to generation turn down and demand turn up Providers who are non-BM, including those registered in the Capacity Market (CM). It is anticipated that RBS changes will take effect in 2023 to make it easier for CM-registered participants to take part in LCM.

We will be consulting on the inclusion of LCM within the list of relevant balancing services, we intend to consult further within the final consultation on wording for non-BM adjustment formula once contract terms have been finalised.

Balancing Reserve (BR)

We are planning to deliver a new Balancing Reserve product in March 2023 (subject to implementation). The Balancing Reserve will fulfil the Control Room requirements for synchronised reserve, which is used to manage imbalance between generation and demand in real-time and response shortfalls. The reserve should be made up of synchronised generators able to deliver a contracted volume in the form of increased or decreased generation output within 2 minutes following the instruction.

The Balancing Reserve will be procured from BM providers at Day Ahead stage for next day delivery in 48 Services Windows (Settlement Periods). The providers will be paid Availability Payment when awarded the contract at Day Ahead and Utilisation Payment when dispatched in BM during the Service Windows. This product will offer Negative Reserve and Positive Reserve, which will be procured independently.

Constraint Management Pathfinder (CMP)

The Constraint Management Pathfinder (CMP) service will allow NGESO to arm units connected to the Intertripping scheme. This will reduce the need to curtail generation in the Balancing Mechanism and allow more renewable electricity to be exported onto the network. While units are armed, they will continue to generate in accordance with its PN.

While a unit is armed, if there is a fault on a circuit that is being monitored by the tripping scheme, the relevant transmission owners circuit breaker will open and disconnect the generator from the network. From this point, the unit will be unable to export until the fault has been cleared and breaker closed.

Where a CM event occurs while a generator is disconnected, then it will be unable to fulfil its CM contract which is why CMP has been included in the list of service in the RBS.

Please see the tracked change document for the RBS guidelines for detail of changes below, this is stored within the consultation documents folder under Relevant Balancing Services (RBS) 2022/23. The consultation document and proforma will be stored here in addition to within the C16 folder listed above.

<https://www.emrdeliverybody.com/CM/Guidance.aspx>

6. The Consultation

The C16 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 housekeeping updates (p.14, 15, 25, 29, 32)? Please provide rationale
2. Do you agree with the proposed suggestions to the Procurement Guidelines in relation to the addition of wording to further define and update current wording for frequency response products Dynamic Moderation and Dynamic Regulation (p. 15, 19, 20, 21)? Please provide rationale
3. Do you agree with the proposed suggestion to change STOR to daily auction from tendered (p.19,32)? Please provide rationale.
4. Do you agree with the edits proposed for New Reserve Products (p.20)? Please provide rationale.
5. Do you agree with the edits and additional wording proposed for Firm Frequency Response to incorporate DC, DM, DR & Static FFR within the Response Section (p.20-21,30)? Please provide rationale.
6. Do you agree with the proposed addition of wording for the new Balancing Reserve product (p.19, 31, 38)? Please provide rationale.
7. Do you agree with the proposed addition of thermal constraints to the type of constraint management services (p.22)? Please provide rationale.
8. Do you agree with the proposed addition of wording for the new MW dispatch service to constraint management services (p.22, 23 31)? Please provide rationale.
9. Do you agree with the proposed addition of wording for the new Local Constraint Management (LCM) service to constraint management services (p.23, 31)? Please provide rationale.
10. Do you agree with removing the wording included for ODFM from the Procurement Guidelines (p.22, 23, 3)? Please provide rationale.
11. Do you agree with the proposed addition of ODFM to the list of Reserve services we do not expect to procure this year (p.24)? Please provide rationale.
12. Do you agree with the proposed addition of wording for the Demand Flexibility Service (p.24, 40)? Please provide rationale.

13. Do you agree with the proposed addition and modification of wording to the Procurement Guidelines in relation to the addition of Static Firm Frequency Response (p.38, 30)? Please provide rationale.
14. Do you agree with the proposed suggestions to the Procurement Guidelines in relation to the addition of wording to further define and update current wording for frequency response products Dynamic Moderation and Dynamic Regulation (p. 15, 19, 20, 21)? Please provide rationale
15. Do you agree with the proposed edits and additions to Table 2 Active Commercial Ancillary services (p. 30-33)? Please provide rationale.
16. Do you agree with the proposed edits and additions to Table 2: Balancing Services Information Provision Summary (38-40)? Please provide rationale.
17. 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?

Balancing Principles Statement (BPS)

1. Do you agree with the housekeeping updates proposed, for example updating Mvar to MVar? Please provide rationale.
2. Do you agree with the proposed wording added for DM and DR (p.26)? Please provide rationale
3. Do you agree with the proposed wording added for Slow and Quick Reserve (p.28)? Please provide rationale.
4. Do you agree with the proposed suggestions to remove the wording in relation to Winter Contingency Services (p.39-40)? Please provide rationale.
5. 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?

Balancing Services Adjustment Data Methodology Statement (BSAD)

1. Do you agree with the housekeeping updates? Please provide rationale
2. Do you agree with the proposed changes to the BSAD statement in relation to adding Quick and Slow Reserve, MW dispatch and LCM to Balancing service adjustment actions (p.9)? Please provide rationale.
3. Do you agree with the proposed changes to the BSAD statement in relation to removing ODFM? (p.13,18,19,20) Please provide rationale.
4. Do you agree with the proposed changes to the BSAD statement in relation to removing the wording for Winter Contingency Services? (p.13) Please provide rationale.
5. Do you have any other comments in relation to the changes proposed to the BSAD? Or any additional changes you would like to see?

Applicable Balancing Services Volume Data Methodology Statement (ABSVD)

1. Do you agree with the housekeeping updates? Please provide rationale
2. Do you agree with the proposed addition of wording for Quick and Slow Reserve (p.8, 9, 13)? Please provide rationale.
3. Do you agree with the proposed addition of wording for the MW Dispatch constraint management service (p.8, 13)? Please provide rationale.
4. Do you agree with the proposed addition of wording for LCM (p.8,13)? Please provide rationale. Please provide rationale.

5. Do you agree with the proposed changes to the ABSVD statement in relation to removing ODFM (p.10, p.12)? Please provide rationale.
6. Do you agree with the proposed changes to the ABSVD statement in relation to removal of the Winter Contingency Services (p.11)? Please provide rationale.
7. Do you have any other comments in relation to the changes proposed to the ABSVD? Or any additional changes you would like to see?

System Management Action Flagging Statement (SMAF)

1. Do you agree with the housekeeping updates? Please provide rationale.
2. Do you agree with the proposed suggestions to the SMAF statement in relation to removal of the Winter Contingency Services (p.7, p.11)? Please provide rationale.
3. 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?

The RBS Questions

We invite industry to provide further feedback on the changes proposed to the Relevant Balancing Services Guidelines. The consultation questions summarised below are also within the response proforma in Appendix A.

Relevant Balancing Services Guidelines

1. Do you agree with proposed updates to RBS in relation to housekeeping and version control? Please provide rationale.
2. Do you agree with the addition of Local Constraint Market (LCM) into the list of Relevant Balancing Services, section 1 (p1)? Please provide rationale.
3. Do you agree with the addition of Balancing Reserve (BR) into the list of Relevant Balancing Services, section 1 (p.1)? Please provide rationale.
4. Do you agree with the addition of Constraint Management Pathfinder into the list of Relevant Balancing Services, section 1 (p.1)? Please provide rationale.
5. Do you have any other comments in relation to the changes proposed to the RBS guidelines? Or any additional changes you would like to see?

7. 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 6 December 2022**.

Following the closure of the consultation, NGENSO will review all feedback and publish a further consultation in January 2023 which will include our views on the responses received as well as draft statement changes.

Appendix A: Response Proforma

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