

Demand Flexibility Service (DFS)

Pre-consultation webinar Q&A summary

9th June 2023

Role of DFS

Q: How exactly does DFS bridge the gap to Market Wide Half Hourly settlement (MWHHS)?

A: Once Market Wide Half Hourly Settlement comes in, there is an expectation that more time of use/intelligent tariffs will enter the market. DFS is encouraging consumers to engage with their energy and be more flexible in their use of electricity - pathing the way for different tariffs such as time of use tariffs/intelligent tariffs. DFS has provided consumers with a level of understanding that value/prices of electricity is linked and high over the peak, especially in winter.

Q: If DFS evolves to have a locational element and demand turn up, do you see this an evolution of the ESO B6 LCM service that could be used for constraints?

A: We need to understand the overlap and impact that such development would have with the Local constraint market project.

Q: Will a separate formal consultation be needed for turn up or locationality? Or can this be included with needed e.g., ofgem approval?

A: Should ESO seek to add the ability to offer turn up as part of this service it would need to go through the same consultation process. We recognise that our new reserve services are scheduled to have both a positive and negative element. We will continue to work with industry to develop these proposals and options to develop our design proposals.

Commercials

Q: Last winter there was no over delivery penalty and DFS session with 2 x over delivery led to cash out price 3x higher than it should have been. Has this been fixed?

A: The impacts of enhanced actions on the cash-out price are being considered by the ESO as part of wider projects, and we will take on board their feedback into our overall strategy for DFS.

Q: Will there be a price difference between the day ahead (DA) and Within Day dispatch?

A: For live events, depending on the required volume and offered volume, there could be a difference in price. For test events, we are likely to keep the price the same for the different dispatch times so that we can control the variables to understand the volume impacts, at least for the initial tests. However, we will confirm our approach in our Market Information Report.

Q: Clarity on minimum number of tests is needed to bring customers to DFS. This info should be provided early so we can judge the minimum value of DFS participation.

A: We understand that clarity on Tests is key for driving participation and provider engagement. We will look to share this information over the summer to give providers more certainty on DFS development.

ESO

Q: Doesn't the Guaranteed Acceptance Price (GAP) also represent a perverse incentive? If you can make 10x market prices by not using energy, doesn't that drive the over delivery we've seen?

A: We want to incentivise an actual reduction in demand compared to what demand would have been without DFS existing. The GAP represents a direct, desired incentive for that turn-down.

Q: Was there any evidence for perverse incentive and was it significant in terms of impacting consumption patterns?

A: We received feedback from industry that these activities were being undertaken and there was also social media coverage from consumers on this topic. Further consumer analysis is underway and will be shared as part of the Consumer Evaluation to be released in July.

Q: What are the specific anti-gaming provisions please? Asking providers to regulate themselves doesn't inspire confidence in market integrity.

A: ESO has expanded a number of our contractual terms to mitigate any risk of perverse behaviour. We recognise that one of these was placing additional obligations upon the providers themselves alongside all the other mechanisms. We have also sought direct feedback within the consultation pro forma.

Q: I suspect the mandating of Suppliers to share their incentives may need significant GDPR and Commercial considerations.

A: We welcome feedback on this topic as part of the consultation that is open.

Eligibility

Metering

Q: Do you not feel that the asset metering change is just complicating the process which already has a short timeframe for being signed off?

A: We have received feedback that opening up the service to asset metering will facilitate more participation in DFS, and we want to reduce those barriers to entry. Participants can still enter with the boundary meter if they wish; the sub-metering option just adds additional choice and access.

Q: Why do you want to include both the asset meter and the boundary meter of the same site? Surely, you should only use the most disaggregated meter?

A: We would only allow either the boundary meter OR and asset meter(s).

Q: What about households in apartment buildings who go through a building energy supplier, without an MPAN?

A: Each household and related MPAN can only take part with one DFS provider only. For the ESO to be able to verify delivery of electricity reduction, households must have a smart meter enabled with sending meter readings in 30-minute increments.

Q: Considering that asset-metering is allowed then a smart meter is no longer needed?

A: As per the DFS requirements, we will require Half Hourly metering data and for many domestic households that will usually mean a smart meter.

ESO

Q: Asset metering rules seem very favourable towards I&C - how can residential flex meet these standards?

A: The asset metering rules are the same for both Domestic and for Industrial & Commercial.

Q: What would happen if a consumer was unaware that an asset meter was in DFS and wanted to participate for their boundary meter? How is this prioritised?

A: The provider needs to ensure that the consumer has opted in to participate in DFS as a whole, whether via an asset meter or their boundary meter and be clear how to de-register if the consumer wishes to. The latest sign-up/opt in will "own" the consumer. Note providers must also have timestamp information of when the customer actively made this choice.

Q: Does a private wire supply count as a boundary meter or asset meter?

A: Please provide more information so we can advise you directly. Our contact details can be found at the end of this document.

Stacking

Q: Can we use asset metering to put some assets in frequency response and some in DFS?

A: No; any assets participating in other services (e.g., ESO/DSO) can continue to participate in those services but would not be allowed in to DFS. Asset meters with no other ancillary service contracts can participate.

Q: Is there an exclusivity clause in this service? Can suppliers/aggregators stack this service with DNO flexibility services?

A: The procurement rules do not allow stacking with any ESO or DSO services.

Q: If you are providing another ancillary service, can you post non-delivery in these (without withdrawing completely) and proceed to deliver in DFS?

A: No; if you are registered to provide another service you will not be allowed to participate in DFS

Q: If a boundary meter is in the CM for a generation unit, but load behind boundary (not CM) is asset metered and meets requirements, can the asset meter enter DFS?

A: No; as the boundary meter is in the CM (or a Balancing Service or equivalent DNO service) then we would not allow the asset meter to participate.

Q: Can partial MW be offered - for example 1.5MW as opposed to whole MW only?

A: We will require whole number bids, as this aligns with our other services.

Process

ABSVD

Q: What is ABSVD?

A: ABSVD stands for Applicable Balancing Services Volume Data. When sites deliver certain services (e.g. DFS), they naturally deliver energy around their already contracted position. Deviating from their market position results in an imbalance. Any imbalance volume is usually paid for at the system price. ABSVD process helps to identify this volume allocating the imbalance charges.

ESO

Q: What does ABSVD change mean for I&C? What is the impact?

A: For Industrial and Commercial, ABSVD will apply to the Half Hourly (HH) settled volume via P354 ABSVD process at MPAN level. This will remove the needs for you to provide BMU IDs for the delivered volume. ESO will ensure guidance around ABSVD is expanded and clear in our updated guidance document.

Q: How can you provide ABSVD as a participant, without being a supplier to the MPANs you are registering in your DFS unit? Does this prevent participation?

A: For **Domestic volume**, ABSVD will only apply to the HH Settled volume if the end consumer signs up to participate in the DFS with its Supplier using the BMU ABSVD process (at BMU ID level). Meaning that Aggregators or other participants that are not the Supplier will not require to ABSVD if it's a Domestic customer. For **Industrial and Commercial volume**, ABSVD will apply to the HH settled volume via P354 ABSVD process at MPAN level. There is no requirement for I&C to provide BMU IDs for the delivered volume but Import and Export MPANs. ESO will ensure guidance around ABSVD is expanded and clear in our updated guidance document.

Q: How exactly does ABSVD apply at MPAN level for I/C as opposed to domestic volume?

A: For **Industrial and Commercial** we will apply P354 ABSVD process, requiring DFS participants to provide MPAN pairs, customer consent to use MPAN (Yes/No), date which DFS participant will have control of MPAN and delivered volume. On the other hand, **Domestic volume** ABSVD will apply to the HH Settled volume if the end consumer sign up to participate in DFS with its Supplier using the BMU ABSVD process. Requiring DFS participants to provide delivered volume at BMU ID level. ESO will ensure guidance around ABSVD is expanded and clear in our updated guidance document.

Q: I don't understand the rational for Suppliers to have to ABSVD their own volume, yet aggregators can remove volume from a parties' portfolio causing imbalance?

A: This will still apply but via a separate process. This has been implemented to minimise or overcome market data availability limitations we observed in DFS 22/23 like lack of BMU ID/MPAN database and Domestic HH Settled status per MPAN. ESO plans to apply Applicable Balancing Services Volume Data (ABSVD) process to HH-settled volumes covering 1) the Industrial and Commercial (I&C) consumers via P354 ABSVD process at MPAN level (No BMU ID aggregation) and 2) Domestic consumers whose MPAN is signed up to provide DFS with supplier, via BMU ABSVD process.

Q: If a Supplier has an MPAN in its ABSVD list and receive a duplicate notification I don't believe there would be enough time to remove it from our ABSVD list?

A: Please share your feedback directly with us or as part of the consultation process for further consideration.

API

Q: Would be beneficial for API details to be available much. When will the API documentation be ready to share?

A: We will share details of the specification as soon as they are available. Currently we are aiming to release the API details by the end of July/early August.

ESO

Q: Will the new API be able to separate and handle the new three service windows allowing us to bid and redeclare availability?

A: Yes, the API can be used for each event, regardless of the lead time that we used to procure the volume. We will only use one of the three lead times for each procurement window. There is no need to redeclare availability as we are removing the within-day forecast submission.

Q: Will there be a lookup API to find the BMU ID for an MPAN? (So that ABSVD can be calculated)

A: No, this will not be required, for the following reasons: **For Industrial and Commercial**, ABSVD will apply to the HH settled volume via P354 ABSVD process at MPAN level. There is no requirement for I&C to provide BMU IDs for the delivered volume. For **Domestic**, they will not be a requirement for aggregators to look up BMU ID as ABSVD will only apply if the end consumer sign up to participate in the DFS with its Supplier.

Dispatch times

Q: How will the new lead times work? Will each event have a different lead time?

A: Each procurement event will only use one dispatch time. If we have a requirement for tomorrow at 4pm we would only procure today at 2:30 OR tomorrow 9am OR tomorrow 12pm.

Q: Can ESO use a combination of multiple dispatch timeframes? I.e., procure initial at day ahead and then seek additional volume in-day- would give more flexibility

A: No there will only be one procurement period. (See answer above)

MPANs

Q: How can you validate a time stamp from a supplier?

A: The Provider Guidance Document will outline the data requirements from Providers. The ESO can request information for monitoring purposes at any time. Any fraudulent information will invalidate the contract and the ESO reserve the right to remove the provider from the service.

Q: The “upfront” opt in or opt out. Is that an upfront decision by the provider or the consumer?

A: At the point of registration each unit meter must be submitted as someone who needs to actively opt-in to each event, or to actively opt-out of if each event. This will affect whether demand increases are included in the total volume delivered or not

Q: Will an MPAN be considered “live” after checks at D+1 or longer?

A: It is considered live after the daily check for duplications/conflicts.

Other process questions

Q: Why are within-day forecasts being removed? Doesn't that make an DFS even less reliable and A: predictable, leading to even higher balancing costs?

A: This is to mitigate the perverse incentives created by the baseline methodology - see slides 37-40 in the pre consultation webinar

ESO

Q: Will providers need to requalify for winter 2023/24?

A: Providers will be required to sign-up to the new procurement documentation as part of the onboarding process, but we will work with providers from this year and any new providers on this process during onboarding.

Q: Customers had issues when switching supplier during the DFS and couldn't look up who they were registered with. Has this been resolved?

A: We are requiring providers to give consumers clear and accurate information. This includes how to register and de-register from DFS with each provider and state that consumers/households can only participate with one provider at any one time. We recognise it is important for providers to ensure their customer journey is clear for their customer base.

Consumer evaluation

Q: Why were non-domestic customers not contacted for consumer feedback? I thought NGENSO wanted to increase DFS volumes and encourage non-domestic customers into DFS

A: The consumer evaluation has only approached domestic consumers. We'll continue to seek feedback through programmes such as Power Responsive to understand how non-domestic consumers participate and the challenges/barriers they may face.

Q: When will the consumer feedback be published? Thanks

A: Early July. Details of the date and webinar will be published on our website shortly

Consultation

Q: Is DFS definitely happening this winter? If not, what needs to happen for DFS to be fully confirmed?

A: The DFS is subject to a formal consultation which launched on 14.06.23. A decision from our regulator Ofgem will be shared around mid-September.

Q: Based on the timescales noted, when will onboarding begin? It's hard to determine when NGENSO will have a final service specification which providers can design/build against.

A: We will share a Participation Guidance Document as per last years' service which will outline the details for onboarding. Our aim is to release this in the summer.

Communication

Q: Is it possible for the slides to be sent out?

A: All slides and the recording will be available on the DFS pages of the ESO website. A direct link can be found using this link. <https://www.nationalgrideso.com/document/281606/download>

For more information, please visit <https://www.nationalgrideso.com/industry-information/balancing-services/demand-flexibility-service-dfs> or email our team directly at demandflexibility@nationalgrideso.com.