The webinar will start shortly. Please submit any questions via the **Q&A** teams function and we will answer them at the end of the webinar.

Consultation Webinar

11th June 2024

ESO

Agenda

- Consultation topics
  - Consultation Approach and Key Dates
  - Maximum Ramp Rates
  - Availability & State of Energy
  - 24/7 Non-BMU Data
  - 24/7 Arming Instructions
  - Monitoring, Reporting and Penalties
- IT changes
  - New Reason Codes for Dis-arming & Re-arming BMUs
  - Resubmission of Performance Monitoring After the Deadline
- Additional topics
  - Mandatory Frequency Response
  - Response Roadmap
- Q and A

ESO

Consultation approach and key dates

Consultation Documentation

- We plan to submit each of our proposed changes as separate 'submissions' such that they can be reviewed and hence approved by Ofgem individually.
- Our consultation document will include a covering letter summarising changes and explaining the consultation process.
- We would then include different sections for each proposal that would correspond to a different submission we intend to submit to Ofgem.
- Each section would include:
    - **Proposal**
    - **Justification**
    - **Revised terms and conditions**
    - **Questions**
- We will also provide a full red lined version of the complete Service Terms and Procurement Rules for illustration purposes and for reference

Submission of Proforma Responses

- Word Document will still be provided for internal working
- Once completed this will need to be submitted via a MS Forms link

Timeline

| Live W/C 24th June | Close W/C 22nd July | Ofgem Submission W/C 26th Aug | Expected go live as soon as October 24 |

ESO

Consultations

There will be 3 consultations running in the coming months:
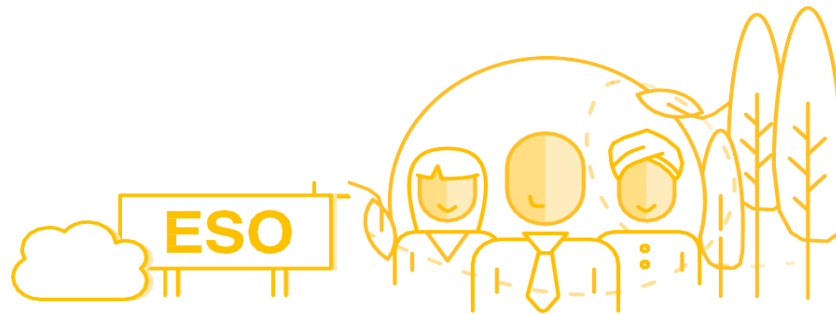
Response and Reserve

These consultations will be separate but running in parallel
- Publication end of June
- Consultation will close end of July

DFS

DFS will also be running a consultation shortly after Response and Reserve
- Publication mid July
- Consultation will close mid August

Dynamic Response policy: Maximum Ramp Rate

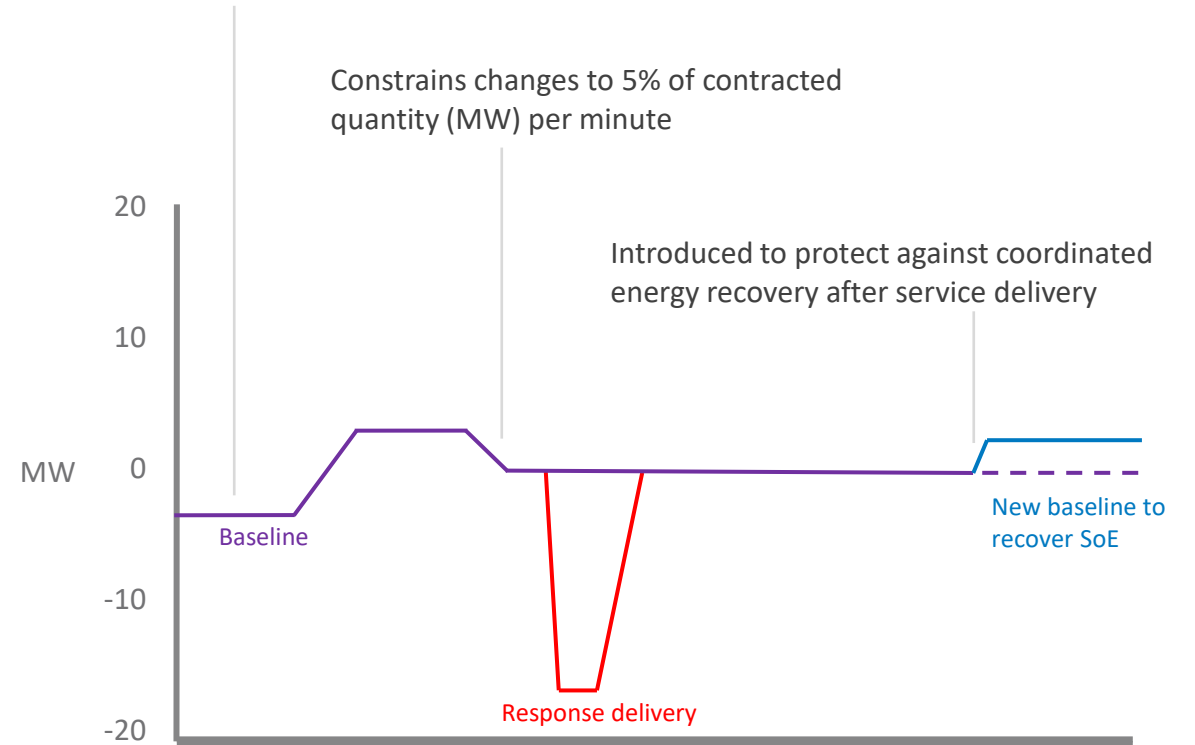**Proposal**
- Remove the Maximum Ramp Rate

Explanation
- Removing the Maximum Ramp Rate could unlock benefits of in greater participation in other markets, more efficient state of energy management, and remove the disincentive on small bid sizes
- In our review of the rule, we considered the system security impacts of removing the Maximum Ramp Rate are outweighed by these benefits

Implementation
- We propose the removal of the Maximum Ramp Rate would take effect immediately following Ofgem approval (as soon as Oct-24)
- As we communicated to providers in April-23, we currently are not enforcing the Maximum Ramp Rate
- We will monitor effects of removing the Maximum Ramp Rate

Maximum Ramp Rate applies to baseline during, and SP either side of, Contracted Service Period

Constrains changes to 5% of contracted quantity (MW) per minute

Introduced to protect against coordinated energy recovery after service delivery

MW

Baseline

Response delivery

New baseline to recover SoE

ESO

Dynamic Response policy: 24/7 operational data

Proposal
- Require Response Units to submit operational baselines and operational metering at all times
- Currently we require operational baselines and operational metering from NBMUs during contracted service periods (and the SP either side). BM participating units provide at all times per Grid Code requirements.

Explanation
- Enhanced distributed energy resource (DER) visibility is critical to effective and efficient system operation
- Through other work, such as our DER Visibility Programme, we anticipate rolling out wider visibility improvements in the medium-longer term
- There is an urgent case to address forecasting errors and situational awareness challenges caused by lack of continuous visibility
- NBMU Dynamic Response units have the capability to submit this data and are likely to be disproportionate drivers of forecasting errors and situational awareness challenges due to market activity.
- As such, we consider introducing this requirement represents a pragmatic, targeted step along the path to fuller DER visibility

Implementation
- Non-submission would prohibit participation (effective until submission threshold reached)
- Non-submission defined as <80% across a rolling 28 days (or fewer if Unit created <28 days prior)
- We intend to communicate when providers are close to and at threshold limit
- The requirement will take effect no sooner than Oct-24 (providers can submit this data sooner), accounting for appropriate lead-in time (reflecting our consultation)
- We are currently considering Dynamic Response markets, but will consider applicability to other ancillary service markets as appropriate

ESO

Dynamic Response policy: 24/7 arming instructions

Proposal
- ESO may send disarming and re-arming instructions outside of contracted service periods
- Participant to acknowledge instruction following receipt, then **to have effect from the start of next contracted period**

Explanation
- Currently, the Service Terms only provide for the ESO to issue an instruction during a contracted service period.
- Service Providers must bring the instruction into effect within two minutes of its receipt.
- This could mean the ESO is aware in advance of an operational need to have units disarmed (or re-armed) from the start of a contracted service period, but does not have the ability to require disarming (or re-arming) until 2 minutes after the start of the contracted service period.

Implementation
- Implementation would be no sooner than Oct-24, reflecting our determination of appropriate lead-in time

ESO

Dynamic Response policy: Availability & SoE

Proposal

- There will be no fundamental change to the existing availability or SoE policy
- We are proposing to add the SoE management values, of which providers should reserve at the bidding stage from guidance and into the service terms.
    - These ensure the correct headroom/footroom is created to effectively manage SoE
- We wish to clarify the service terms to ensure that the availability and SoE policy is clear, consistent and fit for purpose to ensure system security

Explanation

- Having the right availability policy in place is critical to ensure that we have enough response available during a frequency response event
- Our availability policy review considered different potential solutions such as partial availability, which proved to pose too much of a risk to system security
- Enforcing the SoE management rules will ensure we have the appropriate tools to incentivise the required behaviour to support system security

Implementation

- We are currently checking how frequently assets are declaring unavailable and when assets are not correctly managing their SoE, which is prompting conversations with account managers.
- We will propose revisions to the current service terms and guidance documentation to ensure that they are clear and consistent

Service	% of capacity required to reserve at bidding stage
DC	10%
DM	20%
DR	40%

ESO

Response IT – Monitoring, Reporting and Penalties (1/2)

- Systematically and automatically monitoring non-submission, non-compliance and potential gaming for all response units.
- Checks will be implemented in Summer 24 triggering Account Manager conversations (and opportunity to rectify) in advance of tiered penalty go live no sooner than October 2024

Area of focus	Subject to penalty	Automatic penalty/ Reported to account manager
Non-submission of baselines, metering and performance monitoring	Yes	Automatically penalised if below threshold
Non-compliance with disarming or re-arming instructions	Yes	Automatically penalised if below threshold
Adherence to operational baselines within contracted periods	Yes	Automatically penalised if below threshold
Non-compliance with state of energy guidelines – delivery stage	Yes	Reported to Account Manager
Non-compliance with state of energy guidelines – bid stage (10%,20%,40%)	Yes	Reported to Account Manager
Unavailability count	No	Reported to Account Manager
Gaming Checks to include: • Check that performance monitoring data is in line with operational metering data • Check for periodic and high-level of unavailability. Unavailability if not random, could indicate systematic, deliberate gaming.	Yes	Reported to Account Manager

ESO

Dynamic Response policy: Monitoring, Reporting and Penalties (2/2)

Proposal

- The ESO is proposing the introduction of a regime of **Tiered Penalties** which will address instances of non-compliance through a progressive series of actions and provides an opportunity for rectification.

Explanation

- **Non-submission of data:** The regime will target specific checks such as Operational Baseline Non-Submission, Operational Data Non-Submission and Performance Data Non-Submission. Automatic penalties will be generated for data non-submission breaches.
- **Behavioural checks:** Further checks for SOE Non-compliance, Disarm/Re-arm Non-Compliance, and Gaming Check including Alignment of Real-time and Post event and Strategic Unavailability.

Process

- **Deemed Unavailability:** Non-compliance or failure to meet threshold will lead to deemed unavailability for a settlement period, while further non-compliance may result in an EFA block deemed unavailable, indicating a more serious breach.
- **Temporary Suspension and Disqualification:** Persistent non-compliance or lack of corrective actions could lead to temporary suspension and potentially disqualification.

Implementation

- We intend to consult on these changes in June 2024 with implementation and enforcement no sooner than October 2024 subject to Ofgem approval

ESO

IT Changes

ESO

Response IT – New Reason Codes for Disarming & Re-arming BMUs

- There will be new reason codes for disarming and re-arming BMUs for DM, DR and DC via EDL.

- The new codes will take effect from 18th July 2024

- Please contact our test team via email to arrange (optional) testing of the new codes: Sandeep.Burde1@nationalgrid.com

New Reason Codes:

Reason Code	Instruction Description	Reason Code	Instruction Description
XCL	Cease DCL	DCL	Resume DCL
XCH	Cease DCH	DCH	Resume DCH
XML	Cease DML	DML	Resume DML
XMH	Cease DMH	DMH	Resume DMH
XRL	Cease DRL	DRL	Resume DRL
XRH	Cease DRH	DRH	Resume DRH

N.B. The valid EDL Reason Codes are published on our website here: https://www.nationalgrideso.com/document/33351/download

ESO

Response IT – Resubmission of Performance Monitoring after deadline

- A new process has been introduced to allow providers to resubmit their performance monitoring data after the usual deadline of the 5th day of the following month

- The reason for the change is that the existing process is manual and quite onerous for our teams

- Providers will need to contact their account manager to kick off the process of a resubmission

- If the account manager approves the request, a window will be opened for the provider to resubmit the performance monitoring data via the usual systems

- The provider will receive updated settlement information via the usual systems

- This facility has been available since 3rd June 2024.

ESO

Additional Topics

ESO

Mandatory Frequency Response

Proposal

1. Extend derogation to continue procuring MFR as is beyond March 2025

2. Explore role for a reformed MFR in context of a wider response strategy, REMA etc

Explanation

- We currently procure MFR monthly, apply monthly contracts, and procure upward and downward balancing capacity bundled together.

- This is contrary to Article 6(9) of the Regulation (EU) 2019/943 ('Electricity Regulation') and Article 32(3) of Commission Regulation (EU) 2017/2195 establishing a guideline on electricity balancing ('EBGL')

- We currently have a derogation, granted by Ofgem, from these requirements until 31 March 2025

- We consider MFR is essential and economical as a response of last resort, commercial counterfactual, and route to increasing holding in real-time and as such will seek a continued derogation

- In the medium term, we will consider the scope and shape of a mandatory, real-time service and its interaction with dynamic services

- We will, in the coming weeks, kick off stakeholder engagement on this wider review

Expression of interest

If you are interested in the future of MFR please complete the following from: https://forms.office.com/r/wBvvzi37jF

ESO

Response Roadmap

| H1 2024 | H2 2024 | 2025-26 | Longer-term |

Dynamic services IT changes, including
- New Reason Codes
- Automated monitoring
- Performance Monitoring Resubmission

Publish 2024 Dynamic Services consultation

Dynamic Services 2024 consultation changes go-live, including
- Removing Max Ramp Rate
- 24/7 data requirements
- 24/7 disarm/re-arm instructions
- SoE and availability clarification
- Penalties reform

MFR
- We will apply to extend our derogation to continue accessing MFR

We are considering further reforms, including:
- Locational procurement
- Closer to real-time and shorter service windows
- Target frequency instruction
- MFR reform
- sFFR reform

ESO

Next steps: 2024 Dynamic Services consultation

Consultation published W/C 24th June	Close W/C 22nd July	Ofgem Submission W/C 26th Aug	Expected go live as soon as October 24

- If you would like a 1-2-1 with the team either before or during consultation period please contact us at box.futureofbalancingservices@nationalgrideso.com

ESO

Q&A

ESO