



Call for input: The future of the Demand Flexibility Service (DFS)

Closing date: Monday 3rd April 10am

This is an offline version for viewing the questions that form part of the Call for input, please submit responses via the Microsoft Forms version: <https://forms.office.com/r/mSk7hPqPPS>

This call for input continues industry collaboration on demand flexibility and provides further opportunity for the market to share ideas and preferences around key topics as we continue to build and shape the future of demand flexibility. In our role as system operator, we understand the value flexibility offers and within this call for input, seek further collaboration from industry to support how we can strengthen the operational and economic value of such a service supporting balancing the system.

Through various feedback from individual providers and industry forums, we have a good indication of some of the challenges presented when accessing flexibility, and some potential areas of opportunity. This feedback was reinforced and explored in greater detail at our industry show and listen event in February.

Following our most recent industry update webinar on 16th March, we now have an opportunity to progress how we can overcome and remove some of the barriers facing industry and develop the opportunities that will maximise a potential future service.

Given the breadth of stakeholders engaged in the service, we're aware that there are a range of views on the future direction of this service and how it fits within the wider wholesale, retail and ancillary service markets. This call for input for demand flexibility will enable ESO to take a balanced view and shape the deep dive sessions as to what topics could deliver the most value and help tackle the largest challenges. This will also help us agree and prioritise the specific deep dive categories for our next workshops. The closing date for responses is 3rd April, however, we would welcome early submissions to allow us to review feedback and confirm the deep dive topics as soon as possible, anticipating that there will be a high level of engagement in the future of demand flexibility.

We appreciate this is a tight turnaround. However, as the timeline below sets out, 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.

The provisional dates for the deep dive workshops are as follows:

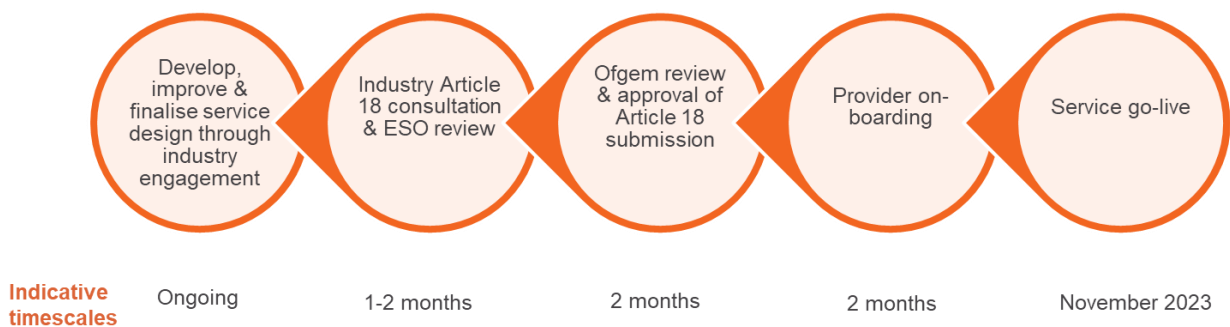
- Deep Dive Session 1 – 18th April 10:00 – 12:00
- Deep Dive Session 2 – 18th April 14:00 – 16:00
- Deep Dive Session 3 – 20th April 10:00 – 12:00
- Deep Dive Session 4 – 20th April 14:00 – 16:00

Invitation for these events along with the confirmed topics will be sent following a review of the Call for input. We reserve the right to share the information submitted as part of the Call for input with the regulator and collectively summarise across the portfolio of submissions for the purposes of outlining any DFS developments to industry.

We request that there is only one submission per organisation.

Sections of the Call for input:

- About you
- Priority ranking
- Commercial
- Delivery
- Process
- Rulebook
- Participation and protection
- Wider market initiatives
- Anything else to share



About you

| |
|---|
| Contact name |
| Contact number |
| Contact email |
| Job title |
| Organisation |
| Type of organisation |
| If you are a current provider for the DFS service, how much volume do you currently have signed up to DFS (in MW)? |
| Would you be interested in participating as a provider for a potential future demand flexibility service? |
| Does your organisation currently undertake its own flexibility service outside of the DFS? |
| How much volume do you currently have access to (in MW)? |
| Do you intend to progress this type of offering in the future with half hourly settlement and smart meter rollout? |
| Does your organisation currently participate in any other ancillary services markets including the Balancing Mechanism (BM)? |
| Acknowledging the challenging timescales for a potential winter 22/23 service shared at the beginning of this Call for input, would participants prefer to have more time upfront for engagement on the development of the ESO service design and reduce the 2 months for provider onboarding or continue with the current proposed 2 months for onboarding and engagement timescales. If so by how much? |

Priority ranking

Through our workshops and industry engagement to date, the topics below represent the main challenges and opportunities we have heard regarding development of a potential future service. Based on the current DFS, please select your 5 highest priorities to explore improvements for a potential future Demand Flexibility Service. In the other option please add any other topics you have identified that are not listed.

| | |
|---|---|
| <input type="checkbox"/> Alignment with Balancing Mechanism & Ancillary Services (timescales, price points, processes etc) | <input type="checkbox"/> MPAN process/duplication resolution |
| <input type="checkbox"/> Baseline methodology (inclusion of a within day adjustment etc) | <input type="checkbox"/> Process improvements & automation |
| <input type="checkbox"/> Bidding process & mechanism (linking bids, mutually exclusive bids, pay as bid vs pay as clear, virtual units etc) | <input type="checkbox"/> Supplier-led vs. ESO-led vs. National alert options |
| <input type="checkbox"/> Boundary vs. asset metering | <input type="checkbox"/> Tests: role and number of tests |
| <input type="checkbox"/> Closer to real-time procurement/dispatch | <input type="checkbox"/> Locational element |
| <input type="checkbox"/> Consumer elective half-hourly settlement | <input type="checkbox"/> Turn-up and turn-down |
| <input type="checkbox"/> Event opt-in (opt-in vs opt-out) | <input type="checkbox"/> Maintaining consumer engagement including marketing consent (classification of DFS as a product vs service for contacting consumers) |
| <input type="checkbox"/> Driving consumer participation and exploring consumer incentives | <input type="checkbox"/> Applicable Balancing Services Volume Data (ABSVD) for half-hourly settled MPANs (impact for HH settled MPANs and non-HH settled MPANs) |
| <input type="checkbox"/> Guaranteed Acceptance Price (GAP) & price discovery | <input type="checkbox"/> Other |

Commercial

The commercial structure of the DFS for Winter 22/23 was designed to stimulate the market and support organisations moving at pace to deliver volume. Analysis from year one (winter 2022/2023) suggests a need to reduce, remodel or remove the Guaranteed Acceptance Price (GAP) to ensure value for end consumers. Please share your thoughts regarding shaping future commercial terms of the DFS.

Please indicate preference for whether this service should progress as an enhanced action (taken after all other normal ESO actions are expected to have been taken) or transition towards a commercial in-merit service competing against other ESO actions, and why.

For our first year of the DFS the terms offered up to 12 tests with a GAP of £3000/MWh, and no GAP was applied for Live events. What role, if any, do you think tests should play in a future service and what role do you think a GAP should play? (Does the current DFS GAP deliver consumer value? How could an enhanced action service GAP be determined, e.g. a market linked GAP? An in-merit commercial service would not require a GAP.)

As part of developing a potential future service, ESO would like to see greater price discovery. What mechanisms/options could we consider to facilitate this, for both tests and real events? What other bidding mechanisms do you think could be suitable to introduce to encourage price discovery? E.g. linked bids, mutually exclusive bids, virtual units, pay as bid vs pay as clear utilisation and/or availability payments.

The current DFS does not have penalties for over or under delivery and pays for actual delivery. Some market participants have indicated that penalties or incentives for accurate delivery by providers might be appropriate. If penalties were included for a future service, what would be the barriers/impacts of this? Do you have suggestions for how we could ensure certainty in the delivery of the procured volume?

As flexibility delivery evolves, would parties see commercial benefit in grouping flexibility types within their delivery portfolio. E.g those actions that are automated vs manual consumer/industry actions. Please share any insights.

How do you view the wider market impact of the current DFS (both anticipation of it being called and use of the service for real events vs tests) on wholesale prices and cash-out price? How could we improve/reduce any impacts of the DFS on these market prices?

Delivery

The DFS was developed to be a day-ahead enhanced action for winter 22/23. One of ESO's ambitions for a future DFS would be to explore a service closer to real time. This could provide us with significantly greater operational certainty over requirements when instructing the service, enhancing the value the DFS delivers. This section seeks to focus on whether/how this could be achieved.

If you took part as a provider for the current DFS Winter 22/23 service, did you test consumer responses closer to real time? Please share any results and learnings below.

What are your thoughts on a potential future service moving to closer to real-time procurement and dispatch? From a commercial perspective are there any considerations participants would like to flag when considering such a development? How would this impact both provider and consumer participation?

Does industry anticipate that moving within day would provide them with greater certainty around delivery volumes. Please share insights on this topic. Please also indicate your views on what dispatch timescales would facilitate the greatest volume participation (assuming core dispatch across evening peaks). For example, how would you expect volumes to change if they were called at: 24hrs, 12hrs, 6hrs, 4hrs, 2hrs, 1hr or 30 min lead-time?

To date, DFS has operated by running a tender process with set timescales. Would participants be interested in exploring a more flexible procurement option such as an optional call off or ad-hoc auctions to support the ESO's balancing needs, like some of our other ancillary services markets? For example, prices and availability are submitted ahead of time and ESO dispatches when required based on pre-determined delivery/response times. Please share your thoughts on this.

Process

The DFS for winter 22/23 was developed under a significantly compressed timeline and the processes were stood up at pace to facilitate implementation and delivery. As we continue to support and grow flexibility, improving the processes associated with how a future service may operate is a key consideration. Timescales to launch a potential future service this winter 23/24 could also be challenging, and we will face a number of constraints should this route be progressed. We welcome insights into the below questions around process and proposals, acknowledging such constraints will come into play.

Would there be any minor adjustments to the current processes that would deliver benefits? If so please articulate which process and why.

Please provide a view on the continued use of our Single Market Platform (SMP) to onboard for a future DFS for areas such as contracts, company registration and unit registration?

Does the current structure of submitting files to a sharepoint site provide a feasible solution for winter 23/24? Please share any considered viable alternatives. In an ambition to move a potential future service to within day, would the current submission process for prices and availability still be fit for purpose (acknowledging timings would change)? Please share insights behind this.

ESO do not currently receive real time/close to real time view of delivery. If a solution could facilitate an aggregated metering feed could your organisation provide such information and under what granularity/latency?

Rulebook

Through our engagement with providers on the current DFS, we have a sound understanding of the challenges and concerns parties hold such as MPANs and baselines, many of which were because of the compressed timescales. In this section we seek to explore proposals and potential solutions as to how we could take these topics forward for a potential future service.

Whilst we do have the opportunity to review these, significant amendments such as building new platforms or running tenders to select partners may not be feasible for this winter 23/24 and we ask parties to be cognisant of such factors when sharing their proposals.

Do you have any specific recommendations to amend the current baseline methodology which you believe would provide benefits such as reduced gaming risk, enhanced accuracy, reducing perverse incentives and ease of application? We welcome thoughts on the assumption a future service is dispatched within day. Are there any additional considerations regarding baselines and performance verification you believe that need to be catered for in moving a future service to within day?

What developments and enhancements could parties foresee being beneficial for providers in managing/resolving their customer base regarding multiple sign ups and customer ownership resolution?

Under the current rules for DFS, it is not permitted to use asset metering. ESO are aware of ongoing work regarding Measuring Instrument Regulations and the impact this potentially has on the ability of asset meters to participate in ESO services. Please share your views on the impact of this on your business and delivery volumes for a future DFS, and the type of flexibility it could unlock.

What role do you see consumer elective half hourly settlement playing in ensuring the right incentives are in place for providers and end consumers, and any other benefits and challenges that would arise from adopting elective half hourly settlement?

Participation and protection

ESO have been pleased to see a high level of consumer/industry engagement in the DFS and are keen for this to continue. It is important that consumers/businesses are able take part in the energy system and that protections are in place so they are able to participate safely when shifting energy demand.

What are the key areas ESO should consider to enable wider access for consumers, and to ensure they receive a fair, clear service across what we foresee as being a competitive marketplace. Also recognising that providers (rather than ESO) own the direct relationship with end consumers, what additional support is needed for providers and/or consumers. We welcome insights and thoughts on how to enable and facilitate increased participation in the service.

Access to volume within the DFS has been a key driver for ESO for winter 22/23. What barriers could be removed in addition to the areas already outlined in this call for input to increase the volume participation in a potential future DFS, can we increase participation from consumers/businesses and reach a wider audience to unlock more volume?

The current DFS model requires access to half hourly data so we can confirm demand reduction but limits access for the wider public who may not have access to a fully working smart meter. Do you have any proposals on how we could enable wider access while still maintaining the ability to know what was delivered at the times the ESO required the flexibility?

Do you have any views on the fairness of incentives for consumers given the range of benefits / incentives offered by different providers? What incentives, other than financial, have you experienced consumers participating in the DFS for, such as supporting stability of the system or reducing carbon impact?

How can ESO/industry support consumers choice and switching between DFS providers more freely and in a timely manner? What information or service provision do you think is required to mitigate issues of MPAN duplication?

We will be conducting a Consumer Evaluation of the DFS which will be feeding into the development of the DFS. What learning have you taken from your customers that can be shared? What further guidance is required to support accurate information and protection to support consumers?

Wider market initiatives

Are you aware and informed about the upcoming consultation for the launch of our new Reserve services, that offer both positive and negative delivery? <https://www.nationalgrideso.com/industry-information/balancing-services/reserve-services>

If you are an existing provider, do you intend to migrate any of your current volumes to these new markets next winter?

Have you considered offering flexibility into the Balancing Mechanism (BM) through our Wider Access scheme? <https://www.nationalgrideso.com/industry-information/balancing-services/balancing-mechanism-wider-access> What are the barriers for offering flexibility into the BM and how can ESO help support removing these?

Are you familiar with the various trials/innovation projects underway helping to unlock flexibility, e.g. Electric Vehicles into the BM and Crowdflex (<https://www.nationalgrideso.com/future-energy/virtual-energy-system/crowdflex>)?

ESO are encouraged to see a number of early adopters delivering their own flexibility services to their customers. Is there any support ESO can offer to help drive and grow industry led markets/initiatives around flexibility?

Anything else to share

We really value you taking the time to complete this Call for input. Is there anything else that has not been discussed above or in our engagement to date that you would like to provide insights or suggestions on regarding a potential future DFS?

Next steps

ESO will be reviewing all submissions following the deadline to help inform and shape the deep dive sessions. If you have any further questions, please reach out to your account manager or demandflexibility@nationalgrideso.com.

We thank all the parties who have taken the time to consider and feed into this detailed call for input. ESO value the collaboration and this information will be vital to ensure the success of future flexibility services in the ESO.