

## C16 Additional Review

### Additional Industry Consultation for Procurement Guideline Statement for 2020- 21

**Proposed revisions to the:**  
Procurement Guidelines  
6<sup>th</sup> April 2020



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# Executive summary

This consultation has been produced under Condition C16 of the Transmission Licence to undertake a further review of National Grid Electricity System Operator's (NGESO) Procurement Guideline C16 Statement.

On the 1st April 2020 NGESO published the revised and amended statements as detailed in section C16 of its licence.

The final stage of the consultation process requires NGESO to consult with Ofgem on the process carried out and the changes made to the statements. Following this we were in a position to publish the approved versions of the following statements on the 1st April 2020:

- Balancing Principle Statement
- Applicable Balancing Service Volume Data
- System Methodology Action Flagging
- Balancing Service Adjustment Data

During consultation with Ofgem some further necessary changes to the Procurement Guidelines were identified. To best facilitate this and provide transparency to the market NGESO has withdrawn the Procurement Guideline submission and will now run this further consultation to ensure market participants are aware of the new proposed changes and have an opportunity to provide feedback.

The additional changes that are proposed to the Procurement Guidelines this year relate to the following areas:

- Interconnector NTC Payments
- Allowing flexibility of tender timeframes if required by further regulation

The changes to the Procurement Guidelines are detailed in Section 2 of this consultation and, if approved, will be effective upon approval by the authority.

NGESO welcomes industry views on the proposed changes. Responses are required by close of play on the 4th May 2020. Details on how to make a response can be found in Section 3.

Following receipt of responses to this consultation, NGESO will prepare and submit a report to the Authority by 11th May 2020. All information regarding this consultation can be found on the link below:

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

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

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## Key Dates:

**Consultation Response  
Deadline:** 4<sup>th</sup> May 2020

**Documents sent to  
Ofgem:** 11<sup>th</sup> May 2020

**Expected Ofgem  
Decision:** Before 8<sup>th</sup>  
June 2020

**Procurement Guideline  
Document Uploaded to  
NGESO Website:** Upon  
Ofgem approval





# 1

## Introduction

# 2020-21 Annual Consultation and Stakeholder Feedback

This consultation is an additional consultation to the annual process NGESO ran, this is due to further changes being made to the Procurement Guidelines after the industry consultation had closed. Below is a brief run through of the engagement NGESO has done with industry to far on the C16 consultation this year.

## C16 Stakeholder Workshop prior to informal Consultation

The external workshop was held on 5th November 2019. This was attended by a wide variety of stakeholders. The aim was to discuss potential changes to be included in the 2020-2021 annual update in more detail.

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

The workshop was attended by 16 stakeholders from across industry. There was a lot of productive discussion around the proposed changes and wider feedback from attendees. In addition to the above bullet points, attendees raised other potential areas for change within the statements and methodologies. More information on the feedback given and National Grid ESO's consideration of these, can be found in the Stakeholder Feedback section of this report.

## C16 Informal Consultation

This year, following the industry forum we took the proactive decision to launch an informal consultation on 12th November 2019, ahead of the official consultation which can be found here. Industry stakeholders have told us in previous years 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 introduced an industry forum and informal consultation ahead of this official consultation in January 2020. We would like to thank you for engaging in this process and taking the opportunity to provide feedback during the industry forum and informal consultation. Industry responses were requested by 13th December 2019, and a total of 9 responses were received from:

- Calon Energy Limited
- Centrica
- Drax
- Engie
- ENWL
- Limejump
- RWE
- Scottish Power Energy Management Ltd
- Sembcorp

## C16 Official Consultation and Final Report

On the 13<sup>th</sup> January 2020 NGESO opened an official consultation to industry that lasted 28 days, we incorporated both our final position on all changes, but also our response to each informal consultation response we received.

We asked industry to provide us with further feedback on the changes we were proposing as well as feedback on our responses to them.

We had a total of 10 responses to the official consultation:

- Scottish Power
- SSE
- ENGIE
- Uniper
- Centrica
- Flextricity
- Peak Gen
- Green Frog Power
- Elexon
- EnAppSys

We had further responses from some industry parties to say, they were choosing not to submit a response as they agreed with our informal consultation responses and didn't feel they needed to add anything.

The outputs of both of these consultations and the whole C16 annual process for the 2020 statements can be found in our "C16 Report to Authority for 2020" document which can now be found on NGESO's website;

<https://www.nationalgrideso.com/document/166726/download>





# 2

## Proposed Changes

Details of proposed changes to the C16 documents

# Additional proposed changes to the 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.

NGESO has already thoroughly consulted on the Procurement Guideline changes it proposed through the two industry consultations. This consultation is to allow BSC parties to review and provide feedback on two specific additional changes that have been identified after both consultations were closed:

- NGESO are resubmitting the C16 wording on the commercial arrangement for Interconnector Capacity Calculation due to a lack of clarity between the current tool (ITL), and the tool that is currently being developed (NTC). NGESO therefore have submitted a revised version of the wording to make it clear on the difference between the tools, but also providing the opportunity to develop the future methodology such that it can be implemented without being delayed by running a further C16 consultation once it has been agreed and finalised.
- Proposal to change the procurement time frames for response and reserve services in the 2020/21 procurement guidelines to “as required” to allow for any possible impacts or relevant regulations and the development of our balancing services. We will endeavour to give providers as much notice as possible if any changes are required to current tendering timescales.

The proposed changes are detailed in Table 1 below:

ID	Purpose of Change	Reference	Change
1.1	Further clarity between ITL and NTC regarding interconnector flows	Part B “General Principles” Section 3 “taking actions outside the balancing mechanism”	Additional Text regarding managing interconnector Flows (Page 13)
1.2	Allowing flexibility of tender timeframes if required by further regulation	Part D “Procurement Mechanisms” Section 3 “Procurement Summary”	Changes to the “Timescales” sections of the tables (Page 27)

## Consultation Questions

1. Do you agree with the changes proposed to the Procurement Guidelines, shown in Table 1 and Appendix A regarding NTC payments? If not, please provide rationale.
2. Do you agree with the changes proposed to the Procurement Guidelines, shown in Table 1 and Appendix A regarding frequency tender timeframes? If not, please provide rationale.
3. Do you have any other comments in relation to the changes proposed to the Procurement Guidelines?





# 3

## Consultation Questions, Responses and Next Steps

# How to respond

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

## Procurement Guidelines

1. Do you agree with the changes proposed to the Procurement Guidelines, shown in Table 1 and Appendix A regarding NTC payments? If not, please provide rationale.
2. Do you agree with the changes proposed to the Procurement Guidelines, shown in Table 1 and Appendix A regarding frequency tender timeframes? If not, please provide rationale.
3. Do you have any other comments in relation to the changes proposed to the Procurement Guidelines?

## Responses

Responses should be submitted by replying to the consultation questions within the response proforma, attached as Appendix B and e-mailing the completed proforma to:

[Balancingservices@nationalgrideso.com](mailto:Balancingservices@nationalgrideso.com)

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

## Next Steps

The consultation period for this document is 28 days. Responses should be returned no later than **Close of play 4<sup>th</sup> May 2020**. Following the consultation, a report will be produced and submitted to the Authority within seven days of the consultation close. Due to the timescales for the Authority report, it may not be possible to accept late consultation responses.

The Authority will have 28 days from the **11<sup>th</sup> May 2020** to direct NGESO on these changes to the Procurement Guidelines, 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 ESO's website:

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



# Appendix A: Procurement Guidelines detailed changes

Please see separate document - <https://www.nationalgrideso.com/document/167006/download>

# Appendix B: Response Proforma

Please see separate document - <https://www.nationalgrideso.com/document/167001/download>