

Consultation responses

Respondent A

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|--|---|
| 1. Do you have any comments on the proposed changes to the Service Terms for Static FFR? | |
| <i>Removed due to confidential information</i> | <i>Removed due to confidential information</i> |
| 2. Do you have any comments on the proposed changes to the FFR Standard Contract Terms regarding the removal of references to the Static Service | |
| No comments. | |
| 3. Do you have any comments on the highlighted mapping for the Static FFR Service? | |
| No comments. | |
| 4. Do you have any other comments on the proposed changes to Static FFR? | |

Grandfathering and unit re-testing

In the “Procurement Rules Schedule 2 - Registration and Pre-Qualification Procedure” Respondent A wants NGESO to ensure that all units currently registered to deliver Static FFR on non-BM and BM Framework agreements should be grandfathered into the new day ahead service without the requirement to re-test and provide ITE reports. Re-testing could delay uptake in the new service as well as providers incurring an additional cost for prequalification when there has been no change to the design or technical parameters of the service. Respondent A notes that the Procurement Rules state that permission for grandfathering eligible assets from the existing framework to the new service and SMP must be confirmed “in writing” with NGESO – this is acceptable as long as it does not delay the transition process.

ABSVD for non-BM units

NGESO needs to approach ABSVD in the same way for both BM and non-BM assets. Applying ABSVD to BM only will cause disparity in market participants pricing, which in a Pay as Clear market could result in a higher overall cost of service. Respondent A is in support of a Pay as Clear mechanism over Pay as Bid; Pay as Clear is better for price discovery as it enables parties to submit the minimum price they are willing to accept as the market clearing price could result in a higher price (if accepted), whereas Pay as Bid will create a market whereby participants are trying to push up the price to a maximum.

Pay as clear

As detailed above, Respondent A is in support of this proposal to move away from pay as bid to a pay as clear mechanism for static FFR. Pay as Clear also benefits smaller parties, as the bigger players have greater capability to forecast their prices; the smaller players who do not have the resource to do this can then still benefit from an appropriate and proportional clearing price under this mechanism.

Grandfathering and unit re-testing

Units wouldn’t need retesting if they had already qualified for SFFR or the historic LFS or FCDM service.

ABSVD for non-BM units

In 2021, Static FFR was dispatched in 0.7% of the EFA blocks within the year (16 times totalling 8 hours of delivery). Given the service dispatches so infrequently, we believe it is not justified applying ABSVD to the service at this time. Going forward we will continue to monitor the number of triggers of Static FFR and determine whether a change is needed to this approach. We are however, intending to review the ABSVD arrangements for the enduring response products, i.e., DC, DM and DR.

Pay as clear

Thank you for your comment supporting our move to Pay as Clear. It is our preferred mechanism for stable and mature markets for the same reasons outlined in your response

Maximum Response Period definition

Maximum Response Period definition

In the proposed Static FFR service terms, this does not appear to be a defined term in either the Service Terms or Procurement Rules. Based on Appendix 1 of the Service Terms, it is indicated at 30-minutes but as a capitalised term, this should be defined.

Thank you for this comment, this is a missing definition from the procurement rules document.

The proposed definition for Maximum Response Period is “The 1800 seconds (30 minutes) immediately following an excursion of the System Frequency below the Frequency Trigger”.

This will be added to the updated suite of documents following your feedback.

Delivery of the Static FFR service is explained in the testing guidelines, wording is included in this response below for clarity.

“Once the relay has triggered, full response should be reached within 30 seconds and be sustained for a further 1770 seconds (30 minutes after relay trigger) regardless of the varying frequency injection.”

5. We are proposing to run the Static FFR auction in advance of the DC, DM, DR auctions (provisional time 11am). Do you have any comments on this proposal?

Auction timings

Respondent A is in support of the static FFR auction being held before the DC, DM and DR auctions 14:30; however, we feel that the 11am time could be pushed back to 13:00 or 13:30 to take into account the post-lunch weather updates which impact our decision making on service entry.

Auction timings

Thank you for this feedback. Our reasoning behind an 11:00 auction time is that we can use the true outcome of the Static FFR auction within the daily buy curve setting process for DC- low frequency (DC-L) rather than a forecasted outcome. The DC buy order is set today by running a model at 12:30 and one of the inputs is the already contracted Static FFR and PSH from the monthly tenders.

If we were to run the Static FFR auction at 13:00 or 13:30 then we would have to either use forecasted Static FFR outturn values in our DC-L buy order setting process or push the buy order model run back to after 13:30. By having the true outcome of the Static FFR tender, we believe we will further improve the efficiency of our response procurement.

Using forecasted Static FFR values in the model.

At this stage it is difficult to forecast how volatile the Static FFR cleared volumes could be day on day. If we are typically able to meet our Static FFR requirement through a day ahead market, then using forecasted volumes will not be particularly different to outturn volumes. If we are unable to adequately forecast the volume delivered by the Static FFR auctions, then we risk under or over procuring DC-L and potentially increasing the cost to the end consumer through less efficient procurement. Therefore, for the initial periods following the move to daily procurement we believe using the outturn volumes from the Static FFR auctions is most appropriate.

Running the DC-L buy order setting model after 13:30.

We believe that this would create unacceptable risk that we would be unable to get the buy order to EPEX in time for the DC/DM/DR auctions which run at 14:30. This risk is not acceptable to us as there are hard deadlines to update industry and the control room about the outcome of the DC/DM/DR auctions to allow for day ahead strategic planning.

Additionally, we have considered all of the industry responses to this consultation question and feel that it is useful to use all of them in considering the auction timing.

Note some responses have been counted in multiple positions as the answers to the question on auction timings included multiple feedback elements.

| Position | Number of responses |
|-----------------------------------|---------------------|
| Supportive of ESO proposal (11am) | 3 |

| | | | |
|--|--|---|---|
| | Supportive of ESO proposal (before DC/DM/DR auction) | 4 | <p>This table demonstrates that, in the round, the majority of respondents to this consultation agreed with the ESO proposal to run the Static FFR auction at 11:00. We therefore conclude that our original proposal best serves consultation respondents' needs and altering the proposed auction timing will not better meet the needs of respondents.</p> |
| | Prefers earlier than ESO proposal | 1 | |
| | Prefers later than ESO proposal | 2 | |
| | Prefers alignment with DC/DM/DR | 1 | |
| | No comment | 1 | |
| | | | |

Respondent B

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| 1. Do you have any comments on the proposed changes to the Service Terms for Static FFR? | |
| No | |
| 2. Do you have any comments on the proposed changes to the FFR Standard Contract Terms regarding the removal of references to the Static Service | |
| No | |
| 3. Do you have any comments on the highlighted mapping for the Static FFR Service? | |
| No | |
| 4. Do you have any other comments on the proposed changes to Static FFR? | |

Future changes to the service

No. However we welcome stable service requirements. If NGENSO anticipate future changes to the service, we would welcome all the changes being made at once. This limits the time required to redesign and test systems

Future changes to the service

Thank you for your feedback. We communicate as far in advance as we can and will continue to try and minimise disruption to providers. Our move to an annual cycle with grouped and consolidated changes is intended to help reduce undue disruption.

We are currently exploring the role we want a Static Response service to play in our enduring suite of response products. Static Recovery (or alternative name TBC) is one option and would be a natural successor to Static FFR. The changes we are making at this time signal our future intent to continue to procure a Static Response service in years to come. As the current Static FFR product is an interim solution, we don't expect to be making many changes to the service.

If our current investigations show there is a future need for a static product, we will create a new service. Thorough engagement with industry will be a key part of the development process.

5. We are proposing to run the Static FFR auction in advance of the DC, DM, DR auctions (provisional time 11am). Do you have any comments on this proposal?

Auction timings

We are supportive of a deadline of 11:00 for submitting auction tenders. This allows us to make our decisions once the results of the daily power auction are known, and ideally with results by 11:30. It would also be viable to run the auction earlier, so the results are known before the submission deadline for the power auction.

Auction timings

Thank you for your feedback. This commentary supports our proposal to run the Static FFR auction at 11:00. We note that the preference is for the Auction Closing Time to be at 11:00 (i.e., the latest point at which bids can be submitted or altered) with publication of results following shortly afterwards. We included the formal definition of *Auction Results Time* to be 17:00 on the EFA Day immediately preceding the Service Day within the procurement rules

Running a daily auction process means participation over the weekend. We think that it is important that the auction system has some form of API where our orders can be loaded automatically, and the results downloaded so we can “auto” set out systems based on the auction results. We would incur extra cost if we have to employ people to work weekends simply to participate in these auctions.

documentation, however this is a backstop deadline if there are significant issues encountered with the auction process.

Under normal operation we would expect results from the Static FFR auction to be published on the ESO Data Portal around 12:00.

As the teams become familiar with the new day ahead process and iron out any issues encountered during the early launch period the time to run the auction and process results is likely to be reduced and therefore auction results may be published earlier than 12:00 in the future.

API for automatic auction result download and order loading

Whilst the Static FFR procurement process will be manual, the tender process will be designed to allow the submission of sell orders up to 14 days in advance. This will allow bid submissions to be made, for example, on Friday during working hours for the auctions that will take place on Saturday and Sunday reducing the need for weekend cover to enable participation.

Results from the Static FFR auctions will be uploaded onto the ESO data portal in machine readable format as with DC, DM and DR. This will allow providers to automate their systems and manage their assets once results of a Static FFR auction are known.

All enduring frequency response products, i.e., DC, DM and DR will ultimately be procured on the Enduring Auction Capability platform, which we recently signed with N-Side. There is opportunity to engage with this programme of work to feed in feedback and suggestions. Please get in touch with the EAC team via our Future of Balancing Services email address:
box.futureofbalancingservices@nationalgrideso.com

Respondent C

| 1. Do you have any comments on the proposed changes to the Service Terms for Static FFR? | |
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| <p>Pay as Clear</p> <p>Respondent C are a very active participant in the SFFR service operating ~100MW.</p> <p>NGESO lays a very heavy emphasis on why a “Pay-as-Clear” market increases participation and is the best step forward since it is working well for DC/DR/DM.</p> <p>A change like this would increase market participation but in turn, could create an oversaturated market with a non-competitive offer curve. This will be a short term positive for National Grid as they would be able to secure high volumes at a low price but wouldn’t be seen as an enduring solution as low prices could see flexibility providers exiting the market. There will be no other service suitable for demand flexibility that are currently in SFFR.</p> <p>While Respondent C appreciate change, National Grid has displayed plans of Slow Reserve going online early 2023 and to be followed by Quick Reserve and Static Recovery. While these changes are happening and Respondent C are preparing for these new services, a minor change to the auction structure introduces risk with little benefit.</p> <p>A “Pay-as-Bid” market on a Day-Ahead basis would deliver more benefits with minimal risks. It also ensures that every competitor has to bid in at a competitive price rather than depend on other participants to clear the market at a higher price.</p> <p>Would the above be addressed/was this included in the scope of the decision making here?</p> | <p>Pay as Clear</p> <p>Thank you for your feedback and voicing your concerns about this structure creating an oversaturated market. We have chosen a Pay-as-Clear structure to make it less punitive for SFFR providers to submit prices that correctly reflect their marginal cost of providing the service. It will also help to signal periods where we value SFFR to encourage additional participants into the market.</p> <p>In the long run we appreciate that units which are long run loss making should exit the market. If other units can provide the service at a lower cost and still be profitable then this reflects good value for consumers and is the output of a well-functioning market. If they cannot, then longer-term prices in this market will increase again and a new equilibrium will be found. If there are no other suitable services for demand flexibility units that are currently in SFFR then we expect them to return to the market in a new higher priced long-run equilibrium scenario or to more permanently exit if they are no longer the optimal asset type to provide this service.</p> <p>We are currently exploring the role we want a static response service to play in our enduring suite of response products. Static Recovery (or alternative name TBC) is one option and would be a natural successor to Static FFR. The changes we are making at this time signal our future intent to continue to procure a Static Response service in years to come. As the current Static FFR product is an interim solution, we don’t expect to be making many changes to the service. Moving the current service to day-ahead procurement lowers barriers to entry and allows us to take into account Static FFR within the daily buy curve setting process for DC low frequency (DC-L), which we believe will bring efficiencies to our response procurement. Therefore, a Pay-as-Clear payment mechanism supports this signalling of intention to industry, a well-functioning market and aligns with DC,DM and DR.</p> |

SFFR volumes

Will there be any change to the volume requirement in SFFR for the longer term if the proposed changes come into effect?
If SFFR moves to daily procurement, will NGENSO publish their linear order for the buy curve on a daily basis?

Performance Monitoring

Are there any changes to performance monitoring in scope of this review?

Registration and Prequalification

Will there be any change to the Registration prequalification? Will new participants have to be registered through SMP?
For existing providers, will their assets automatically transfer to SMP if there is a change to the prequalification process?

3rd Party Auction Platform

What would be the 3rd party auction platform that would be used?

SFFR volumes

We aim to continue to procure 250MW each EFA for the first three months following the transition to day ahead procurement. We will assess the data and if there is a requirement to change following this we will communicate our intentions with as much notice as possible. We will communicate the volumes we intend to buy via the Static FFR market through the monthly Market Information Reports.

Performance Monitoring

The only change to Performance Monitoring is the frequency with which contracted units can be monitored. Performance monitoring will be a minimum of once a month or for each event. Each Performance monitoring event will be for a 30-minute period.

Registration and Prequalification

Providers will be expected to register through SMP and upload all prequal data. All assets either new or existing will need to be created by the provider on SMP. We envisage that the bulk upload facility will be available prior to go live in 2023.

3rd Party Auction Platform

Through previous engagement with Respondent C and as stated earlier in our response, the current static service is not seen as part of the enduring suite of response services, therefore it is not currently our intention to invest in associated system development. The ESO will run the daily tenders via a manual tender process, similar to that of the monthly tender, but moving to day-ahead procurement and using pay-as-clear.

If our current investigations show there is a future need for a static product, we will create a new service. Thorough engagement with industry will be a key part of the development process.

2. Do you have any comments on the proposed changes to the FFR Standard Contract Terms regarding the removal of references to the Static Service

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| No further comment. | |
| 3. Do you have any comments on the highlighted mapping for the Static FFR Service? | |
| No further comment. | |
| 4. Do you have any other comments on the proposed changes to Static FFR? | |
| No further comment. | |
| 5. We are proposing to run the Static FFR auction in advance of the DC, DM, DR auctions (provisional time 11am). Do you have any comments on this proposal? | |
| Auction timing Respondent C support and would prefer if the Static FFR auction takes place in advance of the DC,DM,DR auction and a time at 11am would be suitable. | Auction timing Thank you for your feedback. This commentary supports our proposal to run the Static FFR auction at 11:00. |

Respondent D

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| 1. Do you have any comments on the proposed changes to the Service Terms for Static FFR? | |
| Auction timing Respondent D welcomes the changes to the Service Terms for Static FFR, but we would like ESO to clarify why the Static FFR auction runs at a different time to DC, DM and DR. | Auction timing The Static FFR auction is to be administered through a manual auction assessment process. We are able to utilise the outputs of the Static FFR auctions in the requirement setting process for DC low frequency (DC-L) through the same process as today (the model runs at 12:30). We believe that for the first few months of daily SFFR auctions this will help us to better target our procurement volumes of DC-L as there is likely to be a period of transition where the SFFR market may be undersupplied and therefore the volume of response we are able to secure through it will be difficult to forecast. Once we have some historical data to use on how often we fill our SFFR requirement through the daily SFFR auction we will be more confident in using forecast values of SFFR in the DC-L requirement setting process. Having a different time for the auction to the DC/DM/DR timings also means that the ESO procurement team can spread workload throughout the day particularly for weekends, on which we run a lower staff load than during the week. Moving procurement of our enduring products onto the new auction platform (delivered through BP2 deliverable Enduring Auction Capability) will re-open the topic of auction timings, and we invite industry to engage with us on this. |

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| 2. Do you have any comments on the proposed changes to the FFR Standard Contract Terms regarding the removal of references to the Static Service | |
| No | |
| 3. Do you have any comments on the highlighted mapping for the Static FFR Service? | |
| No | |
| 4. Do you have any other comments on the proposed changes to Static FFR? | |
| No | |
| 5. We are proposing to run the Static FFR auction in advance of the DC, DM, DR auctions (provisional time 11am). Do you have any comments on this proposal? | |
| No | |

Respondent E

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| 1. Do you have any comments on the proposed changes to the Service Terms for Static FFR? | |
| No comments | |
| 2. Do you have any comments on the proposed changes to the FFR Standard Contract Terms regarding the removal of references to the Static Service | |
| No comments | |
| 3. Do you have any comments on the highlighted mapping for the Static FFR Service? | |
| No comments | |
| 4. Do you have any other comments on the proposed changes to Static FFR? | |
| <p>Future changes to Dynamic FFR</p> <p>Could you please clarify when you would expect to phase out the Dynamic FFR service beyond March 2023 (even if approximately)?</p> <p>Could you also please clarify whether beyond March 2023 the Dynamic FFR service will be procured for all three response types (primary, secondary, high)?</p> | <p>Future changes to Dynamic FFR</p> <p>We have steps in place to begin offsetting dynamic FFR and increase the Dynamic Regulation and Dynamic Moderation volumes, however this will be a steady process, and we expect to continue to procure dynamic FFR into FY2023-24.</p> <p>Specific IT upgrades need to be in place before volume caps are lifted, namely implementing operational metering and arming/disarming functionality in the Control Room; these IT changes are part of Release 1, which has a delivery date of 31 March 2023, however the IT programme is currently reporting potential delays. Access to subject matter experts is currently limited, due to winter readiness activities, and this is impacting our IT development timeframes.</p> <p>It is possible through the continuation of the winter activities, and with the potential for additional issues to arise over the period, there may be further impacts to BP1 activities with subsequent prioritisation decisions made. Any decision will go through the prioritisation framework outlined in the 2021-23 18-Month Review document, published on 25 October this year.</p> <p>There is not a 1:1 offsetting ratio for these services and so we can't be certain exactly how the offsetting will be shown through procurement volumes at this stage. We will provide updates on progress made regarding offsetting dynamic FFR, and volume cap removal in our monthly Market Information Reports, including further details of our expected volume requirements for FFR, DC, DR and DM. These reports can be found on the ESO Data Portal...</p> |

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| | We presented information on our plans for phasing out Dynamic FFR at a response reform webinar in August 2022 and the content can be found here: Slides Recording |
| 5. We are proposing to run the Static FFR auction in advance of the DC, DM, DR auctions (provisional time 11am). Do you have any comments on this proposal? | |
| No comments | |

Respondent F

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| 1. Do you have any comments on the proposed changes to the Service Terms for Static FFR? | |
| We support the proposals. | Thank you for the comment. We appreciate the support received for these changes with the benefits they offer market participants and also allowing us to continue to enhance the services. |
| 2. Do you have any comments on the proposed changes to the FFR Standard Contract Terms regarding the removal of references to the Static Service | |
| N/A | |
| 3. Do you have any comments on the highlighted mapping for the Static FFR Service? | |
| N/A | |
| 4. Do you have any other comments on the proposed changes to Static FFR? | |
| Respondent F supports the proposal to use a pay-as-clear mechanism. | Thank you for your feedback supporting this change. |
| 5. We are proposing to run the Static FFR auction in advance of the DC, DM, DR auctions (provisional time 11am). Do you have any comments on this proposal? | |
| Respondent F supports the proposal. | Thank you for your feedback supporting this change. |

Respondent G

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| 1. Do you have any comments on the proposed changes to the Service Terms for Static FFR? | |
| <p>Maximum Response Period Definition</p> <p>The service terms refer to the ‘Maximum Response Period’, but this term does not appear to be defined in the Static FFR Procurement Rules or Balancing Services Glossary of General Terms and Rules of Interpretation. We infer that it is likely to be the lesser of 30 minutes and the period of time until the frequency returns to 50hz, but it would be useful for this to be clear.</p> | <p>Maximum Response Period Definition</p> <p>Thank you for this comment, this is a missing definition from the procurement rules document.</p> <p>The proposed definition for Maximum Response Period is “The 1800 seconds (30 minutes) immediately following an excursion of the System Frequency below the Frequency Trigger”.</p> <p>This will be added to the updated suite of documents following your feedback.</p> <p>Delivery of the Static FFR service is explained in the testing guidelines, wording is included in this response below for clarity.</p> <p><i>Once the relay has triggered, full response should be reached within 30 seconds and be sustained for a further 1770 seconds (30 minutes after relay trigger) regardless of the varying frequency injection.</i></p> |
| 2. Do you have any comments on the proposed changes to the FFR Standard Contract Terms regarding the removal of references to the Static Service | |
| No | |
| 3. Do you have any comments on the highlighted mapping for the Static FFR Service? | |
| No | |
| 4. Do you have any other comments on the proposed changes to Static FFR? | |
| No | |
| 5. We are proposing to run the Static FFR auction in advance of the DC, DM, DR auctions (provisional time 11am). Do you have any comments on this proposal? | |
| <p>Auction timings</p> <p>We are not familiar with the dynamic product auctions but assume the auction at 1100 would be for the trading day starting at 2300. We would suggest running the static FFR auction after the results of the day-ahead electricity market(s) are published (e.g. after 1200) to maximise participation from parties that may be involved in or impacted by the day-ahead electricity markets</p> | <p>Auction timings</p> <p>Thank you for this feedback. Our reasoning behind an 11:00 auction time is that we can use the true outcome of the Static FFR auction within the daily buy curve setting process for DC-L rather than a forecasted outcome. The DC buy order is set today by running a model at 12:30 and one of the inputs is the already contracted Static FFR and PSH from the monthly tenders.</p> |

If we were to run the Static FFR auction at 13:00 or 13:30 then we would have to either use forecasted Static FFR outturn values in our DC-low frequency buy order setting process or push the buy order model run back to after 13:30.

Using forecasted Static FFR values in the model.

At this stage it is difficult to forecast how volatile the Static FFR cleared volumes could be day on day. If we are typically able to meet our Static FFR requirement through a day ahead market, then using forecasted volumes will not be particularly different to outturn volumes. If we are unable to adequately forecast the volume delivered by the Static FFR auctions, then we risk under or over procuring DC-L and potentially increasing the cost to the end consumer through less efficient procurement.

Running the DC-L buy order setting model after 13:30.

We believe that this would create unacceptable risk that we would be unable to get the buy order to EPEX in time for the DC/DM/DR auctions which run at 14:30. This risk is not acceptable to us as there are hard deadlines to update industry and the control room about the outcome of the DC/DM/DR auctions to allow for day ahead strategic planning.

Additionally, we have considered all of the industry responses to this consultation question and feel that it is useful to use all of them in considering the auction timing.

Note some responses have been counted in multiple positions as the answers to the question on auction timings included multiple feedback elements.

| Position | Number of responses |
|--|---------------------|
| Supportive of ESO proposal (11am) | 3 |
| Supportive of ESO proposal (before DC/DM/DR auction) | 4 |
| Prefers earlier than ESO proposal | 1 |

| | | |
|---|---------------------------------|---|
| | Prefers later than ESO proposal | 2 |
| | Prefers alignment with DC/DM/DR | 1 |
| | No comment | 1 |
| <p>This table demonstrates that, in the round, the majority of respondents to this consultation agreed with the ESO proposal to run the Static FFR auction at 11:00. We therefore conclude that our original proposal best serves consultation respondents' needs and altering the proposed auction timing will not better meet the needs of respondents.</p> | | |