

16 November 2021

C16 Annual Review

Early Consultation 2021-22



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1. Executive Summary

This early consultation has been produced in addition to the requirements of Condition C16 of the Transmission Licence to undertake a review of National Grid Electricity System Operator's (NGESO) C16 Statements.

NGESO held an industry forum on the 8th November 2021, the aim of which was to allow both NGESO and industry to share their early thoughts on what changes should be considered to the five C16 statements this year and what could be considered for future reviews.

This consultation will summarise the key elements of that forum and allow wider industry to submit more detailed thoughts on the changes NGESO should consider during this year's review and future reviews.

There are five statements that form Condition C16, all of which are open for review and change during this consultation process:

- 1) Procurement Guidelines
- 2) Balancing Principles Statement (BPS)
- 3) Balancing Services Adjustment Data Methodology (BSAD)
- 4) System Management Action Flagging Methodology (SMAF)
- 5) Applicable Balancing Services Volume Data Methodology (ABSVD)

NGESO's proposed key focus areas for review of the five statements this year are:

- Replacing our temporary product, Optional Downward Flexibility Management (ODFM), with a new reserve product, Negative Slow Reserve
- Movement of STOR into Positive Slow Reserve
- New Response services - Dynamic Moderation (DM) and Dynamic Regulation (DR)
- NGESO is planning to cease the procurement of Dynamic Firm Frequency Response (DFFR) which will be replaced by the launch of the new DR service
- NGESO will stop procuring Enhanced Frequency Response (EFR) as a service by summer 2022
- New Constraint Management services - Local Constraint Market (LCM) and Regional Development Programmes (RDPs) such as MW Dispatch
- To review our processes and assess the system development required to deliver a consistent approach to the way Balancing Mechanism (BM) and non-BM units are treated in terms of Applicable Balancing Services Volume Data (ABSVD)
- Review of the reports and how they could be improved in the future

NGESO welcomes further detailed industry views on the proposed changes and invites views on any other aspects of the subject documents for future consideration. Responses are required by 7th December 2021. Details on how to make a response can be found in the Consultation Questions section.

Key Dates:

Early Consultation Response Deadline: 7th December 2021

Official Consultation Release: 10th January 2022

Official Consultation Deadline: 7th February 2022

Documents sent to Ofgem: 14th February 2022

Ofgem Veto/Direction: on/before 14th March 2022

Revised C16 Statements go live: 1st April 2022

Following receipt of responses to this consultation NGESO will incorporate feedback where possible in a first draft of changes to the statements. This will then be documented and issued via an official consultation to meet the specified regulatory timescales.

The current versions of the C16 statements, this consultation, industry responses and the consultation report will all be published at 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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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.



Jon Wisdom

Code Change Delivery Senior Manager

2. Introduction & Process Overview

The Review

In accordance with Standard Condition 16 (C16) of its Transmission Licence, NGENSO is required to conduct an annual review of all licence statements, regular reviews of the methodologies and, if appropriate, to propose changes to these documents.

The purpose of NGENSO's annual review and consultation is to ensure that each of the applicable documents remains current by seeking industry views on any proposed changes. NGENSO invite the Authority to review proposed changes. If the Authority chooses to exercise their powers of veto for these proposed changes to the C16 statements, the existing versions will remain in place. Alternatively, the proposed changes will become effective from 1st April 2022.

The following statements are the focus of each review:

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

It should be noted that the annual review of the C16 statements is not the primary forum for development of new products. They will be created and consulted on in a separate process, and any subsequent changes to the statements will be as a consequence of this.

Step 1 Industry Forum

The first step of the review process is for NGENSO to hold an industry forum, the aim of which is to allow NGENSO to engage early with industry on the key elements of change we are considering and enable industry to offer early challenge and further suggestions. Any thoughts from NGENSO at this forum should not be considered as NGENSO's final position.

Step 2 Early Consultation

The second step of the review process is for NGENSO to issue an early more "informal" consultation, this builds on the outputs from the industry forum and allows wider industry to respond to NGENSO's early thoughts on what needs to change.

This consultation does not form part of the C16 Licence Condition and is an additional one that allows NGENSO to do more fact finding and create a more efficient and thorough review.

At this point of the process it is unlikely NGENSO will suggest all text changes to the statements, however, we may provide some suggestions to text changes on certain topics.

We allow up to 28 days for our stakeholders to review, similar to the official consultation. As above any thoughts from NGENSO during this early consultation should not be considered as NGENSO's final position.

Step 3 Review and Final Consultation

The third step of the process is for NGESO to review all the early consultation responses and begin to finalise a draft position on the text changes in the statements. NGESO will also offer a response to each point raised by industry.

This will be documented and issued via an “official” consultation that does form part of the C16 Licence Condition.

This consultation will allow industry to review our responses to them as well as the recommended text changes in the statements.

This consultation will run for 28 days.

Step 4 Report to Authority

The fourth step in the review process is for NGESO to document in the form of a report the final position on the changes for this year along with the track changed versions of the statements. The report will also include in a clear and transparent way all industry responses and NGESO’s view for each of these.

This report must be issued to the Authority (Ofgem) within 7 days (5 working) from the closure of the official consultation.

Step 5 Authority Decision and Statement go live

The fifth step in the review process is for the Authority (Ofgem) to review all the documents submitted to them from step 4.

As part of the Licence Condition, Ofgem have 28 days to offer a direction or challenge the submission, if Ofgem do not veto the changes then the statements go live on the NGESO website on the 1st April of that year.

If Ofgem do veto, then there are 2 different directions for the statements to go live. Ofgem can either direct a change or they can request NGESO to run a further consultation on the specific issues they have identified, which may push back the go live date or a statement might go live pending further changes.

3. 2021 Industry Event and Next Steps

This consultation marks the second step of the review process relating to the C16 statements and methodologies.

Step 1 Industry Forum

The industry forum was held on 8th November 2021. This was attended by a variety of stakeholders. The aim was to discuss potential changes to be included in the 2021-2022 annual update in more detail. The slides can be found [here](#).

Areas highlighted by National Grid ESO were:

- An overview of changes to the Statements since last year's Annual Review
- An introduction to our new Response services - Dynamic Moderation (DM) and Dynamic Regulation (DR)
- An introduction to our new Constraint Management services - Local Constraint Market (LCM) and Regional Development Programmes (RDPs) such as MW Dispatch
- Update to existing services:
 - NGESO is planning to cease the procurement of Dynamic Firm Frequency Response (DFFR) and will be replaced by the launch of the new DR service
 - Replacing our temporary product, Optional Downward Flexibility Management (ODFM), with a new reserve product, Negative Slow Reserve
 - Movement of STOR into Positive Slow Reserve
 - NGESO will stop procuring Enhanced Frequency Response (EFR) as a service by summer 2022
- To review our processes and assess system development required to deliver a consistent approach to the way Balancing Mechanism (BM) and non-BM units are treated in terms of Applicable Balancing Services Volume Data (ABSVD)
- Review of the reports and how they could be improved in the future

The forum was attended by 5 stakeholders from across industry plus a representative from Ofgem.

Step 2 Early Consultation

16th November – 7th December 2021

Step 3 Review and Final Consultation

Final Consultation to be issued 10th January until 7th February 2022

Step 4 Report to Authority

To be issued 14th February 2022

Step 5 Authority Decision and Statement go live

Ofgem Veto/Direction expected on/before 14th March 2022. Changes to statements are effective 1st April 2022.

4. Review of Suggested Changes

Proposals for the Procurement Guideline review 2021-22

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 amendments proposed for 2021-22 are:

- Version Control
- Housekeeping
- Amendments to include new Response services
- Amendments to cease the procurement of Dynamic Firm Frequency Response (DFFR)
- Amendments to replace Optional Downward Flexibility Management (ODFM), with a new reserve product
- Amendments to move STOR into Positive Slow Reserve
- Amendments for NGENSO to stop procuring Enhanced Frequency Response (EFR)

More detail of these changes is below:

Amendments to include new Response services

Dynamic Moderation (DM) and Dynamic Regulation (DR) are new response services and will be included and described within the Procurement Guidelines Statement section for Response:

Dynamic Moderation (DM) is the new pre fault frequency service designed to rapidly deliver between +/-0.1 and +/-0.2 frequency deviation. This service will be procured day ahead in EFA blocks on a pay-as-clear auction platform.

Dynamic Regulation (DR) is the new pre fault frequency service designed to slowly correct and deliver between +/- 0.015 and +/-0.2 frequency deviation. This service will be procured day ahead in EFA blocks on a pay-as-clear auction platform.

These new services will be launched in 2022 and we are working closely with the Single Market Platform programme to explore improvements to the registration and prequalification processes.

Amendments to cease the procurement of Dynamic Firm Frequency Response (DFFR)

Firm Frequency Response (FFR) is a service can provide both dynamic and non-dynamic response to changes in frequency:

Dynamic Firm Frequency Response (DFFR) is a continuously provided service used to manage the normal second-by-second changes on the system.

Non-dynamic Firm Frequency Response (SFFR - Static Firm Frequency Response) is typically a discrete service triggered at a defined frequency deviation.

Changes to FFR service in 2022 will be as follows:

During 2022 the ESO is planning to cease the procurement of DFFR through monthly tenders. This service will be which is planned to be launched in the 1st half of 2022.

SFFR will continue to be procured until the new quick reserve product is launched, we expect that we will continue to procure SFFR for the majority of 2022.

Amendments to replace Optional Downward Flexibility Management (ODFM), with a new reserve product

The ODFM product was a temporary arrangement to manage unforeseen and unprecedented low demand conditions between April and October 2020, and to minimise any potential use of Grid Code emergency measures to curtail embedded generation

The service was reinstated for summer 2021 as there were credible forecast scenarios in which it was required, however it has not been utilised since being reinstated in May 2021 .

We are working to deliver Negative Slow Reserve before summer 2022 to provide an enduring route to accessing downward flexibility. We will be removing ODFM from the Statements.

Amendments to move STOR into Positive Slow Reserve

NGESO are planning to deliver new reserve products throughout 2022/23.

Negative Slow Reserve will be the first product to launch, as it meets an operational need to provide additional routes for the control room to access downward flexibility. Industry engagement on product and service design will continue throughout Q3 21/22 in advance of the A18 consultation process, and more detail will be available for the full C16 consultation. The product will launch in a number of sprints, so there will be more changes to the product and market post go-live.

Following the launch of Negative Slow Reserve, NGESO will work with industry to create a transition plan to move STOR into Positive Slow Reserve later in 22/23. This will be followed by Positive and Negative Quick Reserve products, however these have a dependency on the rollout of the new response products, so timescales are not yet set.

Amendments for NGESO to stop procuring Enhanced Frequency Response (EFR)

Enhanced Frequency Response (EFR) EFR was a onetime tender to deliver enhanced frequency response which started delivering in April 2018. The technical requirements of service delivery are as follows:

- be capable of delivering a minimum of 1 MW of response. This may be from a single unit or aggregated from several smaller units. Maximum response of 50MW; and
- be capable of responding within one second to frequency deviations and operate in frequency sensitive mode within the operational envelope and associated restrictions set out in the invitation to tender.

The EFR contracts awarded were for a 4 years duration and as a result the ESO will stop procuring EFR as a service by summer 2022.

Areas of the statement where NGESO consider no further changes are required

For **Net Transfer Capacity (NTC)**, ESO consider the existing wording already described within the Procurement Guidelines Statement is suitable and are proposing no changes.

Local Constraint Market (LCM) is a new Constraint Management Service. NGESO consider that this new service is already described within the Procurement Guidelines Statement section for Transmission Constraint Management.

National Grid ESO (ESO) are exploring the implementation of a Local Constraint Market (LCM) to manage the high constraint costs at this Anglo-Scottish boundary. The LCM is considered to be a tactical solution, delivering over the next 3 – 4 years, ahead of longer-term considerations for Regional Development Programmes (RDPs) in Scotland.

Taking learning from the Optional Downward Flexibility Management (ODFM) service, implemented to contract additional flexibility to manage low-demand periods throughout the COVID pandemic lockdown, we are seeking to accelerate the implementation of the LCM with a target implementation date of Q3 2022.

MW Dispatch is a new Constraint Management Service. NGESO consider that this new service is already described within the Procurement Guidelines Statement section for Transmission Constraint Management.

As part of our Regional Development Programmes (RDPs) we are developing a transmission thermal constraint management service for non-BM parties. The service is being trialled in the South West, in collaboration with WPD, from Summer 2022.

MW Dispatch is a new transmission thermal export constraint management service to apply, initially, in South West and South East England.

In the first instance, the service employs DNO systems to facilitate a service instruction to the DER service provider.

The South West and South East of England are expected to play a major part in meeting the future governmental green energy targets because there is lots of renewable solar and wind generation.

Whole system assessments found that investing in systems to manage generation on the distribution network in the South West / East is more economic than network investment, and facilitates quicker connection of new DER to the system.

We anticipate that the service be trialled in the South West region from Summer 2022. Following successful trials, we will look to make enhancements to the service and determine whether it could be rolled out to other areas across GB.

Review of the Procurement Guidelines Report

We have identified that these reports cover a lot of the same information and want to seek views on what would be most useful to be presented in the MBSS on a monthly basis and in the Procurement Guidelines report on a yearly basis.

We are looking to remove the duplicated information between the 2 reports. This would lead to the MBSS showing month on month changes and PGR showing year on year trends.

We welcome your feedback on views for us to remove duplication and make this change in the PGR.

The new Electricity System Restoration Standard (ESRS) came into effect on 19th October 2021. Restoration services procurement and costs will be reported in a consolidated annual report with all other balancing services procurement and costs. NGENSO are reviewing the necessary changes to C16 brought about through the Restoration Standard and what we will need to change to meet this.

Proposals for the BPS review 2021-22

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 amendments proposed are:

- Version Control
- Housekeeping
- Review of the Balancing Principles Statement Report

Review of the Balancing Principles Statement Report

The Balancing Principles Statement (BPS) Report provides information for instances where ESO needed to use additional measures to balance the system:

- BMU emergency instructions and interconnector emergency assistance/ instruction
- Demand control actions
- Maxgen
- Negative Reserve Active Power Margin (NRAPM) notice
- Electricity Margin Notices (EMNs)
- Black Start/ Islanding
- Communication failures
- Involuntary reductions
- BMUs disconnected by transmission faults

The final opinion for the BPS audit is included as an attachment to the BPS report.

We plan to publish the 2020/21 BPS Report during January 2022. Following licence changes, we are now required to align publication of the Balancing Principles Statement Report with the auditor's report.

New services, as outlined within this consultation, will be added to the BPS once they are live.

Whilst we are not suggesting any changes at this time, we would like feedback from industry through this consultation on how this report is used and how it could be improved.

Proposals for the BSAD review 2021-22

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

The amendments proposed are:

- Version Control
- Housekeeping

Proposals for the ABSVD review 2021-22

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 amendments proposed are:

- Version Control
- Housekeeping
- Quick Reserve and Slow Reserve
- BM and Non-BM Dynamic Frequency Response services

BM and Non-BM Dynamic Frequency Response services

Prior to April 2020, no NBM services were included in ABSVD. Following P354, there is inconsistency between the way BM and non-BM units are treated in terms of ABSVD. This inconsistency will extend to the new Dynamic Moderation and Dynamic Regulation services.

To address this challenge, the ESO are investing in the enhancement of systems and processes to enable us to apply a consistent approach going forward across BM and non-BM units when it comes to ABSVD for the Dynamic Frequency Response services. The ESO propose to investigate if it is possible to include, Dynamic Containment, Dynamic Moderation and Dynamic Regulation in the list of services that will have ABSVD applied for both BM and non-BM units.

This change will be implemented as soon as it is technically feasible, our current focus is developing our new Settlement system to include frequency response, the development will commence in early-2022 and further developments such as ABSVD will follow.

Quick Reserve and Slow Reserve will also be considered in the main consultation.

Proposals for the SMAF review 2021-22

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

The amendments proposed are:

- Versioning control
- Housekeeping

- Review of the SMAF Report

More detail of these changes and industry feedback from the session is below:

Review of the SMAF Report

As per C16 Part E para 7A (b) (ii) and 2017-18 C16 consultation. Appendix C section 5:

NGESO should “prepare a statement of the prevailing system management action flagging methodology” and “report annually on the accuracy of the flagging methodology.”

We currently have processes in place to deliver this for May/June each year. We have a 99.5% accuracy as of 2020-21.

Part of the P217A actions include:

- Transmission Constraints
- Voltage Support
- Rate of Change of Frequency (RoCoF)

Whilst we are not suggesting any changes at this time, we would like feedback from industry through this consultation on how this report is used and how it could be improved.

Initial Industry Feedback:

- During our stakeholder Workshop, we were asked if we could report on the specific asset status within the transmission constraint, specifically B6 and Western Link.

Initial NGESO Response:

- We are looking into this request and we will provide a response within our January consultation.

We appreciate the initial feedback, and we hope to hear from other parties during the consultation.

5. The Consultation

The Questions

We now invite industry to provide further feedback on the changes proposed to the C16 statements as part of the 2021-22 annual review process. The consultations questions are summarised below and are also within the response proforma in Appendix A.

Procurement Guidelines

- 1) Do you agree with the proposed suggestions to the Procurement Guidelines in relation to new Response services? Please provide rationale.
- 2) Do you agree with the proposed suggestions to the Procurement Guidelines in relation to amendments to cease the procurement of Dynamic Firm Frequency Response (DFFR)? Please provide rationale.
- 3) Do you agree with the proposed suggestions to the Procurement Guidelines in relation to amendments to replace Optional Downward Flexibility Management (ODFM), with a new reserve product? Please provide rationale.
- 4) Do you agree with the proposed suggestions to the Procurement Guidelines in relation to amendments to move STOR into Positive Slow Reserve? Please provide rationale.
- 5) Do you agree with the proposed suggestions to the Procurement Guidelines in relation to amendments for NGENSO to stop procuring Enhanced Frequency Response (EFR)? Please provide rationale.
- 6) Do you find the Procurement Guidelines Report and MBSS useful? Can you provide examples of what you have used them for? Do you have any suggestions on improvements?
- 7) Do you have any other comments in relation to the changes proposed to the Procurement Guidelines? Or any additional changes you would like to see?

BPS

- 1) Do you find the BPS Report useful? Can you provide examples of what you have used them for? Do you have any suggestions on improvements?
- 2) Do you have any other comments in relation to the changes proposed to the BPS or the BPS reports? Or any additional changes you would like to see?

BSAD

- 1) Do you have any other comments in relation to the changes proposed to the BSAD? Or any additional changes you would like to see?

ABSVD

- 1) Are you supportive of our intent to enhance NGENSO systems and processes to enable a consistent approach across BM and non-BM units for ABSVD and Dynamic Frequency Response services? Please provide rationale.
- 2) Do you have any other comments in relation to the changes proposed to the ABSVD? Or any additional changes you would like to see?

SMAF

- 1) Do you find the SMAF Report useful? Can you provide examples of what you have used them for? Do you have any suggestions on improvements?
- 2) Do you have any other comments in relation to the changes proposed to the SMAF or the SMAF reports? Or any additional changes you would like to see?

How to respond

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

(Please ensure there is an “s” at the end of balancing services, as there have been issues of the “s” not populating when clicking on the hyperlink).

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

Responses should be returned no later than 7th December 2021.

Following the closure of the consultation, NGENSO will review all feedback and publish a further consultation in January 2022 which will include our views on the responses received as well as draft statement changes.

6. Appendix A: Response Proforma

The proforma can be found [here](#).