

# C16 and RBS Guidelines Annual Review

Proposed revisions to the Procurement Guidelines, Balancing Principles, BSAD, SMAF and ABSVD C16 Statements for 2024/25 and the Relevant Balancing Services Guidelines

08 December 2023

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## Executive summary

This consultation has been produced under Condition C16 of the Transmission Licence to undertake an annual review of National Grid Electricity System Operator’s (NGESO) C16 Statements. As part of this review, we are conducting an informal consultation to give industry an early view of potential updates to the statements prior to the launch of the official consultation in early 2024. As this consultation is informal it will not be used to update the statements but will be used to provide guidance on the amendments that may be proposed under the formal consultation.

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

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

We have proposed updates within this informal consultation to all of the C16 statements.

The Relevant Balancing Services (RBS) Guidelines will also be reviewed in alignment with the annual C16 review, to streamline the consultation process. NGESO is responsible for the process administration and governance in the review of the RBS Guidelines including managing the production of a consultation document, running industry consultations, collating consultation responses, submission of recommendations to the Authority (Ofgem) for approval.

We have proposed updates within this informal consultation to the Relevant Balancing Services Guidelines (RBS) this year to include the additions of new regulating reserve product, Balancing Reserve, to the list of RBS.

NGESO welcomes industry views on the proposed changes. Responses are required by **5pm on 05 January 2024**. Details on how to make a response can be found in the Consultation Questions section.

Following receipt of responses to this consultation, NGESO will review and make necessary amendments to the proposed updates to the C16 statements and RBS Guidelines in advance of the official consultation in January 2024.

The current versions of the C16 statements, informal and formal consultations, industry responses and the C16 report to Authority will all be published at the link below:

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

The current versions of the Relevant Balancing Guidelines, informal and formal consultations and report to Authority will all be published at the link below:

[EMR Portal - Guidance \(emrdeliverybody.com\)](https://emrdeliverybody.com)

NGESO would also like to invite industry to respond to some discussion questions that are not currently reflected in the proposed statement updates. We are seeking feedback from industry on potential changes to the Local Constraint Market and have proposed some additional questions that can be found at the end of this document. We appreciate continued industry support on this and look forward to receiving your input.

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

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**Indicative Dates:**

**Informal Consultation Release:** 08 December 2023

**Informal Consultation Deadline:** 05 January 2024

**Official Consultation Release:** 17 January 2024

**Official Consultation Deadline:** 14 February 2024

**Report to Authority:** 21 February 2024

**Authority Veto/Direction:** 20 March 2024

**Statements Go Live:** 01 April 2024

Please note that consequential changes resulting from modifications to GB industry codes, stakeholder suggestions and upcoming regulatory changes that are not captured here will be actioned either in future annual reviews, or individual statement reviews, as appropriate.



**Jamie Webb**  
Market Frameworks Senior Manager

## SLC C16 Process Overview

### The Review

In accordance with Standard Condition C16 (C16) of its Transmission Licence, NGESO is conducting its annual review of all licence statements, regular reviews of the methodologies and, if appropriate, proposing changes to these documents.

The purpose of NGESO's review and consultation is to ensure that each of the applicable documents remains current by seeking industry views on any proposed changes. NGESO invites the Authority (Ofgem) 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 01 April unless the Authority issues a direction that statements changes should become effective earlier or are vetoed.

The following statements are the focus of the annual review:

- Procurement Guidelines Statement (PGS)
- Applicable Balancing Services Volume Data Methodology Statement (ABSVD)
- Balancing Principles Statement (BPS)
- Balancing Services Adjustment Data Methodology (BSAD)
- System Management Action Flagging Methodology (SMAF)

It should be noted that the annual review of the C16 statements is not the primary forum for the development of new products. They will be created and consulted on in a separate process, and any subsequent changes to the statements will reflect new products as required.

### Industry Forum

An initial phase of the review process is for NGESO to hold an industry forum, the aim of which is to allow NGESO to engage early with industry on the key elements of change we are considering and enable industry to offer early challenge and further suggestions. Any thoughts from NGESO at this forum should not be considered as NGESO's final position.

### 2023 Industry Forum

The industry forum was held on 21 November 2023. This was attended by a variety of stakeholders.

The aim was to discuss the potential changes to be included in the 2023-2024 annual update for the C16 statements and the RBS Guidelines in more detail.

The recording of this webinar can be found [here](#)

Areas highlighted for C16 by NGESO on the industry forum were:

- Addition of new regulating reserve product: Balancing Reserve
- Review of MW Dispatch
- Review of Demand Flexibility Service
- Review of Network Services Procurement (formerly Pathfinders)

Thank you to those who have engaged with the process so far. We continue to welcome any feedback that may improve the content and process in future years.

### Informal Consultation

The next stage of the review process is for NGESO to issue an early more "informal" consultation, this builds on the outputs from the industry forum and allows wider industry to respond to NGESO's early thoughts on changes required.

This consultation does not form part of the C16 Licence Condition or RBS Governance and is an additional one that allows NGESO to do more fact finding and create a more efficient and thorough review.

At this point of the process, it is unlikely that NGESO will suggest complete text changes to the statements, however, we may provide some suggestions to text changes on certain topics. We allow up to 28 days for our stakeholders to review, as with the official consultation. As above, any thoughts from NGESO during this early consultation should not be considered as NGESO’s final position.

**Review and Issue Formal Consultation**

Following the close of the informal consultation NGESO will review the early consultation responses and begin to finalise a draft position on the text changes in the statements. NGESO will offer a response to each point raised by industry. This will be documented and issued via an “official” consultation that does form part of the C16 Licence Condition. This consultation will allow industry to review our responses to them as well as the recommended text changes in the statements.

This consultation will run for 28 days.

**Report to Authority**

Once the formal consultation has closed, NGESO will document, in the form of a report, the final position on the proposed changes, along with the tracked changed versions of the statements. The report will also include in a clear and transparent way all industry responses and NGESO’s view for each of these.

This report must be issued to the Authority within 7 days (5 working) from the closure of the formal consultation.

**Authority Decision and Statement go live**

The final step in the review process is for the Authority to review all the documents submitted to them by NGESO at the report submission stage.

As part of the Licence Condition, the Authority has 28 days to offer a direction or to challenge NGESO’s submission. If the Authority does not veto the proposed changes, then the revised statements will go live on the NGESO website on the 1<sup>st</sup> April, 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 NGESO 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.

**C16 Timeline of Next Steps**

Action	Start Date	End Date
Informal Consultation	08 December 2023	05 January 2024
Formal Consultation	17 January 2023	14 February 2024
Report to Authority	14 February 2024	21 February 2024
Authority Direction	21 February 2024	On/Before 20 March 2024
Revised Statements Go Live	1 April 2024	

## Review of Suggested Changes during the informal C16 consultation process

For clarity we have provided some background information on the services being updated during this review:

### Demand Flexibility Service (DFS):

The Demand Flexibility Service (DFS) has evolved from last year to allow NGENSO to access additional flexibility when national demand is at its highest – during peak winter days – which is not currently accessible to NGENSO in real time. This service will allow consumers, as well as some industrial and commercial users (through suppliers/aggregators), to be incentivised for voluntarily flexing the time when they use their electricity.

### Network Service Procurement (formerly Pathfinders):

NGESO procures services to allow it to manage certain technical characteristics of the electricity network which are:

- Stability
- Voltage
- Thermal Constraints

This is done through the Network Services Procurement programme – formerly known as Pathfinders.

### Electricity System Restoration (ESR):

NGESO contracts with units to restore power in the event of a total or partial shutdown of the national electricity transmission system.

### Balancing Reserve:

Balancing Reserve (BR) is designed to balance demand and generation in real time and reduce balancing costs. This product has a potential to bring significant savings to balancing costs from procurement at day ahead stage.

Daily Auctions will lock in volume at day ahead, securing our requirement for headroom or footroom. Therefore, buying reserve capacity will improve system security as the unit headroom and footroom will be guaranteed for the Control Room to access when needed.

Buying reserve capacity ahead of time would mean our reserve requirements would be aligned with the wholesale market in a timescale that allows the market to re-balance their position before gate closures. This would move the scarcity into a more transparent, liquid and competitive market with more participants and better information balance between the market participants.

Utilisation will be in line with normal Balancing Mechanism operation by way of a Bid-Offer Acceptances (BOAs) vis Electronic Dispatch Logging (EDL)/Electronic Data Transfer (EDT).

### 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 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 DER with specific connection terms and conditions to fulfil these obligations and NGENSO 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 functionality to support the service went live in NGED's area in September 2023 with a joint end-to-end trial dispatch including a live DER in late 2023, with a view to utilising the service fully from early 2024. Initially DER volumes signed up for the service are low, however, the service being live will allow more DERs to be connected in currently particularly congested areas of the transmission network.

The service is expected to be live in the UKPN network area from Q1 2024. Again, the initial DER volumes signed up for the service are low but with the same expectation that this will enable or facilitate more DER connections in this area which may have otherwise not been possible without significant transmission network reinforcement.

The introduction of this service will give the NGESO 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. As mentioned above, this could also allow NGESO to potentially provide earlier connection dates to more DER providers in particularly constrained areas of the network.

During 2024, ESO will also be working alongside both NGED and UKPN to build on the existing MW Dispatch solutions in order to enhance and evolve the service with improved cross NGESO / DNO visibility, improved functionality to meet the requirements of NGESO, DNO and DERs as well as potentially including a 'turn up' service for Battery Energy Storage System (BESS) providers using a similar rationale and methodology to the MW Dispatch concept.

## Proposals for the Procurement Guidelines Statement (2024-25)

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

The amendments proposed to the Procurement Guidelines Statement are:

- Changes to the MW Dispatch introduction.
- Addition of an end date for the Demand Flexibility Service.
- Updates to the wording for Part 2 System Ancillary Services.
- Addition of Stability to the list of the types of Commercial Ancillary Services required.
- Removal of the wording related to Network Development Map.
- Removal of the wording relating to Pathfinder projects.
- The addition of Balancing Reserve to the list of Commercial Ancillary Services required.
- Addition of Voltage Network Services Procurement (formerly Voltage Pathfinder) to the list of Commercial Ancillary Services we expect to procure.
- Addition of Constraint Management Intertrip Service (CMIS) formerly Constraint Management Pathfinder to the list of Constraint Management Services.
- Removal of the wording relating to Operational Downward Flexibility Management (ODFM).
- Addition of wording related to Stability Markets.
- Updates to version control following a review of the statement and general housekeeping i.e. link updates.

Please see the tracked change document for the Procurement Guidelines Statement (PGS) for detail of the proposed changes. This is stored within the folder: 'C16 Annual Consultation 2024-25', which can be located on the C16 webpage:

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



## Proposals for the Applicable Balancing Services Volume Data (ABSVD) Methodology Statement (2024-25)

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

The amendments proposed to the ABSVD Methodology Statement are:

- Removal of Operational Downward Flexibility Management (ODFM) from the list of Applicable Balancing Services contracts that will be included in the calculation of the ABSVD, following a review of the service.
- Updates to version control following a review of the statement and general housekeeping i.e., link updates.

Please see the tracked change document for the Applicable Balancing Services Volume Data Methodology (ABSVD) for detail of the proposed changes. This is stored within the folder: 'C16 Annual Consultation 2024-25', which can be located on the C16 webpage:

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

## Proposals for the Balancing Principles Statement (2024-25)

The Balancing Principles Statement defines the broad principles and criteria (the Balancing Principles) used by NGET that will determine, at different times and in different circumstances, which Balancing Services it will use to assist in the efficient and economic operation of the transmission system, and also to define when NGET would resort to measures not involving the use of Balancing Services.

The amendments proposed to the BPS are:

- Balancing Reserve: Balancing Reserve has been added as a new regulating reserve product.
- Updates to version control following a review of the statement and general housekeeping i.e., link updates.

Please see the tracked change document for the Balancing Principles Statement (BPS) for detail of the proposed changes. This is stored within the folder: 'C16 Annual Consultation 2024-25', which can be located on the C16 webpage:

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

## Proposals for the Balancing Services Adjustment Data (BSAD) Methodology Statement (2024-25)

The Balancing Services Adjustment Data Methodology Statement (BSAD) sets out the information on relevant balancing services that will be taken into account under the Balancing and Settlement code for the purposes of determining Imbalance Prices.

The amendments proposed to the BSAD Methodology Statement are:

- Removal of all references to ODFM following a review of the service.
- Updates to version control following a review of the statement and general housekeeping i.e., link updates.

Please see the tracked change document for the Balancing Services Adjustment Data Methodology (BSAD) for detail of the proposed changes. This is stored within the folder: 'C16 Annual Consultation 2024-25', which can be located on the C16 webpage:

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

## **Proposals for System Management Action Flagging (SMAF) Methodology Statement (2024-25)**

The System Management Action Flagging Methodology Statement (SMAF) sets out the means which the licensee will use to identify (using reasonable endeavours) balancing services that are for system management reasons.

The amendments proposed to SMAF Statement are:

- Updates to version control following a review of the statement and general housekeeping i.e., link updates.

Please see the tracked change document for the System Management Action Methodology Statement (SMAF) for detail of the proposed changes. This is stored within the folder: 'C16 Annual Consultation 2024-25', which can be located on the C16 webpage:

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

## Relevant Balancing Guidelines (RBS) Process Overview

Chapter 8 of the Capacity Market (CM) rules describe the specific obligations to be met by a Capacity Provider, including where a System Stress Event occurs.

During a System Stress Event, a Capacity Provider must deliver the Adjusted Load Following Capacity Obligation (ALFCO) of its Capacity Committed CMU, provided that a Capacity Provider has no further obligations. The Load Following Capacity Obligation (LFCO) of that Capacity Committed Capacity Market Unit (CMU) in a Settlement Period must be reduced to account for the aggregate provision and successful delivery by each Generating Unit or an Interconnector CMU (in its capacity as a BM unit) of Balancing Services to the System Operator.

As part of the obligations assigned to NGESO in its role as the Electricity Market Reform (EMR) Delivery Body regarding the RBS Guidelines, we are carrying out a review of the guidelines to ensure they are current.

The Relevant Balancing Services Guidelines are published by the Delivery Body and must provide the following information:

- (a) Define which services are Relevant Balancing Services and thus are eligible for a  $\beta$  adjustment (Part 1); and
- (b) Set out the terms “Declared\_Availability” and “Contracted\_Output” for the purpose of Rule 8.5.2(b) for a Capacity Market Unit (CMU) that is not also a Balancing Mechanism (BM) Unit, depending on which balancing service the CMU is providing (Part 2).

### The Review

Schedule 4 of the Capacity Market Rules now describes the process and requirements for the publication of the Relevant Balancing Services (RBS) Guidelines. It also sets out the process in respect of which the Delivery Body/NGESO shall consult and amend the Relevant Balancing Services Guidelines.

The Delivery Body/NGESO may at any time review the RBS Guidelines to ensure they are fit for purpose and consider whether additional balancing services may be added. DESNZ or the Authority (Ofgem) can also request a review of the RBS Guidelines. Industry may also suggest a review of the RBS Guidelines, which the Delivery Body/NGESO would need to consider.

For the Relevant Balancing Services Guidelines, the following sections are the focus of the review:

- Part 1: Relevant Balancing Services
- Part 2: Non-Balancing Mechanism Adjustment Formulae

If the Authority chooses to exercise their powers of veto for the proposed changes to the RBS Guidelines, the existing versions will remain in place.

### Industry Forum

As NGESO are aligning the review of the Relevant Balancing Services Guidelines with the C16 Annual process, the potential updates to the Guidelines were highlighted during the C16 Industry Forum outside of the annual RBS process. This gave NGESO the opportunity to engage early with industry on the key elements of change we are considering and enable industry to offer early challenge and further suggestions. Any thoughts from NGESO at this forum should not be considered as NGESO’s final position.

The recording can be found [here](#)

Areas highlighted for the Relevant Balancing Services Guidelines (RBS) by NGESO were:

- Addition of a new regulating reserve product, Balancing Reserve, to the list of RBS.

Thank you to those who have engaged with the process so far. We continue to welcome any feedback that may improve the content and process in future years.

**Consultation**

As per the amendments made to the Capacity Market Schedule 4:

NGESO must, on the request of the Secretary of State or the Authority, and may, at any other time consult with interested parties for not less than 28 days as to whether the Relevant Balancing Services guidelines are fit for purpose and/or whether the inclusion of additional services (for which the Delivery Body may make proposals) would be beneficial.

**Informal Consultation:**

NGESO has decided to include early proposed changes to the RBS Guidelines alongside the informal SLC C16 consultation. This built on outputs from the industry forum and allowed for wider industry to respond to NGESO’s early thoughts on what needs to change.

**Formal Official Consultation:**

As part of the official RBS Guidelines consultation, NGESO will consult with interested parties for a period of 28 days on the proposed changes.

**Report to Authority**

Following the close of the formal consultation, NGESO will document, in the form of a report, the final position on the proposed changes to the RBS Guidelines, along with the track changed version of the Guidelines. The report will also include in a clear and transparent way all industry responses and NGESO’s view for each of these.

This report must be issued to the Authority within 7 working days from the closure of the formal consultation. If the RBS report submission is aligned with the SLC C16 report submission then both will adhere to the SLC C16 timeline as that is more restrictive, requiring the report to be submitted within 7 days (5 working days).

**Authority Decision and Guidelines go live:**

The Authority shall then determine (after consultation with the Delivery Body) the CM Settlement Body and such other persons as it considers desirable) whether to approve or reject any amendments proposed to the RBS Guidelines.

NGESO must then update the RBS Guidelines within 7 working days following the Authority determination on amendments.

**RBS Timeline of Next Steps**

Action	Start Date	End Date
Informal Consultation	08 December 2023	05 January 2024
Formal Consultation	17 January 2024	14 February 2024
Report to Authority	14 February 2024	23 February 2024
Authority Direction/Revised Guidelines Go Live	The Authority would then determine whether to approve or reject the amendments to the RBS Guidelines. Once a decision has been made, the Delivery Body must update the Guidelines within 7 working days of the Authority direction on amendments.	

## Review of Suggested Changes to RBS Guidelines during the informal consultation process

### Proposals for Part 1: Relevant Balancing Services

The amendments proposed are:

- Updates to version control following a review of the statement and general housekeeping i.e., link updates.
- Addition of new services to the list of Relevant Balancing Services: Balancing Reserve (BR)

### Proposals for Part 2: Non-Balancing Mechanism Adjustment Formulae

The amendments proposed are:

- Updates to version control following a review of the statement and general housekeeping i.e., link updates.

Please see tracked change document for Relevant Balancing Services Guidelines (RBS) for detail of the changes below:

[EMR Portal - Guidance \(emrdeliverybody.com\)](https://emrdeliverybody.com)

## The Consultation Questions

### The C16 Questions

We invite industry to provide further feedback on the changes proposed to the Procurement Guidelines, Balancing Principles, BSAD, SMAF and ABSVD 2024/2025 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 in relation to housekeeping updates i.e., version control, link updates?
2. Do you agree with the proposed suggestions to the wording on system management contracts on P14?
3. Do you agree with the updates to the wording for Future Requirements for Part 2 System Ancillary Services on P16?
4. Do you agree with the addition of Stability to the list of Commercial Ancillary Services on P18?
5. Do you object to the removal of the wording related to Network Development Roadmap found on P18-P20?
6. Do you agree with the proposed suggestions to the Procurement Guidelines Statement for Balancing Reserve on P20?
7. Do you agree with the proposed suggestions to the Procurement Guidelines Statement for Voltage Network Services Procurement on P24?
8. Do you agree with the proposed suggestions to the Procurement Guidelines Statement for Constraint Management Intertrip Service (CMIS) on P27?
9. Do you object to the removal of the wording for Operational Downward Flexibility Management (ODFM) from the Procurement Guidelines Statement on P27?
10. Do you agree with the proposed suggestions to the Procurement Guidelines for Demand Flexibility Service on P28?
11. Do you agree with the proposed suggestions to the Procurement Guidelines Statement for Stability on P28?
12. Do you have any other comments in relation to the changes proposed to the Procurement Guidelines? 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 housekeeping updates, i.e., version control, link updates?
2. Do you object to the removal of wording for Operational Downward Flexibility Management (ODFM) from P19?
3. Do you have any other comments in relation to the changes proposed to ABSVD? Or any additional changes you would like to see?

#### Balancing Principles Statement (BPS)

1. Do you agree with the proposed suggestions to the Balancing Principles Statement in relation to housekeeping updates, i.e., version control, link updates?
2. Do you agree to the updates to wording in Section 2.3 Control Phase - Pre-Gate Closure in the Balancing Principles Statement on P25?
3. Do you agree with the proposed suggestions to the wording on Regulating Reserve in the Balancing Principles Statement on P29?
4. Do you have any other comments in relation to the changes proposed to the Balancing Principles Statement? Or any additional changes you would like to see?

### Balancing Services Adjustment Data Methodology Statement (BSAD)

1. Do you agree with the proposed suggestions to the BSAD Methodology Statement in relation to housekeeping updates, i.e., version control, link updates?
2. Do you object to the removal of wording for Operational Downward Flexibility Management (ODFM) from P13?
3. Do you object to the removal of wording for Operational Downward Flexibility Management (ODFM) from P19?
4. Do you object to the removal of wording for Operational Downward Flexibility Management (ODFM) from P20?
5. Do you have any other comments in relation to the changes proposed to the BSAD Methodology Statement? Or any additional changes you would like to see?

### System Management Action Flagging Statement (SMAF)

1. Do you agree with the proposed suggestions to the SMAF Methodology Statement in relation to housekeeping updates, i.e., version control, link updates?
2. Do you have any other comments in relation to the changes proposed to SMAF? Or any additional changes you would like to see?

### The RBS Questions

We invite industry to provide further feedback on the changes proposed to the Relevant Balancing Services Guidelines. The consultation questions summarised below are also within the response proforma in Appendix A.

#### Part 1: Relevant Balancing Services

1. Do you agree with the proposed suggestions to the Relevant Balancing Service Guidelines in relation to housekeeping updates, i.e., version control, link updates?
2. Do you agree with the addition of Balancing Reserve to the list of Relevant Balancing Services in Part 1 on P1?
3. Do you have any other comments in relation to the RBS Guidelines? Or any other changes you would like to see?

#### Part 2: Non-Balancing Mechanism Adjustment Formulae

1. Do you have any other comments in relation to the RBS Guidelines? Or any other changes you would like to see?

## Additional Questions to Industry

### Local Constraint Market (LCM)

The 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 service will engage new flexibility providers and will be an additional option where LCM Provider bids are more cost-effective than the BM. It will be available to generation turn down and demand turn up from Providers who are non-BM, including those registered in the Capacity Market (CM).

Presently for LCM (Local Constraint Market), NGENSO applies ABSVD process to Half-Hourly (HH) – settled volumes covering (a) The Industrial and Commercial (I&C) consumers via P354 “Use of ABSVD for non-BM Balancing Services at the Metered (MPAN) level”; and (b) Domestic Consumers whose MPAN permits (is HH-settled). 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), NGENSO has solicited valued feedback from Stakeholders including aggregators about refining NGENSO’s approach to adjusting (demand turn up) energy imbalances. Feedback from recent trials on the LCM service has highlighted that LCM Providers face problems in securing sufficient compensation to turn up demand or reduce generation. In particular, there is a scenario where a provider is offering Demand Turn Up volume within the LCM service via an Aggregator, the ABSVD process would pass the allocation to the registered BSC Supplier to correct their Energy Imbalance position. Where the flex action is via an Aggregator, not the Supplier, the resulting credit does not reach direct LCM providers or independent Aggregators unless they set up commercial agreements with their consumers’ Supplier(s).

As a result of this feedback, and to overcome some of the present ABSVD challenges for LCM providers, NGENSO is currently reviewing our current approach to seek possible improvements, in order to better serve the wider market and enable more demand turn up Providers to participate.

One potential solution being explored is a price adjustment mechanism which could act as an alternative to ABSVD for demand turn up providers:

Eligible LCM Providers would have the option to opt out explicitly consenting MPAN LCM volumes from ABSVD. This would have the net result that Suppliers who receive increased LCM energy payments would no longer also benefit from energy imbalance position correction via ABSVD. As a result, a credit would flow back to Residual Cashflow Reallocation Cashflow (RCRC) at a level determined by the system price in effect at the time of imbalance.

We wish to explore with our stakeholders whether energy compensation can be made by NGENSO directly to those providers who opt out eligible MPANs. To offset this cost, the resulting imbalance credits would be offset by NGENSO BSUoS charges. This approach aims to eliminate any net RCRC effects on the bill payer.

NGESO is still working through the technicalities of this position, but we would like to offer respondents of this informal consultation the opportunity to feedback on this potential alternative mechanism.

### Questions

1. Do you believe consumer LCM imbalances should be corrected via ABSVD for demand turn up providers, as per existing C16 arrangements? Please provide rationale. NOTE: please state if you are answering as (A) a BSC-registered Supplier (and contracted-partner), or (B) an independent aggregator flex provider or (C) other (please specify).
2. Do you have any feedback on the potential proposed (LCM Provider-optional) compensation alternative to ABSVD? Please provide rationale.



3. Where the Provider is also the BSC-registered party Supplier for a consenting MPAN, should the LCM Provider also be permitted an opt-out of the existing intended ABSVD mechanism? Please provide rationale.

## 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](mailto: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 **5.00pm on 05 January 2024**.

## Appendix A: Response Proforma

The proforma can be found [here](#)