

LCM Guidance Document

Introduction

This guidance document should be read in conjunction with the following documentation which is available on the NESO website:

- Framework Agreement (Provider Registration)
- Ancillary Services – New Provider Bank Account Form
- Local Constraint Market Service Terms
- Local Constraint Market General Terms and Conditions
- Local Constraint Market Glossary of Terms

Version	Effective Date	Change	Page
1.0	23/01/2025	Version 1	

Version 1 **For further information or for support for service participation, please contact:**

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Overview of Local Constraint Market Requirements

This document provides an overview of the registration process and service parameters for participating in the Local Constraint Market (LCM) service. Piclo have also created an LCM overview [here](#).

LCM has been introduced as an additional option to the Balancing Mechanism (BM) for the management of thermal constraints, increasing competition and enabling wider participation by many non-BM assets north of the B6 Boundary. The requirement for action on thermal constraints is set to grow and the LCM is assisting with the broader Initiatives of the NESO's Thermal Constraints Management five-point plan.

At no point will the NESO rely on LCM to resolve a boundary system requirement - the Balancing Mechanism remains our toolkit for assuring system requirements are met.

The extent to which LCM may be used by the NESO will be subject to system conditions and operational priorities, including those of our DNO partners in Scotland who operate the distribution network and manage LV network ratings. LCM participation may from time-to-time be limited by localised Transmission/Distribution system needs which determine and preclude responses at certain times and some flexibility may not be readily utilised in certain locations.

Service Parameters

To participate in this service, participants and/or their assets must:

- Participate through the PicloFlex platform meeting the requirements of the platform.
- Be capable of receiving, acknowledging, and acting upon instructions as required by the PicloFlex platform.
- Be sized at 1 KW or more (which may be through aggregation of separate assets behind the same Grid Supply Point (GSP)).
- Each bid and corresponding delivery must be within a single GSP area.
- Deliver the service volume as either generating plant export curtailment, or site demand increase, and assets aggregated together must be of the same delivery type.
- If Generation, be capable of reducing and sustaining reduced generation in each Settlement Period you bid.
- If Demand, be capable of increasing and sustaining demand for each Settlement Period you bid.

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- Be able to provide all the necessary data sets and dispatch processes outlined in this and other supporting documentation – e.g. to provide Half Hourly meter data from a Boundary Meter or an asset meter (for forecast and dispatch).
- Participants must also obtain ABSVD consent details from each Boundary Meter (MPAN) party or asset meter and enter these data into PicloFlex. This is for the correct operation of ABSVD under P354 'Use of ABSVD for non-BM Balancing Services at the metered (MPAN) level'. NB Consent flags refer to consent to Elexon (and their SVAA) sharing the MPAN's ABSVD volumes with the Energy Supplier. If the consent is TRUE, the SVAA must provide the ABSVD and ABSVD (Losses) to the Supplier responsible for the metering system. If the consent is FALSE, the data will NOT be sent to the Supplier.
- Participants can now choose to opt-out of the generic ABSVD adjustment, allowing them to receive the full economic benefit directly from NESO, rather than having to ask their supplier for it and the plan is to transform the landscape of the interim LCM market by offering aggregators the chance to participate on a level playing field with the ABSVD opt-out solution. Piclo has created a support article on ABSVD preference and supplementary payments, [here](#).
- Be able to comply with all other service requirements and obligations set out in the accompanying documentation.
- NOT be separately registered as BM Units or otherwise active in the Balancing Mechanism.
- NOT be participating in or contracted to any other balancing/flexibility or related services during periods when the service is offered.
- NOT have a condition in their DNO connection agreement whereby they are signed up to an Active Network management (ANM) Scheme / Flexibility Connection.
- NOT be registered with a Generation Management Export scheme or service.

Please also note:-

- Holding a Grid Trade Master Agreement (GTMA) with NESO for energy trading purposes does not preclude a participant from becoming a Registered Service Provider and registering eligible assets for service delivery.
- NESO does envisage that from December 2023 onwards LCM will be treated as a "Relevant Balancing Service" for the purpose of the Capacity Market Rules, and accordingly delivery of LCM will trigger adjustment pursuant to those rules where an eligible asset is part of a CMU (as defined in the Electricity Capacity Market Regulations 2014 as amended). Participants who rely on this adjustment are advised to confirm this applies and is duly in place.
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Registration

- (1) For a participant to register as a potential provider of LCM, it must become a Registered Service Provider and adhere to the LCM contract documentation (see below). It may then register its eligible assets via the PicoFlex platform – the assets under its operation or control for allocation to contracted Eligible Assets. These assets may then be declared as available to NESO for LCM service delivery via the PicoFlex platform.
- (2) This section outlines the contractual process and associated timings. Whilst it is important that participants allow sufficient time to register and prepare for their first optional service availability, given the limited time now available ahead of the first delivery week NESO will endeavour to allow participants some flexibility on timescales in relation to this initial period of delivery where practicable.

Registering on PicoFlex platform

A provider must first become a registered user and complete the company qualification process on the Pico platform, details of how to do so are [here](#).

Submitting Framework agreement

To become a Registered Service Provider for LCM, a participant must submit a fully complete and signed Framework Agreement to commercial.operation@uk.nationalenergyiso.com.

The Framework agreement is published alongside this document, if there is any uncertainty with the content, it is recommended to discuss this with your account manager or contact the above email account prior to any formal submission.

New parties who are yet to register bank details on the NESO settlement system must also complete and return an Ancillary Services – New Provider Bank Account Form and supporting information stated within the document.

Parties who are already registered on the NESO’s settlement system please confirm in your submission email the correct bank details LCM payments should be allocated to.

For parties who wish to register on behalf of multiple SPVs (special purpose vehicles), please ensure the correct information is completed on the Framework agreement.

Receiving countersigned Framework agreement

The countersigned Framework Agreement provides confirmation that the participant is now considered a Registered Service Provider for LCM. This is not indicative of any commitment on the part of NESO to procure or pay for LCM.

Once in receipt of a countersigned Framework Agreement, a participant is entitled to register eligible assets under its operation or control on the PicoFlex platform, for allocation to eligible assets in accordance with the process described below, following which eligible assets may then be declared as available for LCM service delivery.

Registering Eligible Assets & Eligible assets

Registered Service Providers must register their eligible assets via the PicoFlex platform. This registration contains information for NESO to validate the eligibility and allocation of assets for participation in the LCM service. This participation may be subject to other system constraints or operating conditions in effect at the time.

Please note that all providers are required to qualify assets into the LCM service according to PicoFlex requirements.

This qualification process will record the details of asset type and delivery method for each eligible asset.

The process will also record the registered service volume for each eligible asset, which may be subsequently adjusted through bids for each delivery. Accordingly, when considering registered service volumes, participants will need to consider the realistic operational characteristics of each asset and ensure sufficient headroom in their registered service volumes to cater for restrictions and constraints such as flood management and demand fluctuations. The LCM service design does not permit redeclarations of registered service volumes in operational timescales.

Bidding and Availability Declarations

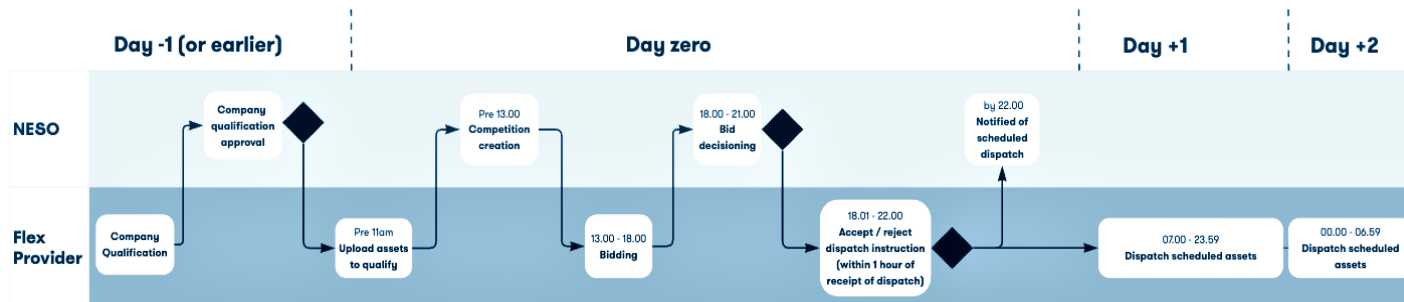
All bidding details and processes can be found on Pico’s webpage [here](#)

Timelines

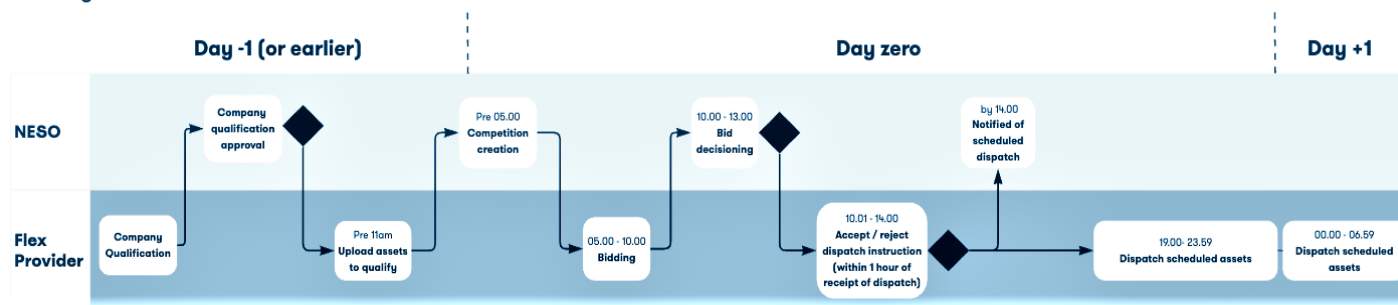
The diagram below outlines the timelines associated with the processes described above. As the LCM service is reliant on manual processes, participants should factor in additional time around non-working days including bank/public holidays where required. All submissions must be full and correct, otherwise NESO will require re-submissions which will re-set the timings below.

For more details, see the process tab [here](#)

Day ahead instruction window



Intra day instruction window



Operational Communications

The LCM service is an optional based balancing services product instructed by NESO, via the [PicloFlex platform](#).

For these purposes, the registration process includes a requirement for participants to fully support the terms of use and operational process for using the PicloFlex platform.

For further information regarding the timings and communication requirements please refer to the Service Terms.

Settlement

The LCM service will be pay-as-bid, settled against a utilisation-based service fee (£/MW/h) based on delivered flexibility volume according to the lesser of actual (metered) delivery or offered (bid) volume.

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To correctly settle this service, NESO requires participants to submit a fully complete and accurate Settlement Data Template in line with the Service Terms. The Settlement Data Template outlines all the necessary data sets which are required to correctly settle the service.

Where meter adjustment may be possible under the Applicable Balancing Services Volume Data (ABSVD) adjustment scheme NESO will attempt to apply for this by submitting meter data. MPAN numbers will be required but the Service Provider is obliged to procure the Relevant Data and may need contractual rights to the data where it is aggregating third parties' assets. Private data such as MPAN numbers may be subject to personal data protection and privacy regulations and should only be passed to NESO for BSC-accredited meters where the participant has rights to do so and requests NESO to apply for this meter adjustment. NESO is required to adhere to the existing ABSVD process and outcomes of such applications remain subject to that process.

Asset Level Metering is now permitted in the LCM service without requiring Boundary Point Metering. Participants who wish to submit their asset level data should do so during the baseline and settlement stages, following the existing process. However, they must still provide the boundary meter ID (MPAN) during the asset qualification stage

Performance Monitoring

NESO will conduct regular performance monitoring of the LCM service. Please refer to the Service Terms regarding consequences of non-delivery and unavailability.

Embedded Generation Connection Arrangements

LCM balancing service product provides an opportunity for distribution connected embedded generation and demand to enter into a voluntary contractual arrangement for service provision to NESO. It is important that participants understand that these contractual arrangements sit entirely separate from the existing connection agreements established between each embedded generator and its host Distribution Network Operator (DNO), which remain unchanged. Any dispatch actions by DNOs under these connection agreements is entirely separate from, and not associated with, the provision of LCM service to NESO and any associated contractual payments made by NESO under the Service Terms, although clearly DNO actions under their arrangements with participants may have implications for the availability of LCM service delivery which is addressed in the Service Terms.