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14th June 2023

## **Demand Flexibility Service Terms and Conditions**

Dear Industry and Colleagues,

In accordance with Commission Regulation (EU) 2017/2195 of 23 November 2017 (as converted into retained EU law) (EBR), National Grid ESO is proposing to amend its terms and conditions relating to balancing specifically to update the terms and conditions for its Demand Flexibility Service (DFS).

Last winter the DFS product was well-received by industry and the general public alike, and the ESO have identified the need to run a DFS product again this winter and beyond. As such we have developed a revised DFS to allow us to access this capability again. During periods of scarcity, voluntary demand reduction could free up generation capacity for the ESO to use to meet remaining demand plus our reserve requirements ensuring safe and secure operation of the system.

Therefore, we will introduce a revised DFS which will be operational from November 2023. DFS will continue as an enhanced action, which is to be used only when we have, or expect to, exhaust our everyday actions. This offers the ESO additional access to flexibility during times of system stress.

In accordance with EBR, the ESO is now consulting on the new terms and conditions for DFS, and the consultation will be undertaken from 14th June 2023 to the 17th July 2023.

Please respond by 17<sup>th</sup> July 2023 using the proforma available on our website to

[Demandflexibility@nationalgrideso.com](mailto:Demandflexibility@nationalgrideso.com)

If you have any queries regarding this proposal, please contact us via [Demandflexibility@nationalgrideso.com](mailto:Demandflexibility@nationalgrideso.com).

Yours sincerely,

Kyle Martin  
Electricity Market Change Delivery Manager



## Annex 1

### EBR Article 18 mapping for Demand Flexibility Service Terms and Conditions

*Please note: In accordance with EBR Article 18, this table provides references to relevant parts of the GB codes and additional contractual terms and conditions which place obligations on registered service providers.*

***This document does not constitute compliance with Article 18 of the EBR. Its purpose is to demonstrate where Terms and Conditions for Demand Flexibility are in the scope of EBR Article 18. Where there is any conflict between this document, the GB codes and the additional contractual terms and conditions, the GB codes and the additional contractual terms and conditions shall take precedence.***

**Table 1**

<b>Article</b>	<b>Text</b>	<b>Code or Document</b>	<b>Section</b>
<b>18.2</b>	The terms and conditions pursuant to paragraph 1 shall also include the rules for suspension and restoration of market activities pursuant to Article 36 of Regulation (EU) 2017/2196 and rules for settlement in case of market suspension pursuant to Article 39 of Regulation (EU) 2017/2196 once approved in accordance with Article 4 of Regulation (EU) 2017/2196.	Grid Code	OC9.4
		BSC	G3
<b>18.4</b>	The terms and conditions for balancing service providers shall:	-	-
<b>18.4.a</b>	Define reasonable and justified requirements for the provisions of balancing services;	DFS Procurement Rules & Service Terms	<b>DFS Procurement Rules</b> 6 – DFS Operational Baselines 8 – Weekly indicative forecasts 11 – Submission of DFS Bids 15 – Delivery of DFS  <b>DFS Service Terms</b> 5 – Service Delivery
		BSC	BSC Section A, H3, H4.2, H4.7, H4.8, H5.5, H6, H10, J3.3, J3.6, J3.7 and J3.8

<i>Article</i>	<i>Text</i>	<i>Code or Document</i>	<i>Section</i>
		CUSC	Section 4.1.3
<b>18.4.b</b>	allow the aggregation of demand facilities, energy storage facilities and power generating facilities in a scheduling area to offer balancing services subject to conditions referred to in paragraph 5 (c);	BSC	K3.3, K8, S6.2, S6.3 and S11
		Grid Code	DRSC 4.2, BC1.4
		DFS Procurement Rules & Service Terms	<b>DFS Procurement Rules</b> 4 - Registration of DFS Units  Schedule 2 – Registration and Pre-Qualification Procedure
<b>18.4.c</b>	allow demand facility owners, third parties and owners of power generating facilities from conventional and renewable energy sources as well as owners of energy storage units to become balancing service providers;	BSC	K3.2, K3.3, K8
		DFS Procurement Rules & Service Terms	<b>DFS Procurement Rules</b> 4 - Registration of DFS Units  Schedule 2 – Registration and Pre-Qualification Procedure
<b>18.4.d</b>	require that each balancing energy bid from a balancing service provider is assigned to one or more balance responsible parties to enable the calculation of an imbalance adjustment pursuant to Article 49.	BSC	T4, Q7.2, Q6.4
<b>18.5</b>	The terms and conditions for balancing service providers shall contain:	-	-
<b>18.5.a</b>	the rules for the qualification process to become a balancing service provider pursuant to Article 16;	DFS Procurement Rules & Service Terms	<b>DFS Procurement Rules</b> 4 – Registration of DFS Units 5 – Registration as Registered DFS Participant Schedule 2 – Registration and Pre-Qualification Procedure
		Grid Code	BC5, BC4.4.2
		CUSC	Section 4.1
		BSC	J3.3, J3.6, J3.7, J3.8, K3.2, K3.3 and K8
<b>18.5.b</b>	the rules, requirements and timescales for the procurement and transfer of balancing capacity pursuant to Articles 32, 33 and 34;	-	-

<b>Article</b>	<b>Text</b>	<b>Code or Document</b>	<b>Section</b>
<b>18.5.c</b>	the rules and conditions for the aggregation of demand facilities, energy storage facilities and power generating facilities in a scheduling area to become a balancing service provider;	DFS Procurement Rules & Service Terms	<b>DFS Procurement Rules</b> 4 - Registration of DFS Units  Schedule 2 – Registration and Pre-Qualification Procedure
		BSC	K3.3 and K8
		Grid Code	BC1.4 and BC1.A.10
<b>18.5.d</b>	the requirements on data and information to be delivered to the connecting TSO and, where relevant, to the reserve connecting DSO during the prequalification process and operation of the balancing market;	DFS Procurement Rules & Service Terms	<b>DFS Procurement Rules</b> 4 – Registration of DFS Units 5 – Registration as Registered DFS Participant 6 – DFS Operational Baselines 8 – Weekly Indicative Forecasts 11 – Submission of DFS Bids Schedule 2 – Registration and pre-qualification Schedule 3 – DFS Operational Baselines  <b>DFS Service Terms</b> 6 – Performance Data 8 – Payment Procedure
		BSC	BSC Section O
		Grid Code	DRC, BC5 BC1.4,
		CUSC	Section 4.1.3.14 and 4.1.3.19
<b>18.5.e</b>	the rules and conditions for the assignment of each balancing energy bid from a balancing service provider to one or more balance responsible parties pursuant to paragraph 4 (d);	BSC	T4
		DFS Procurement Rules & Service Terms	<b>DFS Procurement Rules</b> 15 – Delivery of DFS  <b>DFS Service Terms</b> 18 – Assignment
<b>18.5.f</b>	the requirements on data and information to be delivered to the connecting TSO and, where relevant, to the reserve connecting DSO to evaluate the provisions of balancing services pursuant to Article 154(1), Article 154(8), Article 158(1)(e), Article 158(4)(b), Article 161(1)(f) and Article 161(4)(b) of Regulation (EU) 2017/1485;	DFS Procurement Rules & Service Terms	<b>DFS Service Terms</b> 6 – Performance Data
		Grid Code	Grid Code BC1.4, BC1.A.10,
		CUSC	4.1.3.19
<b>18.5.g</b>	the definition of a location for each standard product and each specific product taking into account paragraph 5 (c);	Grid Code	BC1.4

<b>Article</b>	<b>Text</b>	<b>Code or Document</b>	<b>Section</b>
<b>18.5.h</b>	the rules for the determination of the volume of balancing energy to be settled with the balancing service provider pursuant to Article 45;	BSC	BSC T3
<b>18.5.i</b>	the rules for the settlement of balancing service providers defined pursuant to Chapters 2 and 5 of Title V;	DFS Procurement Rules & Service Terms	<b>DFS Service Terms</b> 8 – Payment Procedure Schedule 1 – Utilisation payments Schedule 2 – Payment provisions
		BSC	T1.14, T3 and U
		CUSC	Section 4.1.3.9 and 4.1.3.9A
<b>18.5.j</b>	a maximum period for the finalisation of the settlement of balancing energy with a balancing service provider in accordance with Article 45, for any given imbalance settlement period;	DFS Service Terms	<b>DFS Service Terms</b> 8 – Payment Procedure Schedule 1 – Utilisation payments Schedule 2 – Payment provisions
		BSC	U2.2
		CUSC	Section 4.3.2.6
<b>18.5.k</b>	the consequences in case of non-compliance with the terms and conditions applicable to balancing service providers.	DFS Procurement Rules & Service Terms	<b>DFS Procurement Rules</b> 5 – Registration as Registered DFS Participant 11 – Submission of DFS Bids  <b>DFS Service Terms</b> 12 – Provision of Other Services
		BSC	H3, Z7 and A5.2
		CUSC	Sections 4.1.3.9, 4.1.3.9A and 4.1.3.14
<b>18.6</b>	The terms and conditions for balance responsible parties shall contain:	-	-
<b>18.6.a</b>	the definition of balance responsibility for each connection in a way that avoids any gaps or overlaps in the balance responsibility of different market participants providing services to that connection;	BSC	K1.2, P3 and T4.5
<b>18.6.b</b>	the requirements for becoming a balance responsible party;	BSC	A, H3, H4.2, H4.7, H4.8, H5.5, H6, H10, J3.3, J3.6, J3.7, J3.8,, K2, K3.3 and K8

<b>Article</b>	<b>Text</b>	<b>Code or Document</b>	<b>Section</b>
<b>18.6.c</b>	the requirement that all balance responsible parties shall be financially responsible for their imbalances, and that the imbalances shall be settled with the connecting TSO;	BSC	N2, N6, N8, N12, and T4,
<b>18.6.d</b>	the requirements on data and information to be delivered to the connecting TSO to calculate the imbalances;	BSC	BSC Section O, Q3, Q5.3, Q5.6, Q6.2, Q6.3, Q6.4
		Grid Code	BC1.4.2,3,4, BC1 Appendix 1 BC2.5.1,
<b>18.6.e</b>	the rules for balance responsible parties to change their schedules prior to and after the intraday energy gate closure time pursuant to paragraphs 3 and 4 of Article 17;	BSC	P2
		Grid Code	BC1.4.3,4,
<b>18.6.f</b>	the rules for the settlement of balance responsible parties defined pursuant to Chapter 4 of Title V;	BSC	T4, U2
<b>18.6.g</b>	the delineation of an imbalance area pursuant to Article 54(2) and an imbalance price area;	-	<i>GB constitutes one imbalance area and imbalance price area and they are equal to the synchronous area</i>
<b>18.6.h</b>	a maximum period for the finalisation of the settlement of imbalances with balance responsible parties for any given imbalance settlement period pursuant to Article 54;	BSC	U2.2
<b>18.6.i</b>	the consequences in case of non-compliance with the terms and conditions applicable to balance responsible parties;	BSC	H3,Z7 and A5.2
<b>18.6.j</b>	an obligation for balance responsible parties to submit to the connecting TSO any modifications of the position;	BSC	P2
<b>18.6.k</b>	the settlement rules pursuant to Articles 52, 53, 54 and 55;	BSC	T4, U2
<b>18.6.l</b>	where existing, the provisions for the exclusion of imbalances from the imbalance settlement when they are associated with the introduction of ramping restrictions for the alleviation of deterministic frequency deviations pursuant to Article 137(4) of Regulation (EU) 2017/1485.	Deterministic frequency deviation is a continental European concept and is not a characteristic of the GB system. Therefore, this requirement does not apply to GB.	N/A

**Non- Mandatory elements**

<b>Article</b>	<b>Text</b>	<b>Comment</b>
<b>18.7. a</b>	a requirement for balancing service providers to provide information on unused generation capacity and other balancing resources from balancing service providers, after the day-ahead market gate closure time and after the intraday cross-zonal gate closure time;	NG ESO does not expect to require this from Balancing Service Providers.
<b>18.7. b</b>	where justified, a requirement for balancing service providers to offer the unused generation capacity or other balancing resources through balancing energy bids or integrated scheduling process bids in the balancing markets after day ahead market gate closure time, without prejudice to the possibility of balancing service providers to change their balancing energy bids prior to the balancing energy gate closure time or the integrated scheduling process gate closure time due to trading within intraday market;	NG ESO does not expect to require this from Balancing Service Providers, except where balancing capacity or energy has been contracted. Although in the BM defaulting rules apply if data is not updated, there is no legal requirement for parties to offer unused generation capacity or any other balancing resource.
<b>18.7. c</b>	where justified, a requirement for balancing service providers to offer the unused generation capacity or other balancing resources through balancing energy bids or integrated scheduling process bids in the balancing markets after intraday cross-zonal gate closure time;	NG ESO does not expect to require this from Balancing Service Providers, except where balancing capacity or energy has been contracted. Although in the BM defaulting rules apply if data is not updated, there is no legal requirement for parties to offer unused generation capacity or any other balancing resource.
<b>18.7. d</b>	specific requirements with regard to the position of balance responsible parties submitted after the day-ahead market timeframe to ensure that the sum of their internal and external commercial trade schedules equals the sum of the physical generation and consumption schedules, taking into account electrical losses compensation, where relevant;	NG ESO does not expect to require this from Balancing Service Providers. No BSC party is required to contract to match its Final Physical Notifications (FPNs).
<b>18.7. e</b>	an exemption to publish information on offered prices of balancing energy or balancing capacity bids due to market abuse concerns pursuant to Article 12(4)	NG ESO does not expect to require this exemption. Such data is published on BMRS.
<b>18.7. f</b>	an exemption for specific products defined in Article 26(3)(b) to predetermine the price of the balancing energy bids from a balancing capacity contract pursuant to Article 16(6)	A derogation has been sought under Regulation (EU) 2019/943 Article 6(14) from the requirements of Regulation (EU) 2019/943 Article 6(2) and this is pending Ofgem approval.
<b>18.7. g</b>	An application for the use of dual pricing for all imbalances based on the conditions established pursuant to Article 52(2)(d)(i) and the methodology for applying dual pricing pursuant to Article 52(2)(d)(ii).	NG ESO does not expect to apply for the use of dual pricing for all imbalances. A single imbalance price was adopted by the GB market in November 2015.