

C16 Early Consultation

Informal Early Industry Consultation for 2020-21

Proposed revisions to the:

Procurement Guidelines

Balancing Principles Statement

Balancing Services Adjustment Data Methodology Statement

System Management Action Flagging Methodology Statement

Applicable Balancing Service Volume Data

12th November 2019



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Executive summary

In accordance with Standard Condition 16 (C16) of our Transmission Licence, we (National Grid ESO) are required to conduct an annual review of all licence statements, regular reviews of the methodologies and, if appropriate, propose changes to these documents.

This year, we have taken the decision to launch an informal 2020-21 C16 consultation process earlier than the formal consultation in response to feedback received during the 2019-20 process. Industry stakeholders told us that greater involvement in the process would be more beneficial for them. We agree that this will allow greater engagement with stakeholders and hence we have introduced an informal consultation ahead of the official consultation in January 2020. The aim of this is to ensure we provide greater transparency throughout the annual review of the C16 license statements and remove barriers for industry stakeholder involvement in the change process.

We commenced the early consultation process with an industry forum on the 5th November 2019. The aim of the session was to understand industry stakeholder views on the changes we are looking to make to the C16 statements and give an early opportunity for industry to provide feedback on changes they would like to see implemented.

We have captured the output of the forum in this document and would now like to invite further feedback from industry through this informal consultation. We will then prepare the official consultation, utilising that feedback where possible. This will be released on 13th January 2020.

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

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



Colm Murphy

Electricity Market Change Delivery Manager
Warwick

Key Dates:

Early, informal consultation response deadline: 13th December 2019

Official consultation released: 13th January 2020

Consultation Response Deadline: 10th February 2020

Documents sent to Ofgem: 17th February 2020

Expected Ofgem Decision: 23rd March 2020

C16 Documents Uploaded to National Grid ESO Website: 29th March 2019



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Introduction

Overview of C16 Process



The Review

In the interest of transparency and to be able to respond to feedback more effectively National Grid ESO is inviting industry to take part in an early consultation on planned changes to the C16 statements. This does not form part of the formal process but will allow the development of areas relevant to stakeholders within the formal consultation in January 2020.

Changes

This consultation will look at potential changes to the following documents.

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

No official changes will be made at this stage of the process, however information gathered through this consultation will begin to form National Grid ESO's official change proposals which will be documented in the official consultation on 13th January 2020.

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

2020-21 Annual Update and Stakeholder Feedback

C16 Stakeholder Workshop prior to formal Consultation

The early C16 industry forum was held on the 5th November 2019 and was attended by a wide variety of stakeholders. The aim was to discuss potential changes to be included in the 2020-21 annual update in more detail. The workshop was attended by 16 stakeholders from across industry, who provided feedback on the below bullet points and raised other potential areas for change within the statements and methodologies, which have been included in section 2 under each statement section. The slides can be found [here](#).

Areas highlighted by National Grid ESO and stakeholders were:

- A review of the Procurement Guidelines. Such as explaining services in a more transparent manner, committing to procuring commercial services through market mechanisms where possible and defining terms & conditions of European Balancing Guidelines (EBGL) and how they apply to the Procurement Guidelines.
- Additional changes to the procurement guidelines as a result of pathfinders and the Accelerated Loss of Mains Change programme.
- Changes to the BPS to refer to ensuring all balancing services are included in the external audit and the cost recovery for services used.
- Changes to ABSVD as a consequence of the approval of modification P354.

In parallel to the C16 consultation, National Grid ESO is currently running an interconnector consultation with the aim of seeking views on the GB arrangements relating to interconnector capacity reductions and more specifically the commercial arrangements between the System Operator and interconnectors. The outcome of which may have an impact on the Procurement Guidelines, as discussed in section 2. To get involved, please find the consultation [here](#), or alternatively contact box.europeancodes.electricity@nationalgrideso.com.

Consideration of changes post 2020-21 update

There are a number of changes which will affect the future of Balancing Services and how they are procured. These include but are not limited to:

- European Network Codes: specifically, European Balancing Guideline (EBGL) and the Clean Energy Package (CEP)
- Future of Balancing Services work being carried out by National Grid ESO including product rationalisation
- Balancing Settlements Code Issue Group 83: investigation of the Buy Price Adjustment
- Codifying the C16 Statements
- Pathfinder Projects being carried out by National Grid ESO

European Network Codes: specifically, European Balancing Guideline (EBGL)

As new balancing services products are developed and as European Network Codes are implemented, it is anticipated that these will trigger changes to the relevant C16 statements and methodologies. These are likely to form part of future annual update cycles, however there is scope for ad-hoc updates should they be required within year.

In particular, Article 18 of EBGL requires Transmission System Operators, including National Grid ESO for Great Britain, to produce a set of terms and conditions for Balancing Service Providers (BSPs) and Balance Responsible Parties (BRPs). You can view the proposal [here](#).

National Grid ESO submitted a proposal for the terms and conditions to the authority on 4th August 2019, to exist within the current GB frameworks (CUSC, Grid Code, BSC and SCTs). Further

information on the 4th August 2019 National Grid ESO submission of the EBGL Article 18 terms and conditions, can be found [here](#).

In Ofgem's reply, on 8th October 2019, they confirmed that National Grid ESO's proposed terms and conditions would be deemed as those required by Article 18 EBGL upon completion of the following conditions:

- National Grid ESO to amend the terms and conditions to align with requirements of Article 34 EBGL, which defines when the transfer of balancing capacity is allowed.
- National Grid ESO to remove any provision that provides for pre-determined prices for balancing energy bids or integrated scheduling process bids from standard and specific products.
- National Grid ESO should amend the industry codes to ensure alignment with the amendment process in the EBGL.
- National Grid ESO should, on Ofgem's approval, include the rules for suspension and restoration of market activities and the rules for settlement in case of market suspension.

Further information on Ofgem's 8th October reply can be found [here](#).

For future changes to these terms and conditions, EBGL has its own amendment process which must be followed to achieve compliance. In order to ensure this process is followed, National Grid ESO have raised modification proposals to the industry codes (GC0132, CMP322/323, P392) and started the change process for SCTs (firstly for Short-Term Operating Reserve (STOR)). A similar exercise to update the SCTs for Fast Reserve and Firm Frequency Response will be completed by April 2020 to ensure the relevant terms reflect the processes in EBGL Article 18.

Future of Balancing Services work being carried out by National Grid ESO including product rationalisation

National Grid ESO are in the process of developing the response and reserve roadmap, which we expect to be released ahead of the January 2020 official C16 consultation. The roadmap will provide greater clarity on the response and reserve products we are looking to procure and upcoming changes to the procurement methodologies. Once released we will invite industry to offer views on the roadmap and the services included via a separate consultation.

In terms of the removal of products as a result of the Future of Balancing Services work, these will be removed from the C16 statements and methodologies as contracts end. It is not anticipated that any of those named explicitly in the statements will expire prior to 1st April 2020 but this is likely to change for future annual updates.

Balancing Settlements Code Issue Group 83: investigation of the Buy Price Adjustment

Issue 83 was raised in July 2019 in order to investigate the impact of EBGL article 52 against the BSAD C16 statement, primarily focused on the components that make up the buy price adjustment data. As an outcome of this issue group, there is potential for a number of BSC modifications to be raised over the next 2 years, the agreed solutions from these modifications may result in changes to the C16 statements. For further information on Issue 83 please [click here](#).

Codifying the C16 Statements

It was noted by some stakeholders at the 5th November workshop that they considered there to be benefit in putting the C16 statements into the industry codes. National Grid ESO does not share that view and noted that Ofgem's decision with regard to mapping of EBGL Article 18 accepted National Grid ESO's proposal to give the authority oversight of changes to EBGL relevant terms and conditions.

Pathfinder projects being carried out by National Grid ESO

National Grid ESO is currently carrying out a number of “Pathfinder Projects” to assess whether there are more economic alternatives to network investment through either third party investment or the procurement of additional balancing services. There is a timetable of pathfinder projects that cover Voltage, Stability and Constraint Management spaces, which we believe can be facilitated through existing provisions within the C16 statements, these are described below;

- The voltage pathfinder is seeking solutions for managing high voltage levels on the transmission system through reactive power services from non-traditional sources (distribution connected or assets delivered by a third party). Traditionally National Grid ESO manage system voltage using network assets owned by Transmission Owners, and generators who are obligated to provide reactive power services.
- The stability pathfinder is exploring the potential for system stability to be achieved through alternative technologies in order to be prepared for a future of less synchronous generation. In this context, we are talking about stability of frequency, voltage and the ability of a network user to remain connected to the system
- The constraints pathfinder is seeking new ways of managing the network after an unplanned fault through contracted commercial services. Constraints are traditionally managed pre-fault via the Balancing Mechanism, trading arrangements and occasional contracts, to avoid overloading network assets following a fault. We are seeking ways to increase the volume of actions available or the speed of delivery post-fault.

For more information on pathfinder projects, please [click here](#).

Consultation Questions

1. Do you agree with National Grid ESO’s view on future considerations which may affect the statements going forward post 2020-21 consultation? If not, please provide rationale.
2. Are there any other developments which you believe may have an impact post 2020-21 consultation which National Grid ESO have not mentioned?



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Proposed Changes

Details of proposed changes to C16 documents

Proposed changes to Procurement Guidelines

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.

The changes proposed by National Grid ESO are:

- Where appropriate, we will be reducing our long-term tendering processes and moving towards monthly and weekly tenders in line with our aim to implement closer to real-time procurement methods
- Refreshing the list of procured response services to include new products and remove unneeded products
- Removal of Frequency Control by Demand Management (FCDM) and Demand Turn Up (DTU) products from Procurement Guidelines – FCDM has been replaced with the competitively tendered Low Fast Static Service and a replacement for DTU will form part of the reserve reform work stream
- Provide a more flexible tendering of requirements by running adhoc tenders as required
- Impact of EBGL and Clean Energy Package (CEP) on ancillary services – units with existing Short Term Operating Reserve (STOR) and Fast Reserve (FR) contracts will need to submit utilisation prices in real-time and after 1st January 2020 utilisation prices for new contracts will not be pre-agreed
- Review of procured volumes and tendering frequency for FR
- Removal of reference to buying 3 times a year for STOR – CEP states we must move to day ahead procurement
- Update in constraint management services to include protection changes as a method for managing constraints in line with accelerated loss of mains change programme
- Update to report costs separately to Balancing Mechanism and trading costs in line with accelerated loss of mains change programme
- Update commercial ancillary services section to include pathfinder approach

At the 5th November forum stakeholders provided the following feedback:

- Extending the flexibility of STOR tenders across all other balancing services
- Moving to a standardised set of Terms & Conditions for EBGL for each product
- Increased transparency by National Grid ESO – where possible being able to provide industry with a better view of what we have procured, why and when we are using them
- Clarity on Terms & Conditions for distributed connected parties regarding pathfinders
- Clarity on how National Grid ESO will dispatch assets regarding pathfinders
- In addition, National Grid ESO has recently launched a consultation seeking views on the GB commercial arrangements relating to interconnector capacity reductions and more specifically the commercial arrangements between System Operator and interconnector. The output of the interconnectors consultation, which is running in parallel to the early C16 consultation, will inform National Grid ESO's decision on if the commercial arrangements will be added as a balancing service. If this is the case the Procurement Guidelines C16 statement will require a change to reflect this. If you would like to get involved with this parallel consultation please submit your responses via the instructions found [here](#), or email box.europeanodes.electricity@nationalgrideso.com directly.

Consultation Questions

1. Do you agree with the changes proposed by National Grid ESO to the Procurement Guidelines? If not, please provide rationale.
2. Do you agree with the changes and feedback proposed by industry to the Procurement Guidelines? If not, please provide rationale.
3. Would you like to propose any additional changes to the Procurement Guidelines?

Proposed changes to BPS

The Balancing Principles Statement defines the broad principles of when and how we will use balancing services and other balancing actions to manage the system.

The changes proposed by National Grid ESO:

- EU code change has resulted in required changes to contracting for balancing services
- During the 19/20 consultation process a question was raised as to whether Maxgen should be removed, however, National Grid ESO believe this should remain as it is required as part of the options available for the Electricity National Control Centre (ENCC).

At the 5th November forum stakeholders provided the following feedback:

- Future BPS audits to include STOR and other balancing services – National Grid ESO's current view is that an update in the C16 is not required to implement this however we will clarify this in January 2020 as part of the official consultation.
- Rationale for dispatch to be published by National Grid ESO to achieve greater transparency.

Consultation Questions

1. Do you agree with the changes proposed by National Grid ESO to the BPS? If not, please provide rationale.
2. Do you agree with the changes and feedback proposed by industry to the BPS? If not, please provide rationale.
3. Would you like to propose any additional changes to the BPS?

Proposed changes to BSAD

This document sets out the Balancing Services Adjustment Data (BSAD) methodology. It sets out the information on relevant balancing services that will be taken into account when determining the imbalance price.

National Grid ESO has not proposed any amendments to BSAD at this time, however future changes may occur as a result of modification P371

BSC Modification P371

In September 2018, BSC modification P371 was raised to seek to include Spin-Gen, Non-BM Fast Reserve and Non-Tendered Fast Reserve actions into the calculation of the Imbalance Price and extend the cash-out price arrangements to Fast Reserve. The work group concluded only Fast Reserve should be included and this modification was submitted to the authority for decision on 19 September 2019 and the authority are currently reviewing the proposal. If this modification is approved and new data items are agreed to be included in the imbalance price calculation, we believe it would be of benefit for these data items to be included within the relevant section of the BSAD methodology.

At the 5th November forum stakeholders provided the following feedback:

- Change wording to include STOR & non-BM Fast Reserve and Fast Start, regardless of P371.
- Determine the impact to BSAD due to modifications which may arise as a result of Issue 83.

Consultation Questions

1. Do you agree with National Grid ESO's view to not propose any changes to the BSAD at this present time? If not, please provide rationale.
2. Do you agree with the changes and feedback proposed by industry to the BSAD? If not, please provide rationale.
3. Would you like to propose any additional changes to the BSAD?

Proposed changes to SMAF

The System Management Action Flagging (SMAF) methodology sets out the means which National Grid ESO will use to identify balancing services that are for system management reasons.

National Grid ESO has not proposed any amendments to SMAF at this present time

The changes and feedback proposed by industry are:

- Industry have requested more clarity on the difference between system and energy actions on reports. National Grid ESO do not believe this requires a change to C16 statements, however we will endeavour to work with stakeholders to gain greater understanding of what they would like to see more of in the future.
- Ensure decisions taken in real-time are conveyed to the market. National Grid ESO is currently internally reviewing how we can share information in a more agile way and will include this as part of the official consultation in January 2020.
- Greater transparency regarding publication of schedule 7 processes including counter party publication

Consultation Questions

1. Do you agree with National Grid ESO's view to not propose any changes to the SMAF at this present time? If not, please provide rationale.
2. Do you agree with the changes and feedback proposed by industry to the SMAF? If not, please provide rationale.
3. Would you like to propose any additional changes to the SMAF?
4. We would like to request from industry specifically what additional information is desired which is not currently available through reports such as BMRS?

Proposed changes to ABSVD

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.

The changes proposed by National Grid ESO are:

- There are no major changes proposed to this document at this time however we need to consider BSC modifications proposal P354
- Update ABSVD to capture BM sites which provide non-BM services

BSC Modification P354

In June 2018, BSC modification P354 was approved with the aim to include non-BM STOR and Non-BM Fast Reserve in ABSVD notification with implementation scheduled for April 2020. National Grid ESO noted that the intention of the workgroup appeared to be to exclude long term non-BM STOR contracts from ABSVD but this is not achieved in the legal text. National Grid ESO intends to engage with Ofgem to understand if this is the expected outcome and to consider alongside this the requirements of EBGL and whether this creates an unfair advantage for these long-term contract providers.

At the 5th November forum stakeholders provided the following feedback:

- Publication of Terms & Conditions for non-BM / BM sites and metering

Consultation Questions

1. Do you agree with the changes proposed by National Grid ESO to the ABSVD? If not, please provide rationale.
2. Do you agree with the changes and feedback proposed by industry to the ABSVD? If not, please provide rationale.
3. Would you like to propose any additional changes to the ABSVD?



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Consultation Questions

Summary of questions and how to respond

Questions

The consultations questions are summarised below are also summarised in within the response pro forma in Appendix A.

Consideration of changes post 2020-21 Update

1. Do you agree with National Grid ESO's view on future considerations which may affect the statements going forward post 2020-21 consultation? If not, please provide rationale.
2. Are there any other developments which you believe may have an impact post 2020-21 consultation which National Grid ESO have not mentioned?

Procurement Guidelines

1. Do you agree with the changes proposed by National Grid ESO to the Procurement Guidelines? If not, please provide rationale.
2. Do you agree with the changes and feedback proposed by industry to the Procurement Guidelines? If not, please provide rationale.
3. Would you like to propose any additional changes to the Procurement Guidelines?

BPS

1. Do you agree with the changes proposed by National Grid ESO to the BPS? If not, please provide rationale.
2. Do you agree with the changes and feedback proposed by industry to the BPS? If not, please provide rationale.
3. Would you like to propose any additional changes to the BPS?

BSAD

1. Do you agree with National Grid ESO's view to not propose any changes at this present time? If not, please provide rationale.
2. Do you agree with the changes and feedback proposed by industry to the BSAD? If not, please provide rationale.
3. Would you like to propose any additional changes to the BSAD?

SMAF

1. Do you agree with National Grid ESO's view to not propose any changes to the SMAF at this present time? If not, please provide rationale.
2. Do you agree with the changes and feedback proposed by industry to the SMAF? If not, please provide rationale.
3. Would you like to propose any additional changes to the SMAF?
4. We would like to request from industry specifically what additional information is desired which is not currently available through reports such as BMRS?

ABSVD

1. Do you agree with National Grid ESO's view to not propose any changes at this present time? If not, please provide rationale.
2. Do you agree with the changes and feedback proposed by industry to the ABSVD? If not, please provide rationale.
3. Would you like to propose any additional changes to the ABSVD?

Responding

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. **Responses will not be accepted in any other format.**

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

The consultation period for this document is 32 days. Responses should be returned no later than **13th December 2019**. Following the consultation, a report will be produced within seven days of the consultation close.

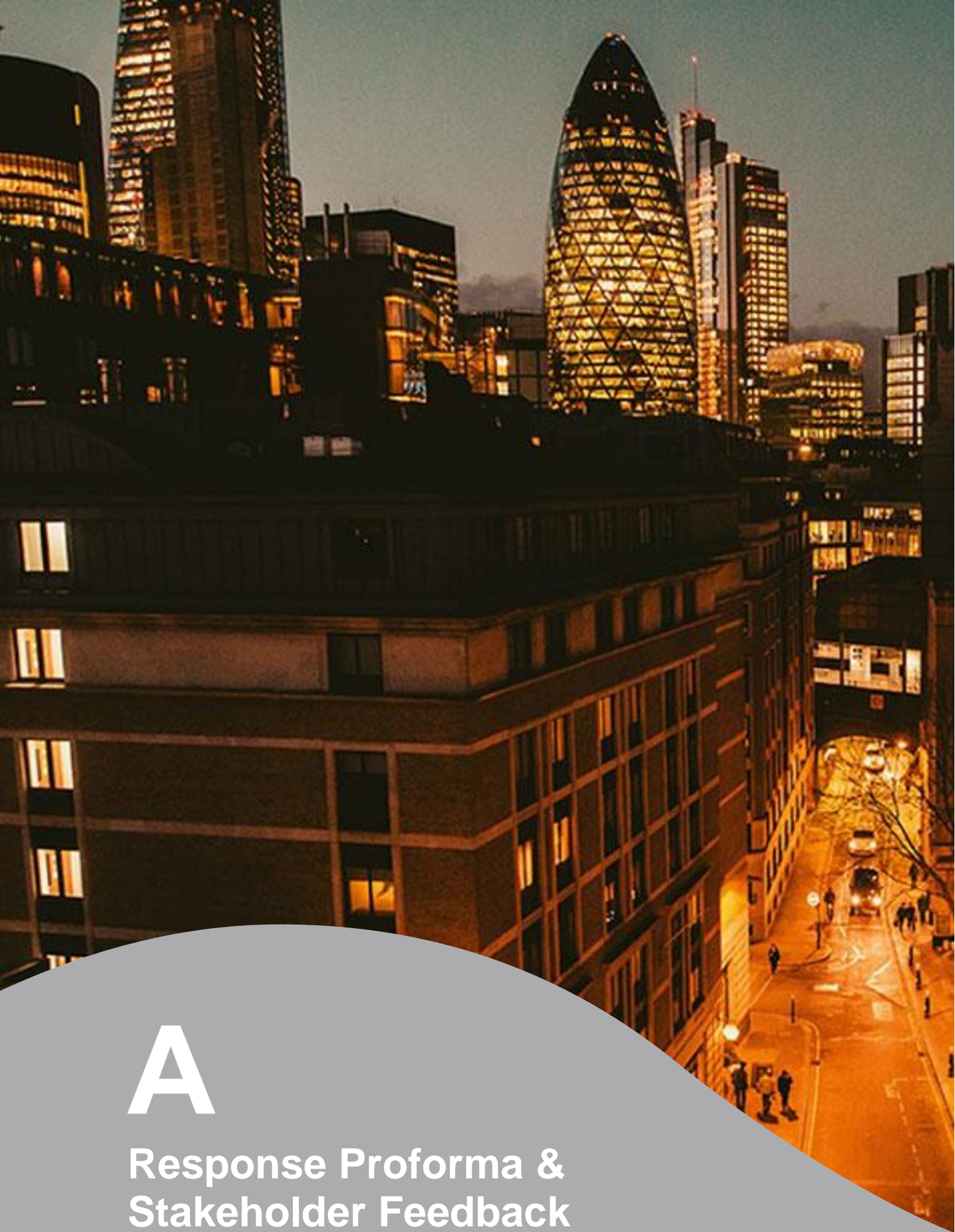
It is envisaged that all responses to this consultation will be fed into the official consultation in January 2020, where unless directed otherwise by the Authority, the implementation date for each of the revised documents will be 1st April 2020.

Next Steps

Following receipt of responses to this early consultation, National Grid ESO will review all responses and will release the official consultation on 13th January until 10th February. Following receipt of responses to this consultation, National Grid ESO will prepare and submit a report to the Authority in accordance with Electricity Transmission Licence Standard Condition C16 paragraph (8).

The current versions of the subject documents referred to in this report along with the consultation document, consultation report, and all responses, will be published on National Grid's website:

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



A

**Response Proforma &
Stakeholder Feedback**

Appendix A: Response Pro-forma

Please see separate document - [here](#)

As mentioned previously, responses will not be accepted in any other format.

Appendix B: Stakeholder Feedback

During the industry forum, there were a number of questions raised to National Grid ESO, which whilst valuable, do not form part of the C16 consultation. These were as follows:

- When will the EBGL Article 18 STOR consultation be released?
- When will the Black Start terms and conditions for system providers and restoration providers be available?
- How frequently are stakeholders being updated on Pathfinder projects?
- It was noted that National Grid ESO have not published how pathfinder projects can be achieved more quickly and an ask on National Grid ESO to share a plan on how to achieve this.
- Why is there a mechanism to recover costs for the Accelerated Loss of Mains programme?
- How does the payment structure for the Accelerated Loss of Mains Programme work?
- What are the impacts, if any, to settlements and back end processes through pathfinders?

National Grid ESO will be taking all points raised through the industry forum on board and will work with industry to resolve these queries outside of this consultation.

Appendix C: Glossary of Terms

ABSVD – Applicable Balancing Services
BM – Balancing Mechanism
BPS – Balancing Principles Statement
BRPs – Balance Responsible Parties
BSAD – Balancing Services Adjustment Data Methodologies
BSC – Balancing and Settlement Code
BSPs – Balancing Service Providers
CEP – Clean Energy Package
CUSC – Connection Use of System Code
DTU – Demand Turn Up
EBGL – European Balancing Guideline
ENCC – Electricity National Control Centre
FCDM – Frequency Control by Demand Management
FFR – Firm Frequency Response
FR – Fast Response
SCTs – Standard Contract Terms
SMAF – System Management Action Flagging Methodology
STOR – Short Term Operating Reserve