

September 1st 2023

C16 Additional Review

Additional Industry consultation for Procurement Guidelines and ABSVD C16 Statements for 2023/24

Proposed revisions to the: Procurement Guidelines, and ABSVD C16 Statements

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1. Executive Summary

This consultation has been produced under Condition C16 of the Transmission Licence to undertake a further review of National Grid Electricity System Operator's (NGESO) C16 Statements.

There are five statements in place to meet our Condition C16 licence obligations::

- 1) The Procurement Guidelines Statement (PGS)
- 2) Balancing Principles Statement (BPS)
- 3) System Management Action Flagging Methodology Statement (SMAF)
- 4) Applicable Balancing Services Volume Data Methodology Statement (ABSVD)
- 5) Balancing Services Adjustment Data Methodology Statement (BSAD)

We have proposed updates to the Procurement Guidelines, and ABSVD Methodology C16 Statements to seek to give effect to the changes to the Demand Flexibility Service (DFS), Local Constraints Market (LCM), MW Dispatch and Dynamic Services. The changes to the relevant statements are detailed in the Proposed Changes section of this consultation and will be effective by 4th November 2023 unless issued a direction by the Authority for statement changes to become effective earlier or vetoed. There are no proposed changes to Balancing Principles Statement, System Management Action Flagging Methodology or Balancing Services Adjustment Data Methodology Statement in this additional review.

NGESO welcomes industry views on the proposed changes. Responses are required by 5pm on the 29th September 2023. Details on how to make a response can be found in the Consultation Questions section.

Following receipt of responses to this consultation, NGESO will prepare and submit a report to the Authority¹ by 6th October 2023.

The current versions of the C16, this consultation, industry responses and the consultation report will all be published at the link below:

<https://www.nationalgrideso.com/balancing-services/c16-statements-and-consultations>

If you have any questions about this document, please contact: Alice Beddow

Markets, National Grid Electricity System Operator

Email: balancingservices@nationalgrideso.com

Please note consequential changes resulting from modifications to GB industry codes, stakeholder suggestions and upcoming regulatory changes which are not captured here will be actioned either

Indicative Dates:

Official Consultation Release: 1st September

Official Consultation Deadline: 29th September

Documents sent to Ofgem: 6th October

Ofgem Veto/Direction: 3rd November

Revised C16 Statements go live: 4th November

¹ Where the ESO refers to the Authority throughout this document this is in reference to the Office of Gas and Electricity Markets (Ofgem)

in future annual reviews, or individual statement reviews as appropriate.



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Code Change Delivery Senior Manager

2. Introduction & Process Overview

The Review

In accordance with Standard Condition C16 (C16) of its Transmission Licence, NGENSO has concluded its annual review of all licence statements, the updated statements have been approved by the Authority (Ofgem) and were effective as of 1st April 2023. This consultation is an additional consultation to the annual process and is due to further changes required after the annual industry consultation had closed.

The purpose of NGENSO's review and consultation is to ensure that each of the applicable documents remains current by seeking industry views on any proposed changes. NGENSO invite the Authority to review the proposed changes. If the Authority chooses to exercise their powers of veto for these proposed changes to the C16 statements, the existing versions will remain in place. Alternatively, the proposed changes will become effective by 4th November unless the Authority issues a direction that statements changes should become effective earlier or vetoed.

The following statements are the focus of this review:

- Procurement Guidelines Statement (PGS)
- Applicable Balancing Services Volume Data Methodology Statement (ABSVD)

Step 1 Issue Formal Consultation

This consultation will run for 28 days. This consultation will allow industry to review the recommended text changes in the statements. The consultation will be issued to industry on 1st September and will be open for responses until 29th September.

Step 2 Report to Authority

The second step in the review process is for NGENSO to document, in the form of a report, the ESO's final position on the proposed changes, along with the track changed versions of the statements. The report will also include all industry responses and NGENSO's view for each of these.

This report must be issued to the Authority (Ofgem) within 7 days (5 working) from the closure of the formal consultation. The report will be submitted to Ofgem by 6th October.

Step 3 Authority Decision and Statement go live

The third step in the review process is for the Authority (Ofgem) to review all the documents submitted to them from step 2.

As part of the Licence Condition, the Authority has 28 days to offer a direction or challenge the ESO's submission. If the Authority does not veto the proposed changes, then the revised statements will go live on the NGENSO website on the 4th November unless directed otherwise. If the Authority does veto any proposed revisions, then there are two different directions for the statements to go live. The Authority can either direct a change or they can request NGENSO to run a further consultation on the specific issues they have identified, which may push back the go live date or a statement might go live pending further changes.

3. Timelines

Step 1 Formal Consultation

The Consultation will be issued on the 1st September 2023.

Areas highlighted by National Grid ESO are:

- Changes required to the Procurement Guidelines statement for Demand Flexibility Service (DFS) Local Constraint Market (LCM), MW Dispatch and Enduring Auction Capability (EAC).
- Changes required to the ABSVD Statement for the Demand Flexibility Service (DFS) and Local Constraint Market (LCM)

Responses are required by 5pm on the **29th of September**. Details on how to respond can be found in the Consultation Questions section.

Step 2 Report to Authority

To be issued by 6th October 2023.

Step 3 Authority Decision and Statement go live

Ofgem Veto/Direction expected by/before **3rd November 2023**.

Changes to statements are effective by **4th November 2023**, unless directed otherwise.

4. Review of Suggested Changes

Proposals for additional Procurement Guidelines Statement review 2023

The Procurement Guidelines set out the kinds of Balancing Services which we may be interested in purchasing, together with the mechanisms by which we envisage purchasing such Balancing Services. It acts as a generic statement of the procurement principles we expect to follow.

Demand Flexibility Service (DFS):

Last Winter (22/23), there were risks and uncertainties as a direct result of possible shortfalls in Europe's gas supply. As a prudent system operator, in 2022 the ESO took steps to ensure we were well prepared to maintain safe and secure operation of the electricity system. These steps included actions to build our resilience and mitigate the potential impact to electricity customers in Great Britain.

One of those steps was to explore options to incentivise greater participation of Demand Side Response (DSR) from energy consumers. This saw consumers voluntarily reducing their demand at peak times by using less energy and/or using energy at different times of the day. This Demand Flexibility Service (DFS) was well-received by industry and the general public alike, and ESO have identified the need to run a DFS product again this winter and beyond.

As such, we propose to introduce a revised Demand Flexibility Service (DFS) to allow us to access this capability, which will be operational from October 2023. This enhanced action service will offer the ESO additional access to flexibility during times of system stress and will continue to support the growth and development of flexibility.

Local Constraint Market (LCM):

Local Constraint Market (LCM) is a thermal constraint management service which will provide an interim solution over the next two to three years to help manage the high and rising costs at the England/Scotland boundary.

Historically, we have only been able to use generation turn down from BM registered assets. The new service will engage new flexibility providers and will be an additional option where it is more cost-effective than the BM. It will be available to generation turn down and demand turn up Providers who are non-BM, including those registered in the Capacity Market (CM).

MW Dispatch Service:

MW Dispatch is a transmission constraint management service and the first product to be developed through our joint Regional Development Programmes with DNOs. This service, expected to go live in 2023, is initially only open to Distributed Energy Resource (DER) connected to specific Grid Supply Points in National Grid Electricity Distribution (Southwest) and UK Power Network (South East Coast region) DNO areas. This enables those DER with specific connection terms and conditions to fulfil these obligations and the ESO expects to open this service up to more parties and geographies in the coming months.

The service, regardless of technology, requires providers to reduce real power output to zero ('turn to zero') when instructed by NGENSO under certain network conditions and when it is

economic to do so. If instructed, and providing they comply with the instruction, MW Dispatch Service Providers will be paid for the volume of energy they have curtailed.

The introduction of this service will give the ESO Control Room teams a way to view and understand network conditions in the DNO network and therefore make informed real time decisions on DER Providers curtailment to manage pre fault thermal constraints. This could also allow us to potentially provide earlier connection dates to more DER providers in particularly constrained areas of the network.

Enduring Auction Capability (EAC)

The Enduring Auction Capability (EAC) addresses National Grid Electricity System Operator's (ESO) RIIO-2 commitment to deliver co-optimised auctions across Frequency Response & Reserve Services. The current market for frequency response services allows for only a single service to be delivered in any one EFA period. The new EAC market design allows for a unit's capacity to be split across different frequency response services simultaneously (assuming the unit has the technical capacity to do so).

The amendments proposed to the Procurement Guidelines Statement are:

- Changes to the DFS introduction.
- Changes to the LCM introduction
- Changes to the MW Dispatch introduction
- Changes to the Dynamic Services introduction

Please see tracked change document for Procurement Guidelines Statement (PGS) for detail of changes below:

<https://www.nationalgrideso.com/balancing-services/c16-statements-and-consultations>

Proposals for additional ABSVD Statement review 2023

The Applicable Balancing Services Volume Data methodology set out the information on Applicable Balancing Services that will be taken into account for the purposes of determining imbalance volumes.

Demand Flexibility Service (DFS)

The Demand Flexibility service was introduced in Winter 22/23 to allow the ESO to access demand side flexibility that is not currently accessible in real time and expand our ability to control output from providers we cannot currently access through the Balancing Mechanism and the Platform for Ancillary Services.

To minimise or overcome market data availability limitations we observed with DFS last year, ESO plans to apply Applicable Balancing Services Volume Data (ABSVD) process to Half hourly (HH) settled volumes covering 1) the Industrial and Commercial (I&C) consumers via P354 ABSVD process and 2) Domestic consumers whose MPAN is signed up to provide DFS with supplier, via BMU ABSVD process.

Limiting ABSVD process to all HH settled I&C consumer and only HH Settled Domestic consumers that sign up to provide DFS with Supplier, promotes level playing field for

Aggregators who does not have access to HH settled status and encourage competition that benefit end consumers. At the same time, we maximise the allocation of imbalance position that can be achieved based on market data availability.

Due to the complexity of the data and the proportional impact on load-profiled demand, ABSVD will not be applied to non-HH settled volume. The impact of not applying ABSVD to non-HH settled volume is minimised by the fact that the net change in the supplier's imbalance position is small, as the overall imbalance is shared across multiple Settlement Periods and across all suppliers in each GSP group, due to the way the Elexon load profiles work (i.e. average load profiles and Group Correction Factors).

Local Constraint Market (LCM)

Local Constraint Market (LCM) is a thermal constraint management service which will provide an interim solution over the next two to three years to help manage the high and rising costs at the England/Scotland boundary.

Historically, we have only been able to use generation turn down from BM registered assets. The new service will engage new flexibility providers and will be an additional option where it is more cost-effective than the BM. It will be available to generation turn down and demand turn up Providers who are non-BM, including those registered in the Capacity Market (CM).

Use of ABSVD benefits consumers in general because the service can access additional volumes from those providers who rely on their LCM imbalances being corrected via ABSVD, thereby enabling additional savings on constraint action costs met by the bill payer.

With regard to the wider enabling of increased participation from demand turn up Providers (both for LCM and other services), the ESO has solicited valued feedback from Stakeholders including aggregators about refining the ESO's approach to adjusting (demand turn up) energy imbalances. ESO is currently reviewing our current approach to seek possible improvements to the ABSVD approach in order to better serve our demand turn up Providers and will make available any further changes to enhance the LCM C16 approach, via further Ad Hoc consultation.

The amendments proposed to the ABSVD Methodology Statement are:

- Local Constraint Market (LCM): For the avoidance of doubt where a MPAN cannot be registered with Elexon for ABSVD purposes (because for example it is not half hourly settled and ABSVD would have no impact) ABSVD data will not be submitted.
- DFS has removed the obligation of applying ABSVD for Domestic consumers that does not have contractual obligations to provide DFS with their Supplier of Electricity.
- DFS has changed the ABSVD methodology used for I&C consumers from BMU ID aggregation to I&C consumer via P354 'Use of ABSVD for non-BM Balancing Services at the metered (MPAN)'.

5. The Consultation

The Questions

We invite industry to provide further feedback on the changes proposed to the Procurement Guidelines and ABSVD 2023/2024 C16 Statements. The consultation questions summarised below are also within the response proforma in Appendix A.

Procurement Guidelines Statement (PGS)

- 1) Do you agree with the proposed suggestions to the Procurement Guidelines Statement for DFS on page 28?
- 2) Do you agree the extant text is still appropriate for the service design of DFS?
- 3) Do you agree with the proposed suggestions to the Procurement Guidelines Statement for LCM on page 27?
- 4) Do you agree with the proposed suggestions to the Procurement Guidelines Statement for MW Dispatch on page 25?
- 5) Do you agree with the proposed suggestions to the Procurement Guidelines Statement for Dynamic Services on page 16?
- 6) Do you have any other comments in relation to the changes proposed to the PGS? Or any additional changes you would like to see?

Applicable Balancing Services Volume Data Methodology Statement (ABSVD)

- 1) Do you agree with the proposed suggestions to the ABSVD Statement in relation to DFS found on pages 13 and 15?
- 2) Do you agree the extant text is still appropriate for the service design of DFS?
- 3) Do you agree with the proposed suggestions to the ABSVD Statement in relation to LCM on page 14?
- 4) Do you have any other comments in relation to the changes proposed to the ABSVD? Or any additional changes you would like to see?

Additional Questions

1. Do you agree that no amendments are necessary to BPS, SMAF or BSAD arising from the updates proposed during this additional review?

6. How to respond

Responses should be submitted by replying to the consultation questions within the response proforma, attached as Appendix A and e-mailing the completed proforma to:

balancingservices@nationalgrideso.com

(Please ensure there is an “s” at the end of balancing services, as there have been issues of the “s” not populating when clicking on the hyperlink).

If you do not wish any elements of your response to be made publicly available, please mark these as confidential.

Responses should be returned no later than **5pm 29th September 2023**.

Following the closure of the consultation, NGESO will document, in the form of a report, the final position on the changes with the track change versions of the statements.

Appendix A: Response Proforma

The proforma can be found [here](#).