

Demand Flexibility Service

Post Consultation Update
October 2024

Agenda

- DFS evolution
- Journey to DFS launch
- Key proposals
- Consultation overview
- Summary and changes from consultation
- Publications and what's next



Sli.do code: #200 9848

We have a Sli.do open until 4 November 2024 for you to submit any further questions you may have. Please include your name and email address to allow us to respond.

DFS evolution

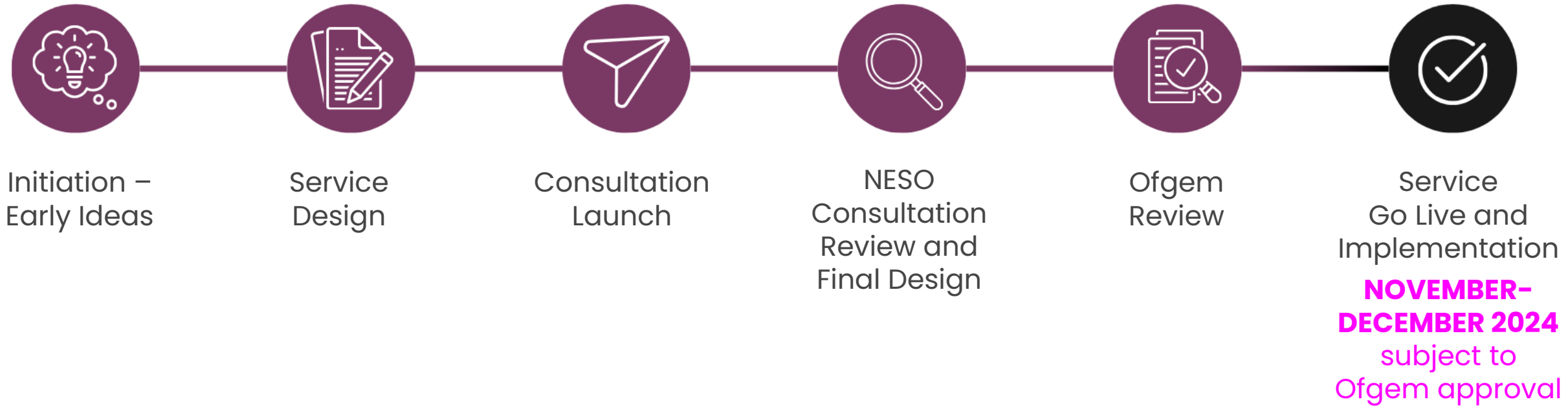
Background

- We launched DFS in November 2022 as an enhanced action, as part of a package of contingency measures to address risks for that winter.
- DFS has incentivised domestic, industrial and commercial users to shift demand, helping to manage peak demand.
- In winter 2022/23, 1.6 million households and businesses supported the service by shifting demand, saving over 3.3GWh. For winter 2023/24 we saw this increase to over 2.6 million participants saving over 3.7GWh.

This year

- Our winter outlook indicates will be adequate and within the Reliability Standard.
- This means there isn't the same operational need for DFS as in previous years.
- But we see a case to continue to harness the value of demand flexibility.
- We propose to transition DFS from an enhanced action to an in-merit margin tool.

Journey to DFS Launch



Key Proposals



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Key Proposals

Service Positioning

- Moving away from an enhanced action to an in-merit margin tool
- Retain the capability to utilise tests events and set a Guaranteed Acceptance Price.

Stacking

- Unlock ability to stack with Capacity Market and DNO Flexibility Services
- Changes to baseline methodology to clarify stacking's impact on baseline calculations

Performance Incentives

- Introduction of performance incentive structure to promote accurate and effective delivery of the service

Procurement/Utilisation

- Procurement of the service will be within day only.
- Seeking to secure a longer-term derogation to reflect DFS's role as an enduring in-merit tool

Metering

- Remove requirement for asset meters to be associated to HHS boundary meters.

Data/Process

- Remove the obligation for providers to send an incentive file
- Include and share delivery data from all unit meter points that participated in events.
- Unit meter points can only be allocated to a single DFS Unit.
- Allow providers to register units in MWs to one decimal place. Similarly, allow providers to bid demand reduction volumes in MWs to one decimal place.

Consultation Overview and summary of changes



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Consultation Overview

- 34 responses received
 - [DFS Consultation submission](#)
- We submitted final proposals to Ofgem on 24 September
- Ofgem to decide by 24 November
- We intend to launch service ASAP following Ofgem approval

Changes from consultation

Changes to policy

- We are no longer proposing to share information relating to Registered Service Providers to resolve MPAN duplications.
- We will cap opt-out penalties
- We propose to move the Unit Meter Point Schedule validation from 11am to 9am.
- Allow unit sizes and bid volumes to one decimal place.

Other changes and clarifications

- Clarified wording on eligible stacking services
- We propose additional wording to provide clarity around premises with unique metering sets ups and premises with multiple boundary meters.
- Publishing of Anticipated Requirement Notice – will retain the ability to publish an ARN, though are not committing to publishing before publishing a requirement

Consultation outcome

Response summary	Our final proposal
<p data-bbox="140 482 560 525">Service positioning</p> <ul data-bbox="140 561 1146 704" style="list-style-type: none"> <li data-bbox="140 561 840 604">• Broad support for in-merit use <li data-bbox="140 611 1146 704">• Some concerns about less revenue certainty compared to previous years 	<ul data-bbox="1286 561 2395 803" style="list-style-type: none"> <li data-bbox="1286 561 2191 654">• We are continuing with the consultation proposal. <li data-bbox="1286 661 2331 704">• We are retaining the option to test the service. <li data-bbox="1286 711 2395 803">• In-merit DFS use can harness the value of demand flexibility and promote efficient markets.
<p data-bbox="140 833 675 876">Procurement/utilisation</p> <ul data-bbox="140 912 1235 1262" style="list-style-type: none"> <li data-bbox="140 912 1235 1162">• Mixed feedback on the proposal to move to within day procurement. Support for bringing the service into our BAU daily decision-making process, whilst concern this could reduce participation. <li data-bbox="140 1212 1108 1262">• Support for seeking multi-year derogation. 	<ul data-bbox="1286 912 2395 1305" style="list-style-type: none"> <li data-bbox="1286 912 2395 1105">• Continuing with consultation proposal as this brings the service into closer alignment with our role to procure balancing services closer to real time <li data-bbox="1286 1212 2395 1305">• We are proceeding with DFS as a year-round (i.e. not just winter) service



Consultation outcome

Response summary	Our final proposal
<p>Stacking</p> <ul style="list-style-type: none"> Majority of respondents agreed with this proposal though some highlighted challenges with accessing and coordinating revenue opportunities across markets Most respondents also agreed with the proposed changes to the baseline methodology to clarify stacking's impact on calculations however, we did receive feedback seeking further clarity 	<ul style="list-style-type: none"> Continue with the proposal to allow stacking and promote coordination and coherence across markets We will continue with this proposal. We tried to provide further clarity as part of our submission document.
<p>Metering</p> <ul style="list-style-type: none"> Most agreed with our proposal that an asset meter needn't be linked to a half-hourly settled boundary meter 	<ul style="list-style-type: none"> We are proceeding with this proposal, but reflecting feedback we have revised terms to clarify it

Consultation outcome

Response summary	Our final proposal
<p>Performance incentive</p> <ul style="list-style-type: none"> • Most agreed. • Some questioned the proportionality of the penalty arrangements for opt-out participants 	<ul style="list-style-type: none"> • Continue with the performance incentive structure • Change: Capping opt out penalty at 100% of volume bid
<p>Data/Process</p> <ul style="list-style-type: none"> • Most agreed with removing the obligation for providers to send incentive files and our proposal to include and share delivery data from all unit meter points • Broad support to share information to resolve MPAN duplications however, several providers highlighted risks this could be abused. 	<ul style="list-style-type: none"> • Continue with the proposed changes • No longer proceeding with this proposal and will explore alternative options • Change: Proposal to move the Unit Meter Point schedule validation from 11am to 9am

Publications and what's next



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What we have published

All documents can be found on the DFS webpage – [Demand Flexibility Service \(DFS\) | National Energy System Operator \(neso.energy\)](https://www.neso.energy)

- Service terms
- Procurement rules
- EBR Article 18 consultation submission
- Communication principles
- Participation guidance document
- Market Guidance
- API schema doc
- DFS stacking list

What's next

- APIs available for testing and onboarding from 31st October
- Provider / forum engagement and support
- If you would like to participate in DFS and/or become a Registered Provider, please complete this [form](#) or reach out to us via email on demandflexibility@nationalenergyso.com
- Service go live **November 2024** (subject to Ofgem approval)

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This will remain open until 4th November. Each question will be responded to individually and we plan to publish full Q&A list on our website.

Any questions & queries or
would like to arrange a direct
call

demandflexibility@nationalenergyso.com



Public

Thank you