

## Demand Flexibility Service (DFS)

Webinar 16<sup>th</sup> March 2023 – Q & A

No.	Question	Answer
1	What are the potential revenue streams from demand side response service provision?	<p>Our current Ancillary Services are open to any participants who can meet the requirements of the services, we are continually working to understand barriers to entry and reduce as many as we can.</p> <p>Our Power Responsive programme is stakeholder-led facilitated by ESO, to stimulate increased participation in the different forms of flexible technology such as Demand Side Response (DSR) and storage. It brings together industry and energy users, to work together in a co-ordinated way. A key priority is to grow participation in DSR, making it easier for industrial and commercial businesses to get involved and to realise the financial and carbon-cutting benefits.</p>
2	Do you believe the £3000 MWh represents a fair price? What would you anticipate going forward 23/24?	We would welcome views on the GAP in our Call for input. Pages 10 to 13 in the Webinar slide pack show how the DFS GAP compares to other market prices.
3	<p>What is the logic behind not paid for service options?</p> <p>Did I see in your presentation that there may be a DFS solution that would work without any payment at all? If so, how would this work, is it the idea that the good citizen would just do it anyway?</p>	<p>Other TSOs have pursued non-payment options which have focused on other areas consumers value, like carbon saving or the “greater good” of helping out with system security.</p> <p>We are considering all of the routes and options that could be potential solutions. This has including understanding how other system operators have accessed demand flexibility. We also understand from our consumer engagement that consumers have participated in our service for other reasons than the financial incentives.</p>
4	During the DFS Show & Listen event there was a lot of discussion on providing DFS for assets having CM agreement. What is the current view on this going forward?	Depends on the path: enhanced vs. in-merit. If it's in merit, then it's likely we could explore this but would require moving it to an applicable balancing service which may be very challenging for this winter.
5	How much DFS are you looking to procure?	This will depend on the system conditions at the point the service is launched. ESO are keen to continue to support and grow flexibility across the board. Similarly, to this year ESO would seek to publish a market information report to share any indicative volumes should a potential service be developed.

6	Is there any tie in with the Rail sector and the impact on power demand of electrified lines? And the opportunity of any future battery/diesel hybrid to reduce demand at peak times?	We are open to supporting discussions with any sectors who would like to engage on our services and future flexibility.
7	How much did you end up spending for that 1.6GWh delivered? I don't think you mentioned how much this service has cost this winter to put it into "value for money" context - thanks.	<p>To date we have spent around £5.6M on tests events and around £3M on Live events. The settlements data, detailed by contracted period can be found in the ESO Data Portal for both tests events:  <a href="https://data.nationalgrideso.com/dfs/demand-flexibility-service-test-events/r/utilisation_report_summary_test">https://data.nationalgrideso.com/dfs/demand-flexibility-service-test-events/r/utilisation_report_summary_test</a></p> <p>And for Live events:  <a href="https://data.nationalgrideso.com/dfs/demand-flexibility-service-live-events/r/utilisation_report_summary_live">https://data.nationalgrideso.com/dfs/demand-flexibility-service-live-events/r/utilisation_report_summary_live</a></p>
8	Are you pleased with the scheme this winter? Did you generally get the response you wanted when holding events? More than expected? Not enough?	We are really pleased with the engagement from industry that this service has stimulated, and the learning that has been taken from this service.
9	What was the thinking behind excluding MPANs with frequency response from DFS since they serve different purposes and work on different timescales? Potential to unlock more industrial capacity if this can be changed.	We were looking for additional flexibility that the ESO does not currently have access to.
10	Flexibility is attempting to match load to generation with the constraints provided by the Network. This restricts offloading Wind Generation which only generate when wind is blowing, and where hydrogen storage expensive. So, has anyone looked at the optimum balance between extra network investment to reduce constraints and correspondingly require less generation investment?	<p>The Network Option Assessment (NOA) provides ESO's recommendation for which network reinforcement projects should receive investment - and when. While ESO provide economic recommendations for reinforcements that will enable the flow of electricity around the transmission system, to facilitate the evolving energy landscape, we are not responsible for making the final decision on what, where and when to invest.</p> <p>The Network Planning Review (NPR) has been established by the ESO to ensure that network design and investment processes in GB are fit for the future.</p> <p>To do this, the review seeks to ensure network planning processes appropriately capture the required range of network capacity and operability needs, and to understand how they can support a more strategic approach to planning the transmission network infrastructure that can support delivery of the UK's net-zero ambitions.</p>

11	When will you be engaging on customer research? Customer views is key in helping define the future approach.	We'll be in touch with all providers soon on the next steps for the customer (consumer) research. We will be asking providers to direct their customers to an online survey in April to understand and evaluate how consumers have participated and any barriers to participation.
13	Is there a consideration for a scheme to cover more than one season at a time to give the market more certainty going forward? Keep up the great work, and great to be involved!	<p>Thanks for the feedback. We'd welcome views and suggestions about how valuable the certainty is as part of the call for input.</p> <p>This is being considered and we are keen to hear from industry on how they foresee we could develop the current DFS designs.</p>
14	We welcome the Call for Input but a 2-week response window doesn't give organisations a lot of time to provide a thorough and considered response.	We appreciate this is a tight turnaround. However, implementing a potential service for winter 23/24 is already challenging. The formal process for launching an Ancillary Service once the service design is proposed takes a minimum of 6 months, with industry consultation, final drafting, regulatory approval and onboarding. This means we will have to prioritise what is taken forward for a winter 23/24 service. Meeting these timelines could require the launch of an Article 18 Industry Consultation with finalised Contract Terms and service design in May.
15	Are you planning on splitting DFS for the use cases mentioned earlier e.g. EVs vs white goods vs heat pumps or would you allow these actions to be seen equitably by a potential DFS market?	We'd welcome views and suggestions about how this can be best facilitated as part of the call for input.
16	Do you think that incentivising to charge up home battery system before the DFS so consumers can maximise the DFS periods	<p>Consumers charging their home battery system before the peak to minimise usage during the peak is in general a good thing to achieve the aims of DFS; namely to make demand lower over the period than it would otherwise have been.</p> <p>However, the within-day adjustment element of the baseline methodology means that this can effectively over-inflate the ascribed demand reduction, as the baseline looks artificially high due to the charging. Baselines is one of the key areas we're looking for suggestions for improvement on as part of our call for input.</p>

17	Is there not a risk of losing the momentum from consumers if the financial incentives are removed?	We have commissioned a research partner to help us evaluate DFS from consumer perspective. This will help our understanding of consumer motivations and inform the decisions we make. We'll work with providers with their customer research over the coming months and we aim to publish our final reports and datasets in early summer.
18	22/23 Winter priority was to bring on new flex MWs. When might priority switch to the "consumer value" objective?	The underlying aim for this winter was to provide options to enhance security of supply in the face of risks and uncertainties around gas supplies in Europe, which required us to focus on growing volume at a justifiable price. Consumer value is key for the ESO and this is why we are considering what are the next steps for the DFS and the different routes that can ensure consumer value. We are keen to hear in our call for input how to ensure a potential future service ensures and maximises consumer value.
19	Domestic consumers with V2G or batteries could have provided more capacity if export was included. Any plans to include this?	Export is allowed today; our data templates are designed to allow it. This means that the baseline and delivery values will be negative. V2G is likely impacted by boundary/asset metering rules rather than any limitation on exporting. The metering rules form part of the call for input that will inform the new iteration of the service.
20	Triads are currently providing a big chunk of demand side response. This was the last winter with high rates for import. How do you plan to respond to this in the coming winter?	Indicative triad data based on operational metering for this winter shows that there was 0MW of triad avoidance over the highest demand of this winter (46.1GW). On the other two triads, we estimate there was 200MW of avoidance. This information was presented in the <a href="#">OTF slides</a> on 01/03/2023.