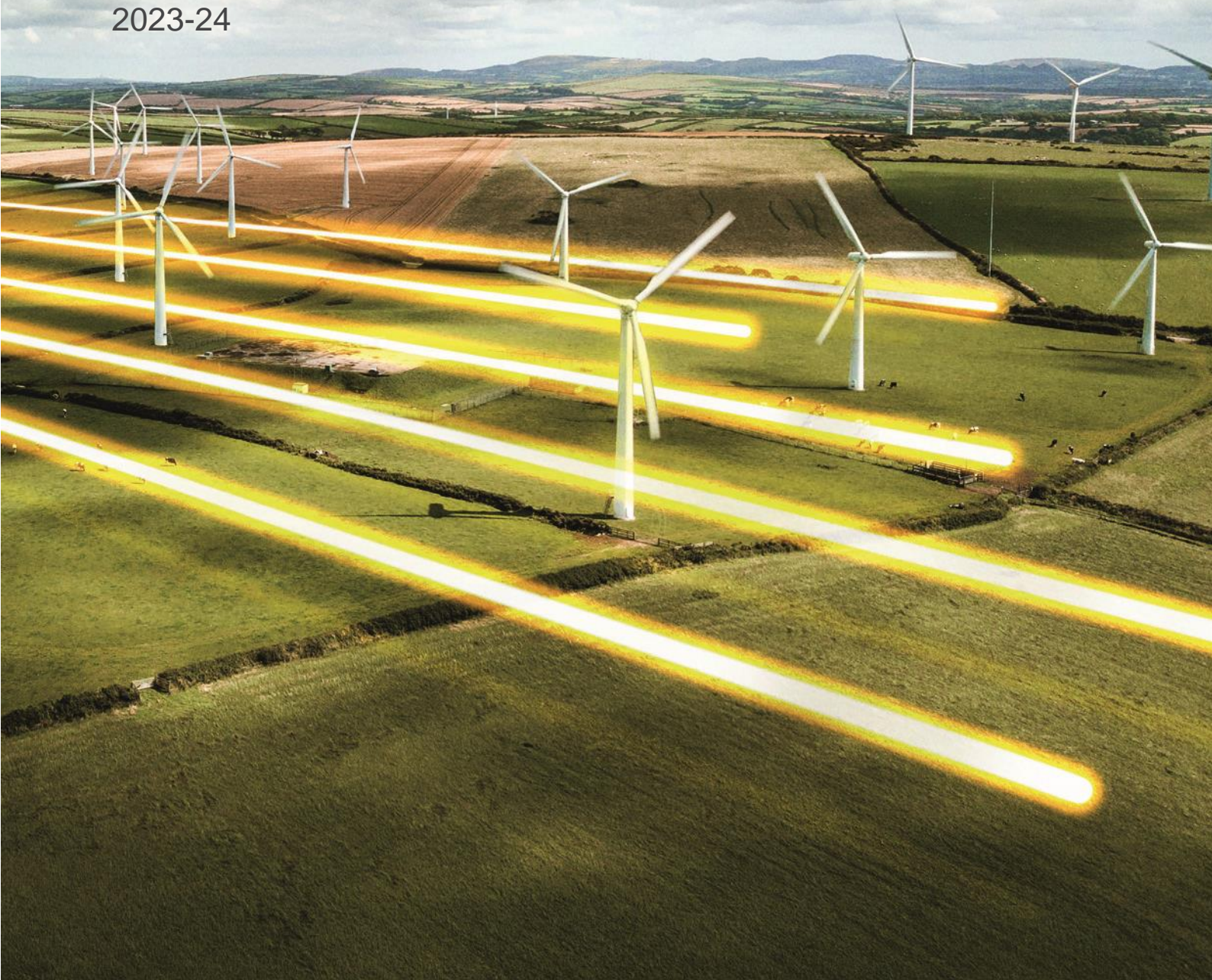


20th February 2023

C16 Report to Authority 2023-24

A report in accordance with Standard Licence Condition C16 for 2023-24



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1. Executive Summary

In accordance with the requirements of Condition C16 of the Transmission Licence, National Grid Electricity System Operator (NGESO) has produced an annual review of the C16 Statements. This report details NGESO's engagement with industry throughout this review process and the proposed changes to the 2023-24 C16 statements.

ESO has worked collaboratively with industry and the Authority¹ during this review. We have offered opportunities for all parties to provide us with feedback on the changes they would like to see represented within the C16 statements for 2023-24.

ESO held an industry forum on 7 November 2022, the aim of which was to enable both ESO and industry to share their early thoughts on what changes should be considered to the five C16 statements and also the Relevant Balancing Services (RBS) Guidelines this year and what could be considered for future reviews. Following the forum, ESO published a consultation incorporating both C16 and RBS Guidelines proposed changes which ran from 18 November 2022 to 6 December 2022. This consultation did not form part of the formal C16 Licence Condition process, rather this is an additional element that allows ESO to do more fact finding and create a more efficient and thorough review at the formal stage.

ESO ran an official consultation from 16 January to 13 February 2023, in line with the requirements of the Transmission Licence. This official consultation formed part of the C16 License Condition and detailed the changes ESO were considering during this year's review following the feedback from the industry forum and early consultation. It only concerned proposed changes to the C16 Statements.

This report details the proposed changes and industry responses from the early and formal consultations.

We publish five statements under our Condition C16 licence obligations. These are open for review and change during this process:

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

ESO's proposed key focus areas for review of the five C16 statements this year are:

- Housekeeping updates
- Addition of new regulating reserve product: Balancing Reserve
- Addition of new constraint management services - Local Constraint Market (LCM) and Regional Development Programmes (RDPs) such as MW Dispatch & Generation Export Management Scheme (GEMS)
- Amendments to frequency response products: Dynamic Moderation and Dynamic regulation Separation of Dynamic and Static Firm Frequency Response (FFR)
- Removal of wording for the Winter Contingency Service (WCS) contracts
- Amendment and addition of wording to Optional Downward Flexibility Management (ODFM)
- Addition of wording for the Demand Flexibility Service (DFS)

Key Dates:

Documents sent to the Authority: 20th February 2023

Authority Veto/Direction:
By/before 20th March 2023

Revised C16 Statements go live: 1st April 2023

¹ Where ESO refers to the Authority throughout the report, this is the Office of Gas and Electricity Markets (Ofgem)

- Addition of wording for Net Transfer Capacity (NTC)

The changes proposed to the relevant C16 statements are detailed in the review of suggested changes section of this report and will be effective the 1st April 2023, unless the Authority issues a direction for statement changes to become effective earlier or to be vetoed. ESO would now like to invite the Authority to review this report and the track changed statements and provide direction by/before 20 March 2023.

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

Ruby Pelling
Markets, National Grid Electricity System Operator

Email: balancingservices@nationalgrideso.com

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.



Jonathan Wisdom

Code Change Delivery Senior Manager

2. Introduction & Process Overview

The Review

In accordance with Standard Condition 16 (C16) of its Transmission Licence, ESO 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 ESO's annual review and consultation is to ensure that each of the applicable documents remains current by seeking industry views on any proposed changes. ESO invite the Authority to review the proposed changes detailed within this report and tracked change statements provided. If the Authority chooses to exercise their powers of veto for any of the proposed changes to the C16 statements, the existing versions will remain in place. Alternatively, the proposed changes will become effective from 1 April 2023.

The following statements are the focus of each review:

- Procurement Guidelines Statement (PGS)
- Balancing Services Adjustment Data Methodology Statement (BSAD)
- System Management Action Flagging Methodology Statement (SMAF)
- Balancing Principles Statement (BPS)
- Applicable Balancing Service Volume Data Statement (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 a consequence of this.

Step 1 Industry Forum

The first step of the review process is for ESO to hold an industry forum, the aim of which is to allow ESO to engage early with industry on the key elements of change we are considering and enable industry to offer early challenge and further suggestions.

Step 2 Early Consultation

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

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

The early consultation also included early proposed changes to the Relevant Balancing Services (RBS) Guidelines.

Step 3 Review and Final Consultation

The third step of the process is for ESO to review all the early consultation responses and begin to finalise a draft position on the text changes in the statements. ESO will also offer a response to each point raised by industry. This was documented and issued via an "official" consultation that does form part of the C16 Licence Condition.

This consultation allowed industry to review our responses to them, as well as the recommended text changes in the statements. This consultation was focussed on proposed C16 statement changes only.

This consultation ran for 28 days.

Step 4 Report to Authority

The fourth step in the review process is for ESO to document in the form of a report the final position on the proposed changes for this year along with the track changed versions of the statements, including any proposed revisions. The report will also include in a clear and transparent way, all industry responses across both consultations and ESO's view for each of these.

The report will be submitted for the C16 review following the close of the consultations. The C16 report must be issued to the Authority 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 to review all the documents submitted to them from step 4.

As part of the C16 Licence Condition, the Authority have 28 days to offer a direction or challenge the submission, if the Authority do not veto the changes, then the statements go live on the ESO website on the 1st of April of that year.

If the Authority do veto (either in whole or part), then there are 2 different directions for the statements to go live. The Authority can either direct a change or they can request ESO 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. 2022-23 Review Process and Next Steps

This report marks the fourth step of the review process relating to the C16 statements and methodologies.

Step 1 Industry Forum

The industry forum was held on 7th November 2022. The aim of this workshop was to seek early industry views on the review process and discuss any changes that industry would like to propose ahead of the annual review or provide feedback on the changes proposed by ESO for the upcoming consultation. The initial changes proposed for the RBS Guidelines were also discussed at the forum. The slides can be found [here](#).

Areas highlighted for C16 by National Grid ESO were:

- Review of progress since last year's annual review for MW Dispatch constraint management Service
- Removal of Winter Contingency Service contracts
- Discussion of potentially removing ODFM from statements
- Addition of new regulating reserve product: Balancing Reserve
- Development of new reserve products: Slow and Quick Reserve (Positive and Negative)

- Changes required for separation of Dynamic Firm Frequency Response and Static Firm Frequency Response
- Changes required for Dynamic Moderation (DM) and Dynamic regulation (DR)
- Update on other reports i.e., BPS Report, Procurement Guidelines Report

The forum was attended by one industry stakeholder plus two representatives from the Authority. Despite low attendance, there was good engagement during the webinar on the proposed changes and feedback was taken on board within the final consultation. ESO responses to this engagement is also included within this report submission to the Authority.

Thank you to those who have engaged with the process and have provided your feedback. We continue to welcome any feedback that may improve the content and process in future years.

Step 2 Early Consultation

The early consultation which included the initial proposed changes for C16 statements and RBS Guidelines was open from 18 November – 6 December 2022.

The early consultation document can be found [here](#)

Step 3 Review and Final Consultation

The final consultation which focused on C16 statement changes only, was issued 16 January, open until 13 February 2023.

Following the early consultation, we took onboard industry feedback, resulting in some changes to the final consultation. Initially, we proposed to remove the wording for our ODFM service, however, following feedback at the forum and internal review, the decision was taken to not remove ODFM. In addition, we have also included service information around GEMS and provided additional wording and amendments for clarity around MW Dispatch, Demand Flexibility Service (DFS), Enhanced Frequency Response, new reserve products, Balancing Reserve and Firm Frequency Response.

(Further proposed changes to RBS guidelines were consulted on separately.)

The official consultation document can be found [here](#).

Step 4 Report to Authority

To be issued by 20 February 2023.

Following the close of the official consultation, some minor adjustments to wording have been proposed set out within this report to show revised changes. Following industry responses to the consultation, additional wording for Net Transfer Capacity has also been proposed within the Procurement Guidelines and Balancing Principles statement sections of this report and detailed within the consultation response section.

Step 5 Authority Decision and Statements Go Live

Authority direction expected by/before 20 March 2023.

Changes to C16 statements are effective by 1 April 2023.

4. Review of Suggested Changes to C16 Statements

The proposed changes below were consulted on across the early and official consultations, issued in November 2022 and January 2023.

The final suggested changes to the Procurement Guidelines, Balancing Principles SMAF, ABSVD and BSAD statements are highlighted below.

Proposals for Procurement Guidelines Statement 2023/24

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 2022-23 are:

- Version control
- Housekeeping
- Addition of Balancing Reserve (BR)
- Amendments to new reserve products
- Separation of Dynamic and Static Firm Frequency Response (FFR)
- Amendments to frequency response products: Dynamic Moderation (DM) and Dynamic Regulation (DR)
- Amendment and addition of wording to Optional Downward Flexibility Management (ODFM)
- Addition of wording for the Demand Flexibility Service (DFS)
- Addition of the MW Dispatch constraint management service
- Addition of the Generation Export Management Scheme (GEMS)
- Addition of the Local Constraint Market (LCM) service
- Amendment to Enhanced Frequency Response
- Addition of wording for Net Transfer Capacity (NTC)

Please see tracked change document ‘**Procurement Guidelines Statement v23 effective from 01 April 2023 – tracked changes for report**’ draft for detail of changes. This is stored within the folder: C16 Consultation 2022-2023.

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

The proposed changes being made to the Procurement Guidelines are detailed in Table 1 below.

Table 1

ID	Section	Page number(s)	Overview of proposed changes to wording
1.01	Version control	1-3	Updated
1.02	Housekeeping	1-3	Dates amended
1.03	Housekeeping	1-42	Text alignment throughout statement
1.04	Housekeeping	13-34	Amendment of product(s) to service(s) to align wording throughout statement

1.05	Addition of text to section 3 Taking Actions Outside the Balancing Mechanism	14	Addition of text to section 3 Taking Actions Outside the Balancing Mechanism (NTC)
1.06	Amendment of text to Part C Balancing Services Required	14	Amendment of text to Part C Balancing Services Required, section 1 Types of Balancing Services (System Ancillary Services)
1.07	Addition of text to Future Requirements for Part 2 System Ancillary Services	15	Addition of text to Part C Balancing Services Required, Future Requirements for Part 2 System Ancillary Services
1.08	Formatting and addition of text to Future Requirements for Part 2 System Ancillary Services	15	Formatting and Addition of text to Part C Balancing Services Required, Future Requirements for Part 2 System Ancillary Services (Potential for further Dynamic Products)
1.09	Amendment to text within Section 2.1 Commercial Ancillary Services we expect to procure,	19	Amendment to text within Section 2.1 Commercial Ancillary Services we expect to procure, Reserve (STOR)
1.10	Addition of text to Section 2.1 Commercial Ancillary Services we expect to procure	20	Addition of text to Section 2.1 Commercial Ancillary Services we expect to procure, Reserve (Balancing Reserve)
1.11	Addition and amendments to text to Section 2.1 Commercial Ancillary Services we expect to procure	20-21	Addition and amendments of text to Section 2.1 Commercial Ancillary Services we expect to procure, Reserve (New Reserve Services)
1.12	Addition and amendments to text to Section 2.1 Commercial Ancillary Services we expect to procure	21-22	Addition and amendments of text to Section 2.1 Commercial Ancillary Services we expect to procure, Response (Firm Frequency Response)
1.13	Amendment to text to Section 2.1 Commercial Ancillary Services we expect to procure	22	Amendment of text to Section 2.1 Commercial Ancillary Services we expect to procure, Response (Dynamic Containment)
1.14	Addition of text to Section 2.1 Commercial Ancillary	23	Addition of text to Section 2.1 Commercial Ancillary Services we expect to procure, Constraint Management Services

	Services we expect to procure		
1.15	Addition of text to Section 2.1 Commercial Ancillary Services we expect to procure	23-24	Addition of text to Section 2.1 Commercial Ancillary Services we expect to procure, Constraint Management Services (MW Dispatch)
1.16	Addition of text to Section 2.1 Commercial Ancillary Services we expect to procure	24	Addition of text to Section 2.1 Commercial Ancillary Services we expect to procure, Constraint Management Services (Generation Export Management Scheme (GEMS))
1.17	Addition of text to Section 2.1 Commercial Ancillary Services we expect to procure	25	Addition of text to Section 2.1 Commercial Ancillary Services we expect to procure, Constraint Management Services (Local Constraint Market (LCM))
1.18	Addition of text to Section 2.1 Commercial Ancillary Services we expect to procure	25	Addition of text to Section 2.1 Commercial Ancillary Services we expect to procure, Constraint Management Services (ODFM)
1.19	Addition of text to Section 2.1 Commercial Ancillary Services we expect to procure	25-26	Addition of text to Section 2.1 Commercial Ancillary Services we expect to procure, Constraint Management Services (Demand Flexibility Service)
1.20	Amendment to section 2.2 Existing Commercial Ancillary Services we don't expect to procure this year	27	Removal of text to section 2.2 Existing Commercial Ancillary Services we don't expect to procure this year, Response (Other Response – commercial moving to tendered)
1.21	Amendment to PART D: PROCUREMENT MECHANISMS	31	Addition of text to PART D: PROCUREMENT MECHANISMS, section 2 Procurement Communications Media
1.22	Amendment and addition of text to PART D: PROCUREMENT MECHANISMS	33-34	Amendment and addition of text to PART D: PROCUREMENT MECHANISMS, Table 2 ACTIVE COMMERCIAL ANCILLARY SERVICES
1.23	Amendment and addition of text to PART D: PROCUREMENT MECHANISMS	35	Addition of text to PART D: PROCUREMENT MECHANISMS, Table 3 COMMERCIAL ANCILLARY SERVICES UNDER REVIEW (Enhanced Frequency Response)

1.24	Amendment and addition of text to PART E: INFORMATION PROVISION	40-22	Amendment and addition of text to PART E: INFORMATION PROVISION, TABLE 2: Balancing Services Information Provision Summary
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1.05 – Draft text change to Part C Balancing Services Required, section 1 Types of Balancing Services (System Ancillary Services)

Procurement Guidelines statement v22 effective from 04 November 2022

- To manage interconnector flows to help manage system issues such as stability or import/export constraints, NGESO may need to limit changes to the interconnector scheduled flow occurring during the intraday market, or in the day ahead market where an intraday market does not exist. We achieve this by using the following mechanism:
- Net Transfer Capacity (NTC) – bilateral or trilateral agreement to limit the amount of capacity released into the day ahead or intraday auction. This can also be used to prevent a previously traded position from being unwound back in the other direction.

Procurement Guidelines statement final draft v23 effective from 1 April 2023

Net Transfer Capacity (NTC) – bilateral or trilateral agreement to limit the amount of capacity released into the day ahead or intraday auction. This can also be used to prevent a previously traded position from being unwound back in the other direction.

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[For further information on NTC, please refer to the GB Commercial Methodology.](#)

Based on three responses we received during the official consultation around NTC utilisation transparency we are proposing some additional wording around NTC, linking to the GB Commercial Compensation methodology which outlines the commercial principles and GB arrangements.

Whilst this was not included within the official consultation, it has been raised as a concern by industry which we believe we can, as a first step, address by providing more transparency around where existing information for NTC use is stored within the Procurement Guidelines statement. We will then engage with the parties who raised these concerns and action the feedback to seek improvement. For further detail of our response, please see page 58 for Official Consultation Responses.

1.06 – Draft text change to Part C Balancing Services Required, section 1 Types of Balancing Services (System Ancillary Services)

Procurement Guidelines statement v22 effective from 04 November 2022

- If agreement is reached some generators are required to provide the Part 2 System Ancillary Services of Black Start (throughout this document please read 'Black Start' interchangeably as 'Restoration Services' consistent with new Electricity System Restoration Standard (ESRS) which came into effect on 19th October 2021), frequency control by means of Fast Start and System to Generator Operational Intertripping.

Procurement Guidelines statement final draft **v23 effective from 1 April 2023**

- If agreement is reached some generators are required to provide the Part 2 System Ancillary Services of Black Start (throughout this document please read 'Black Start' interchangeably as 'Restoration Services' consistent with new Electricity System Restoration Standard (ESRS) which ~~came into effect~~was introduced on 19th October 2021 and will come into effect by December 2026), frequency control by means of Fast Start and System to Generator Operational Intertripping.

1.07 – Draft text change to Part C Balancing Services Required, Future Requirements for Part 2 System Ancillary Services

Procurement Guidelines statement v22 effective from 04 November 2022

We are interested in discussing arrangements with potential new providers of the Black Start Capability service, and in line with our published Black Start Strategy and Procurement Methodology, we will seek to introduce competition to our procurement process wherever economic and efficient to do so. There is no requirement for any additional Fast Start Capability beyond the current provision from all existing providers. Requirement for System to Generator Operational Intertripping Schemes will be dependent upon future system development and new connections to the Transmission System. There is currently no additional requirement for the Maximum Generation service, however this is an ongoing review

Procurement Guidelines statement final draft **v23 effective from 1 April 2023**

We are interested in discussing arrangements with potential new providers of the Black Start Capability service, and in line with our published Black Start Strategy and Procurement Methodology [2021-22 \(soon to be replaced by the Assurance Framework that will outline ESO's restoration strategy for the future\)](#), we will seek to introduce competition to our procurement process wherever economic and efficient to do so. There is no requirement for any additional Fast Start Capability beyond the current provision from all existing providers. Requirement for System to Generator Operational Intertripping Schemes will be dependent upon future system development and new connections to the Transmission System. There is currently no additional requirement for the Maximum Generation service, however this is an ongoing review

1.08 – Draft text change to Part C Balancing Services Required, Future Requirements for Part 2 System Ancillary Services (Potential for further Dynamic Products)

Procurement Guidelines statement v22 effective from 04 November 2022

Potential for further Dynamic Products

Dynamic Containment (DC), the first of our new end-state frequency response services, was released in October 2020. During 2022, the ESO will release the other two faster-acting frequency response services (Dynamic Moderation – DM – and Dynamic Regulation – DR). These new response services are designed to support our operations as the electricity system is decarbonised. DR is the new pre fault frequency service designed to slowly correct and deliver between +/- 0.015 and +/- 0.2 frequency deviation. DM is a pre fault frequency service designed to rapidly deliver between +/-0.1 and +/-0.2 frequency deviation. DR and DM will launch on the EPEX platform with DR planned to go live first. Both of these new services will be procured at day ahead in EFA blocks on a pay-as-clear auction platform in the same way as DC.

Procurement Guidelines statement draft for official consultation v23 effective from 1 April 2023

Potential for further Dynamic Products

Dynamic Containment (DC), the first of our new end-state frequency response services, was released in October 2020. During 2022, the ESO ~~will release the other~~[released](#) two faster-acting frequency response services (Dynamic Moderation – DM – and Dynamic Regulation – DR). These new response services are designed to support our operations as the electricity system is decarbonised.

DR is the new pre fault frequency service designed to slowly correct and deliver between +/- 0.015 and +/-0.2 frequency deviation. DM is a pre fault frequency service designed to rapidly deliver between +/-0.1 and +/-0.2 frequency deviation.

DR and DM ~~have now been~~[will](#) ~~launched on the EPEX platform with DR planned to go live first. B,~~ both of these new services ~~are being~~[-will](#) ~~be~~ procured at day ahead in EFA blocks on a pay-as-clear auction platform in the same way as DC.

Procurement Guidelines statement final draft for report v23 effective from 1 April 2023

~~Potential for further~~ **Dynamic Products Services**

Dynamic Containment (DC), the first of our new end-state frequency response services, was released in October 2020. During 2022, the ESO ~~will release the other~~ **released** two faster-acting frequency response services (Dynamic Moderation – DM – and Dynamic Regulation – DR). These new response services are designed to support our operations as the electricity system is decarbonised.

DR is the new pre fault frequency service designed to slowly correct and deliver between +/- 0.015 and +/-0.2 frequency deviation. DM is a pre fault frequency service designed to rapidly deliver between +/-0.1 and +/-0.2 frequency deviation.

DR and DM ~~have now been~~ **will** ~~launched on the EPEX platform with DR planned to go live first. B,~~ both of these new services **are being** ~~- will be~~ procured at day ahead in EFA blocks on a pay-as-clear auction platform in the same way as DC.

The wording for this section has been amended since the official consultation to provide clarity around the development of ‘Dynamic Products’, as these services are currently live and currently there are no plans for ‘potential’ development of new dynamic frequency response services.

1.09 – Draft text change to Section 2.1 Commercial Ancillary Services we expect to procure, Reserve (STOR)

Procurement Guidelines statement v22 effective from 04 November 2022

STOR – tendered

Short-term Operating Reserve (STOR) allows us to have extra power in reserve for when we need it through an increased output from generation or a reduction in consumption from demand sources. It helps us meet extra demand at certain times of the day or if there’s an unexpected drop in generation. The requirement for STOR is dependent upon the demand profile at any time. The STOR product is split into six seasons, which specify the Availability Windows where STOR is required each day. STOR is procured on a daily basis via a daily auction for delivery on the next operational day. You can find more detail about STOR on our website at www.nationalgrideso.com. Look under Balancing services, and then [Reserve services](#).

Procurement Guidelines statement final draft v23 effective from 1 April 2023

STOR – daily auction tendered

Short-term Operating Reserve (STOR) allows us to have extra power in reserve for when we need it through an increased output from generation or a reduction in consumption from demand sources. It helps us meet extra demand at certain times of the day or if there's an unexpected drop in generation. The requirement for STOR is dependent upon the demand profile at any time. The STOR ~~product service~~ is split into six seasons, which specify the Availability Windows where STOR is required each day. STOR is procured ~~on a daily basis~~ via a daily auction for delivery on the next operational day. You can find more detail about STOR on our website at www.nationalgrideso.com. Look under Balancing services, and then [Reserve services](#).

1.10 – Draft text change to Section 2.1 Commercial Ancillary Services we expect to procure, Reserve (Balancing Reserve)

Procurement Guidelines statement v22 effective from 04 November 2022

N/A

Procurement Guidelines statement draft for official consultation v23 effective from 1 April 2023

Balancing Reserve

Balancing Reserve will fulfil the Control Room requirements for synchronised reserve, which is used to manage imbalance between generation and demand in real-time. The reserve should be held on units able to start delivering a contracted volume in form of an increase or decrease in generation or demand starting within 2 minutes of an instruction. Balancing Reserve will be procured from BM providers at Day Ahead for next day delivery. The providers will be paid an Availability Payment when awarded the contract at Day Ahead and a Utilisation Payment (in the form of their Bid or Offer payment) when dispatched through the BM during contracted Service Windows. The product will be procured in both directions, Negative Reserve and Positive Reserve, which will be procured independently.

Procurement Guidelines statement final draft for report v23 effective from 1 April 2023

Balancing Reserve

Balancing Reserve fulfils the Control Room requirements for synchronised reserve, which is used to manage imbalance between generation and demand in real-time. The reserve should be held on units able to start delivering a contracted volume in form of an increase or decrease in generation or demand starting within 2 minutes of an instruction. Balancing Reserve is procured from BM providers at Day Ahead for next day delivery. The providers are paid an Availability Payment when awarded the contract at Day Ahead and a Utilisation Payment (in the form of their Bid or Offer payment) when dispatched through the BM during contracted Service Windows. The service is procured in both directions, Negative Reserve and Positive Reserve, which are procured independently.

The wording for this section has been amended since the official consultation to correct the tense of the paragraph, as Balancing Reserve is anticipated to be live by the expected go live of the proposed Procurement Guidelines changes (April 1st, 2023).

1.11 – Draft text change to Section 2.1 Commercial Ancillary Services we expect to procure, Reserve (New Reserve Services)

Procurement Guidelines statement v22 effective from 04 November 2022

New Reserve Products

NGESO are developing a suite of new reserve products to be launched over the next few years. These include Positive and Negative Slow Reserve and Positive and Negative Quick Reserve. Reserve is needed for frequency management when there is an imbalance between supply of energy and demand for energy. Some of these products may be introduced initially as an Optional service (contracted within-day with no availability payment) with the intention to procure firm capacity at 'day-ahead' via a daily auction, termed the 'Firm Service'. The operational day

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will be split into a series of Service Windows during which participants can submit prices and volumes.

Procurement Guidelines statement draft for official consultation v23 effective from 1 April 2023

New Reserve Products

~~NGESO are developing a suite of new Reserve products to replace the existing suite of positive and negative Reserve products. System conditions are changing, and faster-acting reserve is required to support the new frequency response products, Dynamic Containment, Dynamic Regulation, and Dynamic Moderation.~~

~~NGESO are developing a suite of new reserve products to be launched over the next few years. These products include Positive and Negative Slow Reserve and Positive and Negative Quick Reserve. Reserve is needed for frequency management when there is an imbalance between supply of energy and demand for energy. We intend to some of these products may be introduced initially as these products as both an Optional service (contracted within-day with no availability payment) with the intention to procure and a Firm service (contracting firm capacity at 'day-ahead' via a daily auction), termed the 'Firm Service'. The operational day will be split into a series of Service Windows during which participants can submit prices and volumes.~~

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~~These new services intend to replace the existing STOR and Fast Reserve services, which we seek to phase out dependent on when Slow and Quick Reserve is established, and the success criteria has been met successfully.~~

~~Please visit the following pages on the ESO website to track progress and timelines as these services are implemented:~~

- ~~• [Slow Reserve](#)~~
- ~~• [Quick Reserve](#)~~

Procurement Guidelines statement final draft for report v23 effective from 1 April 2023

New Reserve Products/Services

~~NGESO are developing a suite of new Reserve services to replace the existing suite of positive and negative Reserve services. System conditions are changing, and faster-acting reserve is required to support the new frequency response services, Dynamic Containment, Dynamic Regulation, and Dynamic Moderation.~~

~~NGESO are developing a suite of new reserve products to be launched over the next few years. These services include Positive and Negative Slow Reserve and Positive and Negative Quick Reserve. Reserve is needed for frequency management when there is an imbalance between supply of energy and demand for energy. We intend to Some of these products may be introduced initially as these services as both an Optional service (contracted within-day with no availability payment) with the intention to procure and a Firm service (contracting firm capacity at 'day-ahead' via a daily auction), termed the 'Firm Service'. The operational day will be split into a series of Service Windows during which participants can submit prices and volumes.~~

~~These new services intend to replace the existing STOR and Fast Reserve services, which we seek to phase out dependent on when Slow and Quick Reserve is established.~~

~~Please visit the following pages on the ESO website to track progress and timelines as these services are implemented:~~

- ~~• [Slow Reserve](#)~~
- ~~• [Quick Reserve](#)~~

The wording for this section has been amended since the official consultation to avoid any confusion around the definition of “successful criteria”.

1.12 – Draft text change to Section 2.1 Commercial Ancillary Services we expect to procure, Response (Firm Frequency Response)

Procurement Guidelines statement v22 effective from 04 November 2022

Response

Firm Frequency Response – tendered

We procure Firm Frequency Response as and when required. Additional response, is also procured through the Mandatory Frequency Response Market in the Balancing Mechanism. More information about frequency response and the services we procure can be found on our website. Look under Balancing Services, then [Frequency Response Services](#).

During 2022 we will be looking to procure new frequency response products, these products will be procured via a pay as clear auction platform. Further details of the new products are available on the Frequency Response Services webpage. Alongside the introduction of the new frequency products we will begin ceasing to procure some of our existing frequency products FFR and EFR. More information can be found in the Monthly Information Reports on the data portal, and in the overarching C16 consultation document.

Procurement Guidelines statement draft for official consultation v23 effective from 1 April 2023

Response

Firm Frequency Response – tendered

We procure Firm Frequency Response (FFR) as and when required. ~~We will procure Dynamic FFR (DFFR) through monthly tenders and Static FFR (SFFR) through daily auctions.~~ Additional response is also procured through the Mandatory Frequency Response Market in the Balancing Mechanism. More information about frequency response and the services we procure can be found on our website. Look under Balancing Services, then [Frequency Response Services](#).

~~During 2022 we will be looking to procure new frequency response products, these products will be procured via a pay as clear auction platform. Further details of the new products are available on the Frequency Response Services webpage.~~ Alongside the introduction of

the new frequency products, Dynamic Containment (DC), Dynamic Moderation (DM) and Dynamic Regulation (DR) we will begin ~~ceasing the phase out of to procure~~ some of our existing frequency products notably Dynamic FFR and Enhanced Frequency Response (EFR). ~~We will procure Static Firm Frequency Response (SFFR) via daily auctions. We the procurement of Static FFR to daily auctions during 2023.~~ More information can be found in the Monthly Information Reports on the data portal, and in the overarching C16 consultation document.

Procurement Guidelines statement final draft for report v23 effective from 1 April 2023

Response

Firm Frequency Response – tendered

We procure Firm Frequency Response (FFR) as and when required. ~~We will procure Dynamic FFR (DFFR) through monthly tenders and Static FFR (SFFR) through daily auctions.~~ Additional response is also procured through the Mandatory Frequency Response Market in the Balancing Mechanism. More information about frequency response and the services we procure can be found on our website. Look under Balancing Services, then [Frequency Response Services](#).

~~During 2022 we will be looking to procure new frequency response products, these products will be procured via a pay as clear auction platform. Further details of the new products are available on the Frequency Response Services webpage.~~ Alongside the introduction of

the new frequency products, Dynamic Containment (DC), Dynamic Moderation (DM) and Dynamic Regulation (DR) we will begin ~~eeasing the phase out of to procure~~ some of our existing frequency ~~products~~ services notably Dynamic FFR and Enhanced Frequency Response (EFR). More information can be found in the Monthly Information Reports on the data portal, and in the overarching C16 consultation document.

The wording for this section has been amended since the official consultation to avoid repetition of wording for Static FFR procurement frequency.

1.13 – Draft text change to Section 2.1 Commercial Ancillary Services we expect to procure, Response (Dynamic Containment)

Procurement Guidelines statement v22 effective from 04 November 2022

Dynamic Containment (DC)

Dynamic Containment is designed to operate post-fault, i.e. for deployment after a significant frequency deviation in order to meet our most immediate need for faster-acting frequency response. Dynamic Containment is procured at day ahead on a pay as clear auction platform, as referenced above for DM and DR.

For further information on how to get involved please visit:

<https://www.nationalgrideso.com/industry-information/balancing-services/frequency-response-services/dynamic-containment?overview>

Procurement Guidelines statement final draft v23 effective from 1 April 2023

Dynamic Containment (DC)

Dynamic Containment is designed to operate post-fault, i.e. for deployment after a significant frequency deviation in order to meet our most immediate need for faster-acting frequency response. Dynamic Containment is procured at day ahead on a pay as clear auction platform, as referenced above for DM and DR.

For further information on how to get involved please visit:

<https://www.nationalgrideso.com/industry-information/balancing-services/frequency-response-services/dynamic-containment?overview>
<https://www.nationalgrideso.com/industry-information/balancing-services/frequency-response-services>

1.14 – Draft text change to Section 2.1 Commercial Ancillary Services we expect to procure, Constraint Management Services

Procurement Guidelines statement v22 effective from 04 November 2022

Constraint management services

Import and export constraints – commercial

Voltage constraints – commercial

Stability constraints - commercial

System to generator intertrip - commercial

Procurement Guidelines statement final draft v23 effective from 1 April 2023

Constraint management services

Import and export constraints – commercial

Voltage constraints – commercial

Thermal constraints – commercial

Stability constraints - commercial

System to generator intertrip – commercial

1.15 – Draft text change to Section 2.1 Commercial Ancillary Services we expect to procure, Constraint Management Services (MW Dispatch)

Procurement Guidelines statement v22 effective from 04 November 2022

N/A

Procurement Guidelines statement final draft v23 effective from 1 April 2023

MW Dispatch: Is a transmission constraint management service and the first service to be developed through our joint Regional Development Programmes with DNOs. This service expected to go live in 2023 is initially only open to Distributed Energy Resource (DER) connected to specific Grid Supply Points in National Grid Electricity Distribution (Southwest) DNO area. This enables those DER with specific connection terms and conditions to fulfil these obligations and the ESO expects to open this service up to more parties and geographies in the coming months.

The service, regardless of technology, requires providers to reduce real power output to zero ('turn to zero') when instructed by NGENSO under certain network conditions and when it is economic to do so. If instructed,

and providing they comply with the instruction, MW Dispatch Service Providers will be paid for the volume of energy they have curtailed.

1.16 – Draft text change to Section 2.1 Commercial Ancillary Services we expect to procure, Constraint Management Services (Generation Export Management Scheme (GEMS))

Procurement Guidelines statement v22 effective from 04 November 2022

N/A

Procurement Guidelines statement draft for official consultation **v23 effective from 1 April 2023**

Generation Export Management Scheme (GEMS): This is a transmission thermal constraint management system developed to manage a reconfigured radial network between Kilmarnock South 400kV substation and Tongland 132kV substation. The scheme is developed when the outcome of the 2016 Strategic Wider Work (SWW) assessment carried out for the future transmission network in South west Scotland, in conjunction with Scottish Power Transmission (SPT), concluded that a 'non- build' is likely to be the most cost effective solution as an alternative to the proposed SPT transmission reinforcements.

The system will be delivered in two releases. Release 1 is targeting BMUs which is expected to be operational towards the end of 2023. The operational principle of this part is being designed to work within the current BM rules but in an automated manner to increase efficiency.

Release 2 is targeting DERs which is expected to be operational around 2024/25. The service principle of this part is expected to be similar to MW Dispatch above, subject to agreement with Scottish Power Distribution.

In both BMUs and DERs case, only the new connectees (any connection offers issued from ~2017) are mandated to be part of the scheme. This is based on the assessment that any existing generation will not cause constraint issues on their own and by controlling additional generation the network will be compliant. However, this does not prohibit any existing generation joining the scheme should they wish to.

ESO expect to use the system when high wind output is expected as this area is predominantly wind generation. When the system is active it will only use the generation who are participant of the scheme to manage constraint by issuing BID instructions to BM parties and turn to zero

instructions to DERs as appropriate. BM parties will be settled via usual BM settlement process and DERs as per MW Dispatch principles.

More details can be found on the National Grid ESO **Regional Development Programmes (RDPs)** web pages.

Procurement Guidelines statement final draft for report v23 effective from 1 April 2023

Generation Export Management Scheme (GEMS): This is a transmission thermal constraint management system developed to manage a reconfigured radial network between Kilmarnock South 400kV substation and Tongland 132kV substation. The scheme was developed when the outcome of the 2016 Strategic Wider Work (SWW) assessment carried out for the future transmission network in Southwest Scotland, in conjunction with Scottish Power Transmission (SPT), concluded that a 'non-build' is likely to be the most cost-effective solution as an alternative to the proposed SPT transmission reinforcements.

The system will be delivered in two releases. Release 1 is targeting BMUs which is expected to be operational towards the end of 2023. The operational principle of this part is being designed to work within the current BM rules but in an automated manner to increase efficiency.

Release 2 is targeting DERs which is expected to be operational around 2024/25. The service principle of this part is expected to be similar to MW Dispatch above, subject to agreement with Scottish Power Distribution.

In both BMUs and DERs case, only the new connectees (any connection offers issued from ~2017) are mandated to be part of the scheme. This is based on the assessment that any existing generation will not cause constraint issues on their own and by controlling additional generation the network will be compliant. However, this does not prohibit any existing generation joining the scheme should they wish to.

ESO expect to use the system when high wind output is expected as this area is predominantly wind generation. When the system is active it will only use the generation who are participant of the scheme to manage constraint by issuing BID instructions to BM parties and turn to zero instructions to DERs as appropriate. BM parties will be settled via usual BM settlement process and DERs as per MW Dispatch principles. |

More details can be found on the National Grid ESO Regional Development Programmes (RDPs) web pages.

The wording for GEMS has been amended since the official consultation to correct the tense of the wording proposed.

1.17 – Draft text change to Section 2.1 Commercial Ancillary Services we expect to procure, Constraint Management Services (Local Constraint Market (LCM))

Procurement Guidelines statement v22 effective from 04 November 2022

N/A

Procurement Guidelines statement draft for official consultation v23 effective from 1 April 2023

Local Constraint Market (LCM): is a thermal constraint management service which will provide an interim solution over the next three to four years to help manage the high and rising costs at the England/Scotland boundary. With industry and partners, we are finalising service terms for the LCM, which will be instructed ahead of BM actions. LCM is expected to be launched in Q1 2023.

Historically, we have only been able to use generation turn down from BM registered assets. The new service will engage new flex providers and will be an additional option where it is more cost-effective than the BM. It will be available to generation turn down and demand turn up Providers who are non-BM, including those registered in the Capacity Market (CM).

Procurement Guidelines statement final draft for report v23 effective from 1 April 2023

Local Constraint Market (LCM): is a thermal constraint management service which will provide an interim solution over the next three to four years to help manage the high and rising costs at the England/Scotland boundary. With industry and partners, we are finalising service terms for the LCM, which will be instructed ahead of BM actions. We intend to begin LCM procurement trials in Q1 2023.

Historically, we have only been able to use generation turn down from BM registered assets. The new service will engage new flex providers and will be an additional option where it is more cost-effective than the BM. It will be available to generation turn down and demand turn up Providers who are non-BM, including those registered in the Capacity Market (CM).

The wording for this section has been amended since the official consultation to clarify the timelines for LCM procurement.

1.18 – Draft text change to Section 2.1 Commercial Ancillary Services we expect to procure, Constraint Management Services (ODFM)

Procurement Guidelines statement v22 effective from 04 November 2022

Optional Downward Flexibility Management (ODFM): is a service which allows the ESO to access downward flexibility that is not currently accessible in real time and expand our ability to control output from providers we cannot currently access through the Balancing Mechanism and the Platform for Ancillary Services, this will be treated as a last resort service. The service was reinstated for summer 2021 as there were credible forecast scenarios in which it was required, however, it was not utilised in this period. We will remove ODFM from the Statements during our next review.

Procurement Guidelines statement final draft v23 effective from 1 April 2023

Optional Downward Flexibility Management (ODFM): is a service which allows the ESO to access downward flexibility that is not currently accessible in real time and expand our ability to control output from providers we cannot currently access through the Balancing Mechanism and the Platform for Ancillary Services, this will be treated as a last resort service. The service was reinstated for summer 2021 as there were credible forecast scenarios in which it was required, however, it was not utilised in this period. We will remove ODFM from the Statements during our next review.

During 2023 the decision has been taken following review to not remove ODFM from our applicable balancing services as a potential option for the control room, although the requirement is considered unlikely.

1.19 – Draft text change to Section 2.1 Commercial Ancillary Services we expect to procure, Constraint Management Services (Demand Flexibility Service)

Procurement Guidelines statement v22 effective from 04 November 2022

Demand Flexibility Service: is a service which allows the ESO to access upward flexibility (when additional flexibility is required to balance demand and generation) that is not currently accessible in real time. This will expand our ability to control output from providers we cannot currently access through the Balancing Mechanism and the Platform for Ancillary Services.

Procurement Guidelines statement final draft v23 effective from 1 April 2023

Demand Flexibility Service (DFS): is a service which allows the ESO to access upwards flexibility (when additional flexibility is required to balance demand and generation), that is not currently accessible in real time. This will expand our ability to control output from providers that we cannot currently access through the Balancing Mechanism and the Platform for Ancillary Services.

The ESO expects to use DFS from November 2022 until 31 March 2023, with a potential extension beyond that date if required. Any requirement beyond March 2023 will be communicated to industry in advance.

1.20 – Draft text change to section 2.2 Existing Commercial Ancillary Services we don't expect to procure this year, Response (Other Response – commercial moving to tendered)

Procurement Guidelines statement v22 effective from 04 November 2022

Response

Other Response – commercial moving to tendered

We intend to remove the following frequency response products from active procurement and meet the requirement in a more transparent and competitive way. We are working with all affected parties to transition them to new routes to market.

- Enhanced Frequency Response – ceases summer 2022
- Interconnector Response
- Non-tendered Fast Reserve with low frequency trigger

For further information NGENSO about our plans for future response services please see the [response section](#) of our website, and the Future of balancing services [product roadmaps](#).

Procurement Guidelines statement final draft v23 effective from 1 April 2023

Response

Other Response – commercial moving to tendered

We intend to remove the following frequency response ~~products services~~ from active procurement and meet the requirement in a more transparent and competitive way. We are working with all affected parties to transition them to new routes to market.

- Enhanced Frequency Response – ceases summer 2022
- ~~Interconnector Response~~
- Non-tendered Fast Reserve with low frequency trigger

For further information NGENSO about our plans for future response services please see the [response section](#) of our website, and the Future of balancing services [product roadmaps](#).

1.21 – Draft text change to PART D: PROCUREMENT MECHANISMS, section 2 Procurement Communications Media

Procurement Guidelines statement v22 effective from 04 November 2022

2. **Procurement Communication Media**

We shall communicate service requirement through [market information reports](#) on our website and if necessary by contacting those parties that we believe may be interested in providing the service, including any existing or past service providers, and anyone that has expressed a prior interest in providing such services in the future.

Procurement Guidelines statement final draft v23 effective from 1 April 2023

2. **Procurement Communication Media**

We shall communicate service requirement through [market information reports](#) on our website and if necessary by contacting those parties that we believe may be interested in providing the service, including any existing or past service providers, and anyone that has expressed a prior interest in providing such services in the future.

1.22 – Draft text change to PART D: PROCUREMENT MECHANISMS, Table 2 ACTIVE COMMERCIAL ANCILLARY SERVICES

Procurement Guidelines statement v22 effective from 04 November 2022

Table 2 ACTIVE COMMERCIAL ANCILLARY SERVICES

Active commercial ancillary services will be procured on an as required basis, in line with the Clean Energy Package which requires all volumes of balancing capacity products be procured at Day Ahead. However, there is currently one open derogation and the possibility of more in the future. Providers will be given adequate notice of any revisions to tendering frequency and rationale for changes.

ANCILLARY SERVICES	MEANS OF PROCUREMENT	TIMESCALES
Commercial Ancillary Services Constraint Management Services	Bilateral Contracts or Contracts derived from market tenders	As required
Frequency Response		
• Firm Frequency Response	Contracts derived from market tenders or auction	As required
• Dynamic Containment	Contracts derived from market tenders or auction	As required
• Dynamic Moderation	Contracts derived from market tenders or auction	As required
• Dynamic Regulation	Contracts derived from market tenders or auction	As required
Reserve		
• Fast Reserve	Contracted on the day via the Optional Service.	As required
• STOR	Contracts derived from market tenders process	As required
• New Reserve Products	Potentially contracted via a within-day Optional service initially with day-ahead market procurement to follow later.	As required
• ODFM	Contracts derived from market tender process	As Required, according to system conditions
• Demand Flexibility Service	Contracts derived from market tender process	As Required, according to system conditions

Procurement Guidelines statement draft for official consultation v23 effective from 1 April 2023

Table 2 ACTIVE COMMERCIAL ANCILLARY SERVICES

Active commercial ancillary services will be procured on an as required basis, in line with the Clean Energy Package which requires all volumes of balancing capacity products be procured at Day Ahead. However, there is currently one open derogation and the possibility of more in the future. Providers will be given adequate notice of any revisions to tendering frequency and rationale for changes.

ANCILLARY SERVICES	MEANS OF PROCUREMENT	TIMESCALES
Commercial Ancillary Services Constraint Management Services	Bilateral Contracts or Contracts derived from market tenders	As required
• MW Dispatch constraint management service	Tri-party Contracts with NGED and providers	As required
• Generation Export Management Scheme (GEMS)	For BM participants, via their connection agreement. For DERs Tri-Party contracts subject to agreement with DNO.	As required
• Local Constraint Market (LCM)	Contracts procured from tender platform	As required
Frequency Response		
• Firm Frequency Response	Contracts derived from market tenders or auction	As required
• Dynamic Firm Frequency Response (DFFR)	Contracts derived from monthly market tenders or auction	As required
• Static Firm Frequency Response (SFFR)	Contracts derived from day ahead market tenders or auction	As required
• Dynamic Containment (DC)	Contracts derived from market tenders or auction	As required
• Dynamic Moderation (DM)	Contracts derived from market tenders or auction	As required

• Dynamic Regulation (DR)	Contracts derived from market tenders or auction	As required
Reserve		
• Fast Reserve	Contracted on the day via the Optional Service.	As required
• STOR	Contracts derived from daily auctions market tenders process	As required
• Balancing Reserve (BR)	Contracts derived from market tenders or auction	As required
• New Reserve Products	Potentially contracted via a within-day Optional service initially with day-ahead market procurement to follow later.	As required
• ODFM	Contracts derived from market tender process	As Required, according to system conditions
• Demand Flexibility Service	Contracts derived from market tender process	As Required, according to system conditions
•		

Procurement Guidelines statement final draft for report v23 effective from 1 April 2023

Table 2 ACTIVE COMMERCIAL ANCILLARY SERVICES

Active commercial ancillary services will be procured on an as required basis, in line with the Clean Energy Package which requires all volumes of balancing capacity ~~products-services~~ be procured at Day Ahead. However, there is currently one open derogation and the possibility of more in the future. Providers will be given adequate notice of any revisions to tendering frequency and rationale for changes.

ANCILLARY SERVICES	MEANS OF PROCUREMENT	TIMESCALES
Commercial Ancillary Services Constraint Management Services	Bilateral Contracts or Contracts derived from market tenders	As-required
<ul style="list-style-type: none"> MW Dispatch constraint management service Generation Export Management Scheme (GEMS) Local Constraint Market (LCM) 	<p>Tri-party Contracts with NGED and providers</p> <p>For BM participants, via their connection agreement. For DERs Tri-Party contracts subject to agreement with DNO.</p> <p>Contracts procured from tender platform</p>	<p>As-required</p> <p>As-required</p> <p>As-required</p>
Frequency Response		
<ul style="list-style-type: none"> Firm Frequency Response Dynamic Firm Frequency Response (DFFR) Static Firm Frequency Response (SFFR) Dynamic Containment (DC) Dynamic Moderation (DM) 	<p>Contracts derived from market tenders or auction</p> <p>Contracts derived from monthly market tenders or auction</p> <p>Contracts derived from day ahead market tenders or auction</p> <p>Contracts derived from market tenders or auction</p> <p>Contracts derived from market tenders or auction</p>	<p>As-required</p> <p>As-required</p> <p>As-required</p> <p>As-required</p>

<ul style="list-style-type: none"> Dynamic Regulation (DR) 	Contracts derived from market tenders or auction	
Reserve		
<ul style="list-style-type: none"> Fast Reserve 	Contracted on the day via the Optional Service.	As-required
<ul style="list-style-type: none"> STOR 	Contracts derived from <u>daily auctions</u> market tenders process	As-required
<ul style="list-style-type: none"> Balancing Reserve (BR) 	Contracts derived from market tenders or auction	As-required
<ul style="list-style-type: none"> New Reserve Products services 	Potentially contracted via a within-day Optional service initially with day-ahead market procurement to follow later.	As-required
<ul style="list-style-type: none"> ODFM Demand Flexibility Service 	<p>Contracts derived from market tender process, <u>required according to system conditions</u></p> <p>Contracts derived from market tender process, <u>required according to system conditions</u></p>	<p>As-Required, according to system conditions</p> <p>As-Required, according to system conditions</p>

The wording for this table has been amended since the official consultation to remove the timescales column. This section felt repetitive and does not provide additional value, especially when the procurement of active ancillary services on an ‘as required’ basis is already specified in the table summary.

1.23 – Draft text change to PART D: PROCUREMENT MECHANISMS, Table 3 COMMERCIAL ANCILLARY SERVICES UNDER REVIEW (Frequency Response)

Procurement Guidelines statement v22 effective from 04 November 2022

Table 3 COMMERCIAL ANCILLARY SERVICES UNDER REVIEW

We don't expect to procure any additional volumes of the following services.

ANCILLARY SERVICES	MEANS OF PROCUREMENT	TIMESCALES
<p>Frequency Response</p> <ul style="list-style-type: none"> Enhanced Frequency Response Non-tendered Fast Reserve low frequency trigger 	<p>No requirement for these services. We plan to meet the requirement in a more transparent and competitive way. We are working with all affected parties to transition them to new routes to market.</p>	<p>Service review carried out as per our Response and Reserve Roadmap</p>

Procurement Guidelines statement final draft v23 effective from 1 April 2023

Table 3 COMMERCIAL ANCILLARY SERVICES UNDER REVIEW

We don't expect to procure any additional volumes of the following services.

ANCILLARY SERVICES	MEANS OF PROCUREMENT	TIMESCALES
Frequency Response <ul style="list-style-type: none"> Enhanced Frequency Response Non-tendered Fast Reserve low frequency trigger 	No requirement for these services. We plan to meet the requirement in a more transparent and competitive way. We are working with all affected parties to transition them to new routes to market. <u>EFR - we are not actively looking to procure any additional volume and any requirement will be met by existing agreements</u>	Service review carried out as per our Response and Reserve Roadmap

1.24 – Draft text change to PART E: INFORMATION PROVISION, TABLE 2: Balancing Services Information Provision Summary

Procurement Guidelines statement v22 effective from 04 November 2022

Restoration Services	website	MBSS	as required	https://www.nationalgrideso.com/balancing-services/system-security-services/black-start?overview
Fast Start	no additional requirement	MBSS	monthly	
System to Generator Operational Intertripping	website	MBSS	as required	https://www.nationalgrideso.com/balancing-services/system-security-services/intertrips
Active Commercial Ancillary Services				
Constraint Management Services	website	MBSS	as required	https://www.nationalgrideso.com/balancing-services/system-security-services/intertrips https://www.nationalgrideso.com/balancing-services/system-security-services/transmission-constraint-management
Firm Frequency Response	website	MBSS	monthly	https://www.nationalgrideso.com/balancing-services/frequency-response-services/firm-frequency-response-fr
Fast Reserve	website	MBSS	monthly	https://www.nationalgrideso.com/balancing-services/reserve-services/fast-reserve
STOR	website	MBSS	monthly	https://www.nationalgrideso.com/balancing-services/reserve-services/short-term-operating-reserve-stor
Maximum Generation	no additional requirement	website	ad hoc	https://www.nationalgrideso.com/balancing-services/system-security-services/maximum-generation
Commercial Ancillary Services under review				
Response				
Enhanced Frequency Response	website	MBSS	monthly	https://www.nationalgrideso.com/balancing-services/frequency-response-services/enhanced-frequency-response-efr

Non-tendered Fast Reserve with low frequency trigger	N/A	MBSS	monthly	
Reserve				
BM Start Up	website	MBSS	monthly	https://www.nationalgrideso.com/balancing-services/reserve-services/bm-start
Hydro Optional Spin Pump	N/A	MBSS	monthly	
Hydro Rapid Start	N/A	MBSS	monthly	
Non-tendered Fast Reserve without low frequency trigger	N/A	MBSS	monthly	
Reactive				
Enhanced Reactive Power	website	MBSS	monthly	https://www.nationalgrideso.com/balancing-services/reactive-power-services

Procurement Guidelines statement final draft v23 effective from 1 April 2023

Restoration Services	website	MBSS	as required	https://www.nationalgrideso.com/balancing-services/system-security-services/black-start?overview
Fast Start	no additional requirement	MBSS	monthly	
System to Generator Operational Intertripping	website	MBSS	as required	https://www.nationalgrideso.com/balancing-services/system-security-services/intertrips
Active Commercial Ancillary Services				
Constraint Management Services	website	MBSS	as required	https://www.nationalgrideso.com/balancing-services/system-security-services/intertrips https://www.nationalgrideso.com/balancing-services/system-security-services/transmission-constraint-management
Firm Frequency Response	website	MBSS	monthly	
Static Firm Frequency Response	website	ESO data portal	Daily	ESO Data Portal: Ancillary Services National Grid Electricity System Operator (nationalgrideso.com)
Dynamic Firm Frequency Response	website	ESO data portal	Monthly	ESO Data Portal: Ancillary Services National Grid Electricity System Operator (nationalgrideso.com)
Fast Reserve	website	MBSS	As required monthly	https://www.nationalgrideso.com/balancing-services/reserve-services/fast-reserve
STOR	website	MBSS	As required monthly	https://www.nationalgrideso.com/balancing-services/reserve-services/short-term-operating-reserve-stor
Maximum Generation	no additional requirement	website	ad hoc	https://www.nationalgrideso.com/balancing-services/system-security-services/maximum-generation

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-Demand Flexibility Service (DFS)	ESO data portal	-ESO data portal	DFS Live events - Ad hoc	https://data.nationalgrideso.com/data-groups/dfs-
Commercial Ancillary Services under review				
Response				
Enhanced Frequency Response	website	MBSS	monthly	https://www.nationalgrideso.com/balancing-services/frequency-response-services/enhanced-frequency-response-efr
Non-tendered Fast Reserve with low frequency trigger	N/A	MBSS	monthly	
Reserve				
BM Start Up	website	MBSS	monthly	https://www.nationalgrideso.com/balancing-services/reserve-services/bm-start
Hydro Optional Spin Pump	N/A	MBSS	monthly	
Hydro Rapid Start	N/A	MBSS	monthly	
Non-tendered Fast Reserve without low frequency trigger	N/A	MBSS	monthly	
Reactive				
Enhanced Reactive Power	website	MBSS	monthly	https://www.nationalgrideso.com/balancing-services/reactive-power-services

Proposals for Balancing Principles Statement 2023/24

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 updates i.e., updating Mvar to MVar
- Amendment to Control Phase - Pre gate closure
- Addition of wording to Regulating Reserve
- Addition of Dynamic Moderation (DM) and Dynamic Regulation (DR), including small changes to existing wording

- Addition of the Generation Export Management Scheme (GEMS)
- Removal of wording for the Winter Contingency Services (WCS) contracts
- Addition of wording for Net Transfer Capacity (NTC)

Please see tracked change document '**Balancing Principles Statement v22 effective from 01 April 2023 – tracked changes for report**' draft for detail of changes. This is stored within the folder: C16 Consultation 2022-2023.

The proposed changes being made to Balancing Principles are detailed in Table 2 below:

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

Table 2

ID	Section	Page number(s)	Overview of proposed changes to wording
2.01	Version control	1-3	Updated
2.02	Housekeeping	1-39	Dates amended
2.03	Housekeeping	1-41	Text alignment throughout statement
2.04	Housekeeping	5	Addition of new chapter
2.05	Housekeeping	10	Addition of direct link to Grid code chapter
2.06	Housekeeping	13-39	Amendment of product(s) to service(s) to align wording throughout statement
2.07	Addition to Part C: principles underlying balancing measures	21	Addition of wording to Part C: principles underlying balancing measures for Net Transfer Capacity (NTC)
2.08	Updated wording to 2.3 Control Phase – Pre-Gate Closure	25	Updated wording to 2.3 Control Phase – Pre-Gate Closure
2.09	Addition of wording to new section 2.5 in section 2	26-27	Addition of wording to section 2 Constraint Management Processes for 2.5 New localised constraint management services – Regional Development Program
2.10	Text change to wording within section 3.1 Response	28	Amendment and addition of wording to section 3.1 Response for frequency response products
2.11	Text change to section 3.2 Reserve, part b Regulating Reserve	29	Addition of wording to section 3.2 Reserve, part b Regulating Reserve
2.12	Housekeeping	38-39	Capitalising of wording within section 3 Voltage Control
2.13	Removal of wording from Part G, Exceptions to the	40-41	Removal of wording (viii) from Part G, Exceptions to the balancing principles statement for the Winter Contingency Services

	balancing principles statement		
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2.04 – Draft text change to add new section to contents page

Balancing Principles statement v21 effective from 24 October 2022

- PART D Transmission Constraint Management and Response/Reserve**
Holding Principles
1. Transmission Constraint Management Principles
 2. Constraint Management Processes
 - 2.1 Year Ahead
 - 2.2 9 Weeks down to Day Ahead
 - 2.3 Control Phase – Pre Gate Closure
 - 2.4 Control Phase – Real Time
 3. Response/Reserve Holding Principles
 - 3.1 Response
 - 3.2 Reserve
 - 3.3 Principles Relating to Response and Reserve Holding

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- PART D Transmission Constraint Management and Response/Reserve**
Holding Principles
1. Transmission Constraint Management Principles
 2. Constraint Management Processes
 - 2.1 Year Ahead
 - 2.2 9 Weeks down to Day Ahead
 - 2.3 Control Phase – Pre Gate Closure
 - 2.4 Control Phase – Real Time
 - 2.5 New Localised Constraint Management Services – Regional Development Program
 3. Response/Reserve Holding Principles
 - 3.1 Response
 - 3.2 Reserve
 - 3.3 Principles Relating to Response and Reserve Holding

2.07 – Draft text change to Part C: principles underlying balancing measures for NTC

Balancing Principles statement v21 effective from 24 October 2022

N/A

Balancing Principles statement final report draft **v22 effective from 1 April 2023**

10 Net Transfer Capacity (NTC)

The principles of use of the non-frequency balancing service, Net Transfer Capacity (“NTC”) are set out within the GB Commercial Compensation Methodology with the intent (and in line with the C28 derogation granted to allow procurement of NTC via non-market-based mechanisms) that NTC will not be used where feasible economic alternative actions are available to resolve the system issue.

Based on three responses we received during the official consultation around NTC utilisation transparency, we are proposing some additional wording around NTC, linking to the GB Commercial Compensation methodology which outlines the principles of use.

Whilst this was not included within the official consultation, it has been raised as a concern by industry which we believe we can, as a first step, address by providing more transparency around where existing information for NTC use is stored within the Balancing Principles statement. We will then engage with the parties who raised these concerns and action the feedback to seek improvement. For further detail of our response please see page 58 for Official Consultation Responses.

2.08 – Draft text change to section 2.3 Control Phase – Pre-Gate Closure

Balancing Principles statement v21 effective from 24 October 2022

2.3 Control Phase – Pre Gate Closure

In light of actual system conditions and revisions to our day-ahead forecasts, further security analysis studies will be undertaken to assess our transmission constraint requirements. Our plant requirements will also be re-assessed and suitable units requested to synchronise or de-synchronise depending on the outcome of this assessment. This will usually take the form of a BM Start-up service or in certain circumstances, as set out in the Procurement Guidelines, a PGB Transaction (see Part C Paragraph 10).

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2.3 Control Phase – Pre Gate Closure

In light of actual system conditions and revisions to our day-ahead forecasts, further security analysis studies will be undertaken to assess our transmission constraint requirements. Our plant requirements will also be re-assessed and suitable units requested to synchronise or de-synchronise depending on the outcome of this assessment. This will usually take the form of a BM Start-up service or ~~in certain circumstances, as set out in the Procurement Guidelines, a PGB Transaction (see Part C Paragraph 10).~~ day ahead trades.

2.09 – Draft text change to section 2 Constraint Management Processes

Balancing Principles statement v21 effective from 24 October 2022

N/A

Balancing Principles statement draft for official consultation **v22 effective from 1 April 2023**

2.5 New localised constraint management services – Regional Development Program

As part of the Regional Development Programme, two new services are scheduled to go live in 2023; Generation Export Management (GEMS) for SW Scotland and MW-Dispatch for Southern England (initially SW England). These represent innovative ways of operating the network and managing transmission constraints in a coordinated whole system manner, with DNOs. These ESO services will integrate with DNO automatic network (constraint) management systems with further enhanced coordination of DNO & ESO planning and real-time operational activities. All new connecting parties in these otherwise congested areas, are obligated to participate in the relevant commercial curtailment scheme. Already connected parties may choose to participate in the scheme if they are in the impacted network area. Non-BMUs will be able to submit a curtailment price £/MWh that will apply per unit for each operational day.

The MW Dispatch service will be utilised whenever there is congestion in the in the transmission system in the SW England. Those connected parties exporting causing DNO exports and impacting broader transmission constraints in SW England will be considered alongside existing BM participants for system curtailment purposes. The assessment will be based upon both system needs and economic efficiency.

The GEMS automatic constraint management service will be utilised whenever there are active constraints in SW Scotland. A new automatic system will monitor network boundaries and curtail in merit order from the list of participating, MW-exporting parties impacting that boundary. The initial service

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will be limited to transmission connected parties. This will be extended in the coming years to include distribution connected parties.

2.5 New localised constraint management services – Regional Development Program

As part of the Regional Development Programme, two new services are scheduled to go live in 2023: Generation Export Management (GEMS) for SW Scotland and MW-Dispatch for Southern England (initially SW England). These represent innovative ways of operating the network and managing transmission constraints in a coordinated whole system manner, with DNOs. These ESO services will integrate with DNO automatic network (constraint) management systems with further enhanced coordination of DNO & ESO planning and real-time operational activities. All new connecting parties in these otherwise congested areas, are obligated to participate in the relevant commercial curtailment scheme. Already connected parties may choose to participate in the scheme if they are in the impacted network area. Non-BMUs will be able to submit a curtailment price £/MWh that will apply per unit for each operational day.

The MW Dispatch service will be utilised whenever there is congestion in the transmission system in SW England. DER (Distributed Energy Resources) third party providers connected to the DNO network and generating, which may be causing network issues or impacting transmission constraints in this area (SW England), will be considered alongside existing BM participants for system curtailment purposes. The assessment will be based upon both system needs and economic efficiency.

The GEMS automatic constraint management service will be utilised whenever there are active constraints in SW Scotland. A new automatic system will monitor network boundaries and curtail in merit order from the list of participating, MW-exporting parties impacting that boundary. The initial service will be limited to transmission connected parties. This will be extended in the coming years to include distribution connected parties.

The proposed text change from the official consultation to the final report is to provide clarity and a more concise explanation, around the initial wording proposed about DNO exports for MW Dispatch.

2.10 – Draft text change to section 3.1 Response for frequency response products

Balancing Principles statement v21 effective from 24 October 2022

In order that frequency can be contained within operational limits, and thereby minimise the risk of frequency falling outside of statutory limits, a minimum dynamic response requirement exists. The actual level of this minimum dynamic requirement is determined by our operational requirement to maintain the standard deviation of 5 minute spot frequency to 0.07Hz.

There is currently a programme to identify and implement a new suite of frequency response products that is better suited both to the current and future operability challenges, and also the technical abilities of modern assets. This programme will deliver frequency response products that will be procured in line with this statement.

Balancing Principles statement final draft v22 effective from 1 April 2023

In order that frequency can be contained within operational limits, and thereby minimise the risk of frequency falling outside of statutory limits, a minimum dynamic response requirement exists. –The actual level of this minimum dynamic requirement is determined by our operational requirement to maintain the standard deviation of 5 minute spot frequency to 0.07Hz.

~~A new suite of~~ ~~There is currently a programme to identify and implement a new suite of~~ frequency response ~~products~~ ~~services have been implemented~~ that is better suited both to the current and future operability challenges, and also the technical abilities of modern assets. –This programme will deliver frequency response ~~products~~ ~~services~~ that will be procured in line with this statement.

Dynamic Regulation (DR) is the new pre fault frequency service designed to slowly correct and deliver between +/- 0.015 and +/-0.2 frequency deviation.
Dynamic Moderation (DM) is a pre fault frequency service designed to rapidly deliver between +/-0.1 and +/-0.2 frequency deviation.

2.11 – Draft text change to section 3.2 Reserve, part b Regulating Reserve

Balancing Principles statement v21 effective from 24 October 2022

(b) Regulating Reserve

Regulating reserve is required to cover for short-term generation losses (i.e. post Gate Closure) and demand forecasting error and will be carried on part loaded synchronised generation or demand BMUs.

It is envisaged that initially this service will be provided by BMUs that are voluntarily submitting suitable Bids-Offers to the BM although, if insufficient volumes of regulating reserve can be obtained in this way or it is economic to do so, ancillary service contracts may be put in place for the provision of this reserve service.

Balancing Principles statement draft for official consultation v22 effective from 1 April 2023

- (b) **Regulating Reserve**
Regulating reserve is required to cover for short-term generation losses (i.e. post Gate Closure) and demand forecasting error and will be carried on part loaded synchronised generation or demand BMUs.

It is envisaged that initially this service will be provided by BMUs that are voluntarily submitting suitable Bids-Offers to the BM although, if insufficient volumes of regulating reserve can be obtained in this way or it is economic to do so, ancillary service contracts may be put in place for the provision of this reserve service.

[Regulating Reserve can be procured within the Balancing Reserve Market, of which more information can be found within the Procurement Guidelines.](#)

Balancing Principles statement final draft for report v22 effective from 1 April 2023

- (b) **Regulating Reserve**
Regulating reserve is required to cover for short-term generation losses (ie. post Gate Closure) and demand forecasting error and will be carried on part loaded synchronised generation or demand BMUs.

It is envisaged that initially this service will be provided by BMUs that are voluntarily submitting suitable Bids-Offers to the BM although, if insufficient volumes of regulating reserve can be obtained in this way or it is economic to do so, ancillary service contracts may be put in place for the provision of this reserve service.

[Regulating Reserve can be procured within the Balancing Reserve Market.](#)

The proposed text change from the official consultation to the final report is due to the fact the introduction of the Balancing Reserve market will mean that we can access Regulating Reserve in a firm capacity at day ahead of delivery and we would expect to contract most of our regulating reserve needs there. Because we have used “Regulating Reserve” for the Balancing Mechanism contracted volume and “Balancing Reserve” for the Day Ahead contracted volume, we therefore believe it is helpful to explain that they are essentially the same thing but procured in different timescales.

2.12 – Draft text change to section 3 Voltage Control

Balancing Principles statement v21 effective from 24 October 2022

3 Voltage Control

Under normal system conditions we shall seek to purchase and economically schedule sufficient Mvar reserves in order to maintain steady state voltage levels such that:-

- On the 400kV system each user connection site will normally remain within +/- 5% of the nominal value with a minimum/maximum range of +/-10% however voltages between +5% and +10% should not last longer than 15 minutes.

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- On the 275kV and 132kV system each user connection site will normally remain within +/- 10%.
- Below 132kV the limits are +/- 6%.

In addition for any secured event we shall purchase and economically schedule sufficient Mvar reserves in order to limit voltage step change to:-

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3 Voltage Control

Under normal system conditions we shall seek to purchase and economically schedule sufficient ~~Mvar~~ reserves in order to maintain steady state voltage levels such that:-

- On the 400kV system each user connection site will normally remain within +/- 5% of the nominal value with a minimum/maximum range of +/-10% however voltages between +5% and +10% should not last longer than 15 minutes.

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- On the 275kV and 132kV system each user connection site will normally remain within +/- 10%.
- Below 132kV the limits are +/- 6%.

In addition for any secured event we shall purchase and economically schedule sufficient ~~Mvar~~ reserves in order to limit voltage step change to:-

2.13 – Draft text change to Part G, Exceptions to the Balancing Principles statement

Balancing Principles statement v21 effective from 24 October 2022

- (viii) The need to instruct in accordance with the winter contingency service contracts would normally be in order to maintain system security in the event that all valid and feasible Bids and Offers have been accepted in the BM. Where possible, the instruction will take place prior to the instruction of any measures related to Demand Control under OC6 1.2.(c), (d) or (e) of the Grid Code.

Information relating to the instruction of the winter contingency service will be published on the BMRS as soon as reasonably practicable.

For the avoidance of doubt, valid and feasible Bids and Offers are those Bids and Offers which facilitate the delivery of energy within the relevant Settlement Period. Under certain exceptional circumstances, it may be necessary to invoke the winter contingency service before all valid and feasible Bids and Offers have been accepted. These circumstances may include:

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- (i) where the call off of available Offers would lead to an erosion of the system reserve for response below the required level;
- (ii) where the acceptance of relevant Offers would lead to the depletion of reactive reserves below the required levels; and
- (iii) where no other plant with suitable dynamics is available

For the avoidance of doubt, the decision to instruct the winter contingency service will be taken based upon the prevailing system conditions on the transmission system. Under these exceptional circumstances, the price of other available actions offered through the BM will have no bearing upon the decision to instruct the winter contingency service.

For parts (i) to (iii) above we would issue the appropriate system warning in accordance with the Grid Code and occurrences of any of the circumstances above would be reported in our annual statement of performance against the Balancing Principles.

Balancing Principles statement draft for official consultation v22 effective from 1 April 2023

~~(viii) The need to instruct in accordance with the winter contingency service contracts would normally be in order to maintain system security in the event that all valid and feasible Bids and Offers have been accepted in the BM. Where possible, the instruction will take place prior to the instruction of any measures related to Demand Control under OC6 1.2 (c), (d) or (e) of the Grid Code.~~

~~Information relating to the instruction of the winter contingency service will be published on the BMRS as soon as reasonably practicable.~~

~~For the avoidance of doubt, valid and feasible Bids and Offers are those Bids and Offers which facilitate the delivery of energy within the relevant Settlement Period. Under certain exceptional circumstances, it may be necessary to invoke the winter contingency service before all valid and feasible Bids and Offers have been accepted. These circumstances may include:~~

- ~~(i) where the call off of available Offers would lead to an erosion of the system reserve for response below the required level;~~
- ~~(ii) where the acceptance of relevant Offers would lead to the depletion of reactive reserves below the required levels; and~~
- ~~(iii) where no other plant with suitable dynamics is available~~

~~For the avoidance of doubt, the decision to instruct the winter contingency service will be taken based upon the prevailing system conditions on the transmission system. Under these exceptional circumstances, the price of other available actions offered through the BM will have no bearing upon the decision to instruct the winter contingency service.~~

~~For parts (i) to (iii) above we would issue the appropriate system warning in accordance with the Grid Code and occurrences of any of the circumstances above would be reported in our annual statement of performance against the Balancing Principles.~~

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implemented but not completed.

~~(viii) The need to instruct in accordance with the winter contingency service contracts would normally be in order to maintain system security in the event that all valid and feasible Bids and Offers have been accepted in the BM. Where possible, the instruction will take place prior to the instruction of any measures related to Demand Control under OC6 1.2.(c), (d) or (e) of the Grid Code.~~

~~Information relating to the instruction of the winter contingency service will be published on the BMRS as soon as reasonably practicable.~~

~~For the avoidance of doubt, valid and feasible Bids and Offers are those Bids and Offers which facilitate the delivery of energy within the relevant Settlement Period. Under certain exceptional circumstances, it may be necessary to invoke the winter contingency service before all valid and feasible Bids and Offers have been accepted. These circumstances may include:~~

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- ~~(i) where the call off of available Offers would lead to an erosion of the system reserve for response below the required level;~~
- ~~(ii) where the acceptance of relevant Offers would lead to the depletion of reactive reserves below the required levels; and~~
- ~~(iii) where no other plant with suitable dynamics is available~~

~~For the avoidance of doubt, the decision to instruct the winter contingency service will be taken based upon the prevailing system conditions on the transmission system. Under these exceptional circumstances, the price of other available actions offered through the BM will have no bearing upon the decision to instruct the winter contingency service.~~

For parts (i) to (iii) above we would issue the appropriate system warning in accordance with the Grid Code and occurrences of any of the circumstances above would be reported in our annual statement of performance against the Balancing Principles.

The proposed text change from the official consultation to the final report is to retain the wording within the last paragraph in relation to the exception list on page 40 i)-iii) rather than the Winter Contingency Services wording i)-iii).

This wording was present in previous Balancing Principles Statements and should remain to ensure balancing principal information is correct.

Proposals for System Management Action Flagging (SMAF) Statement Review 2023/24

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

The amendments proposed are:

- Version Control
- Removal of the wording relating to the Winter Contingency Services (WCS)

Please see tracked change document ‘**SMAF Methodology Statement v16 effective from 01 April 2023 – tracked changes for report**’ draft for detail of changes. This is stored within the folder: C16 Consultation 2022-2023.

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

The proposed changes being made to the SMAF statement are detailed in Table 3 below.

Table 3

ID	Section	Page number(s)	Overview of proposed changes to wording
3.01	Version control	1-3	Updated
3.02	Housekeeping	1-3	Dates amended
3.03	Housekeeping	3-5	Text aligned
3.04	Housekeeping	4	Blank Page removed
3.05	Removal of wording	7	Wording removed from PART B: Flagging, 1. Background to SO-Flagging for Winter Contingency Services
3.06	Removal of wording	11	Wording removed from PART B: Flagging, 2. The balancing services that will be SO-Flagged for Winter Contingency Services

3.05 – Draft text change to Part B Flagging section 1 Background to SO-Flagging

SMAF Methodology Statement v15 effective from 24 October 2022

6. Any balancing action taken by NGESO through the Winter Contingency contracts to manage system security.

SMAF Methodology Statement final draft v16 effective from 01 April 2023

- ~~6. Any balancing action taken by NGESO through the Winter Contingency contracts to manage system security.~~

3.06 – Draft text change to Part B Flagging section 2 The balancing services that will be SO-Flagged

SMAF Methodology Statement v15 effective from 24 October 2022

Winter Contingency Service Contracts

All dispatch action of units under the 2022/23 winter contingency service will be system actions through BSAD.

SMAF Methodology Statement final draft v16 effective from 01 April 2023

~~Winter Contingency Service Contracts~~

~~All dispatch action of units under the 2022/23 winter contingency service will be system actions through BSAD.~~

Proposals for Applicable Balancing Services Volume Data Methodology (ABSVD) Statement 2023/24

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
- Addition of new MW dispatch Constraint Management Service
- Addition of new Local Constraint Market (LCM) service
- Removal of the Winter Contingency Services (WCS)

Please see tracked change document ‘**ABSVD Methodology Statement v15 effective from 01 April 2023 – tracked changes for report**’ draft for detail of changes. This is stored within the folder: C16 Consultation 2022-2023.

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

The proposed changes being made to the ABSVD statement are detailed in Table 4 below.

Table 4

ID	Section	Page number(s)	Overview of proposed changes to wording
4.01	Version Control	1-3	Updated version in the version text box
4.02	Housekeeping	1-2	Dates amended
4.03	Housekeeping	3	Wording capitalised
4.04	Text change to Section 1.2 1.2 Balancing Services for inclusion in the ABSVD	8	Addition and amendment of wording to section 1.2 Balancing Services for inclusion in the ABSVD for LCM and MW Dispatch

4.05	Housekeeping	10	Text alignment
4.06	Removal of wording	11	Removal of wording from Part B 1.2 Balancing Services for inclusion in the ABSVD for Winter Contingency Services
4.07	Text change to PART C: APPLICABLE BALANCING SERVICES VOLUME DATA 'ABSVD' FOR NON-BM PROVIDERS	13	Addition of wording to PART C: APPLICABLE BALANCING SERVICES VOLUME DATA 'ABSVD' FOR NON-BM PROVIDERS, Section 1 Balancing Services for inclusion in the ABSVD

4.04 – Draft text change to Part B 1.2 Balancing Services for inclusion in the ABSVD

ABSVD Methodology Statement v14 effective from 4 November 2022

Mechanism. The reporting mechanism describes a non-BM provider without its own individual BMU, if National Grid dispatches a provider outside the BM (for non-BM STOR or non-BM Fast Reserve) who has its own BMU then the ABSVD energy will be allocated to the BMU.

ABSVD Methodology Statement draft for official consultation v15 effective from 1 April 2023

Mechanism. The reporting mechanism describes a non-BM provider without its own individual BMU, if National Grid dispatches a provider outside the BM (for non-BM STOR, ~~or~~ non-BM Fast Reserve, non-BM MW Dispatch service, non-BM Local Constraint Market (LCM)) who has its own BMU- then the ABSVD energy will be allocated to the BMU.

ABSVD Methodology Statement final draft for report v15 effective from 1 April 2023

Mechanism. The reporting mechanism describes a non-BM provider without its own individual BMU, if National Grid dispatches a provider outside the BM (for non-BM STOR, ~~or~~ non-BM Fast Reserve, non-BM MW Dispatch service and non-BM Local Constraint Market (LCM)) who has its own BMU- then the ABSVD energy will be allocated to the BMU.

A small text amendment has been made since the official consultation to correct the grammar of the proposed additional wording.

4.06 – Draft text change to Part B, 1.2 Balancing Services for inclusion in the ABSVD

ABSVD Methodology Statement v14 effective from 4 November 2022

- **Winter Contingency Services** - Volumes delivered under the 2022/23 Winter Contingency Arrangements will be included in the ABSVD

ABSVD Methodology Statement final draft **v15 effective from 1 April 2023**

- ~~Winter Contingency Services~~ – Volumes delivered under the 2022/23 Winter Contingency Arrangements will be included in the ABSVD

4.07 – Draft text change to Part C, section 1 Balancing Services for inclusion in the ABSVD

ABSVD Methodology Statement v14 effective from 4 November 2022

The following Applicable Balancing Services contracts with Non-BM Providers will be included in the calculation of the ABSVD:

- Short Term Operating Reserve (STOR)
- Negative Slow Reserve (NSR)
- Fast Reserve
- Demand Turn Up
- Operational Downward Flexibility Management (ODFM) if technically possible

ABSVD Methodology Statement draft for official consultation **v15 effective from 1 April 2023**

The following Applicable Balancing Services contracts with Non-BM Providers will be included in the calculation of the ABSVD:

- Short Term Operating Reserve (STOR)
- Negative Slow Reserve (NSR)
- Fast Reserve
- Demand Turn Up
- Operational Downward Flexibility Management (ODFM) if technically possible
- MW Dispatch Service
- Local Constraint Market (LCM)

ABSVD Methodology Statement final draft for report **v15 effective from 1 April 2023**

The following Applicable Balancing Services contracts with Non-BM Providers will be included in the calculation of the ABSVD:

- Short Term Operating Reserve (STOR)
- Negative Slow Reserve (NSR)
- Fast Reserve
- Demand Turn Up
- Operational Downward Flexibility Management (ODFM) if technically possible
- [MW Dispatch Service](#)
- [Local Constraint Market \(LCM\)](#)

[Local Constraint Market \(LCM\), for the avoidance of doubt where a MPAN cannot be registered with Elexon for ABSVD purposes \(because for example it is not half hourly settled and ABSVD would have no impact\) ABSVD data will not be submitted.](#)

Since the official consultation, we believe further clarification is required for Local Constraint Market (LCM) and inclusion within ABSVD. For the avoidance of doubt, it should be explained that where a MPAN cannot be registered with Elexon for ABSVD purposes (because for example if it is not half hourly settled and ABSVD would have no impact), ABSVD data will not be submitted.

Proposals for Balancing Services Adjustment Data Methodology (BSAD) Statement review 2023/24

The Balancing Services Adjustment Data Methodology Statement sets out the Balancing Services Adjustment Data methodology. It sets out the information on relevant balancing services that will be considered when determining the imbalance price.

The amendments proposed are:

- Versioning control
- Housekeeping
- Addition of new MW Dispatch Service
- Addition of new Local Constraint Market (LCM) service
- Removal of the Winter Contingency Services

Please see tracked change document ‘**BSAD Methodology Statement v23 effective from 01 April 2023 – tracked changes for report**’ draft for detail of changes. This is stored within the folder: C16 Consultation 2022-2023.

The proposed changes being made to BSAD are detailed in Table 5 below:

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

Table 5

ID	Section	Page number(s)	Overview of proposed changes to wording
5.01	Version Control	1-4	Updated version in the version text box
5.02	Housekeeping	1-4	Dates amended
5.03	Housekeeping	5	Text Alignments

5.04	Housekeeping	5	Comma added
5.05	Wording added	9	Addition and amendments of wording to section 2 Balancing Service Adjustment Actions for LCM and MW Dispatch
5.06	Wording removed	13	Removal of wording removed from Section 2.1 Balancing services included within Balancing Service Adjustment Actions, for Winter Contingency Services

5.05 Draft Text change to Section 2 Balancing Service Adjustment Actions

BSAD Statement v22 effective from 04 November 2022

2 Balancing Service Adjustment Actions

Any relevant balancing service including non-BM Short Term Operating Reserve (STOR) actions, non-BM Fast Reserve actions and non-BM Negative Slow Reserve Actions (NSR), taken outside the Balancing Mechanism, will be provided through BSAD as a Balancing Service Adjustment Action.

BSAD Statement final draft v23 effective from 01 April 2023

2 Balancing Service Adjustment Actions

Any relevant balancing service including non-BM Short Term Operating Reserve (STOR) actions, non-BM Fast Reserve actions, ~~and non-BM Negative Slow Reserve Actions (NSR), MW Dispatch and Local Constraint Market (LCM) service,~~ taken outside the Balancing Mechanism, will be provided through BSAD as a Balancing Service Adjustment Action.

5.06 Draft Text change to Section 2.1 Balancing services included within Balancing Service Adjustment Actions

BSAD Statement v22 effective from 04 November 2022

Winter Contingency Services

Volumes delivered under the 2022/23 Winter Contingency Services will be submitted in the BSAD.

Volumes will be system flagged and priced at £99,999/MWh.

BSAD Statement final draft v23 effective from 01 April 2023

~~Winter Contingency Services~~

~~Volumes delivered under the 2022/23 Winter Contingency Services will be submitted in the BSAD.~~

~~Volumes will be system flagged and priced at £99,999/MWh.~~

5. Stakeholder Engagement Summary

Industry Forum

The industry forum was held on 7 November 2022. The aim of this workshop was to seek early industry views on the review process and discuss any changes that industry would like to propose ahead of the annual review or provide feedback on the changes proposed by ESO for the upcoming consultation. The initial changes proposed for the RBS Guidelines were also discussed at the forum. The slides can be found [here](#).

Areas highlighted for C16 by National Grid ESO were:

- Review of progress since last year’s annual review for MW Dispatch service
- Removal of Winter Contingency Service contracts
- Discussion of potentially removing ODFM from statements
- Addition of new regulating reserve product: Balancing Reserve
- Development of new reserve products: Slow and Quick Reserve (Positive and Negative)
- Changes required for separation of Dynamic Firm Frequency Response and Static Firm Frequency Response
- Changes required for Dynamic Moderation (DM) and Dynamic regulation (DR)
- Update on other reports i.e., BPS Report and Procurement Guidelines Report

The forum was attended by one industry stakeholder plus two representatives from the Authority. Despite low attendance, there was good engagement during the webinar on the proposed changes and feedback was taken on board which we will seek to incorporate within this final consultation and provide responses to within our report submission to the Authority.

Thank you to those who have engaged with this year’s process, and we continue to welcome any feedback that may improve the content and process in future years.

A summary of the engagement during the industry forum can be seen below:

Topic	Question	ESO Response
ODFM	<p>1. ODFM/Flexibility look at volumes that we don’t normally access? Do you have plans in place to recapture the volume if needed in more formalised manner?</p> <p>We are looking at requirements for downwards flexibility product currently across our portfolio of services.</p>	<p>Thank you for your question. We are looking at requirements for downwards flexibility product currently across our portfolio of services.</p> <p>This is certainly an area that we're keeping an eye on as to whether there's requirement for downward flexibility type product.</p>
Local Constraint Market	<p>1. OTF presentations in April 22 said it would launch in Q4 or is this the turn up service?</p>	<p>Thank you for your question. Yes, whilst we had aspiration for early live trials in late 2022, the target ESO set is to launch during this winter. To do this we will run live trials planned for the end of February</p>

		and soft launch the LCM service in Q1 2023. We aim to include both demand turn up and generation turn down.
	2. Is this non-BM?	Thank you for your question. Yes, this is a non-BM service.
	3. So, CM plant couldn't participate in this service previously, but there's a proposal to allow them to? And is it just that at the time when they both needed or is it general?	<p>Thank you for your question. CM plant can participate in this service but could potentially be penalised under CM rules if they did not deliver under a CM stress event (because they were delivering under LCM). Whilst LCM trials will begin under exclusive service terms, we are reviewing so this can be widened as soon as possible.</p> <p>With that in mind we are seeking here to amend the RBS/C16 so that it allows for LCM within RBS-qualifying services. Once done, if CM plant then takes part in LCM and if this participation occurs during a CM event, this will be taken account of with the CM calculations. Once the proposed C16/RBS amendment is in place.</p>
Constraint Management Intertrip Service (previously named Constraint Management Pathfinder)	1. If you are not delivering CMIS with a generator and if a trip was actioned then you can't do anything, so you have been disconnected from the system by ESO? If a generator is armed under the CMIS contract and then tripped, as they would be disconnected from the network, they would be unable to deliver MW for the CM and therefore would not be penalised under the CM?	Thank you for your question. Yes, the proposed change to the RBS is to account for this scenario where the unit is tripped and disconnected and unable to deliver its CM obligations.
	2. Could the unit be penalised due to not meeting its CM requirements?	Thank you for your question. As above, the change to the RBS would prevent the generator from being penalised if it is tripped under the CMIS service.
MW Dispatch	1. Will it be rolled out to whole industry and not just Southwest? Is it more useful to control wind output?	Thank you for your question. We've started in the Southwest and that includes solar. However, we have not ruled this out for other areas, but we would look at what the benefits case is for each DNO.

		Our priority is to get MW Dispatch in the Southwest area up and running and prove that the process works and then look at other areas and potential benefits for further potential roll out.
	2. The C16 statements lies with the ESO licence not the DSO so changes to C16 will be under ESO licence not DNOs licence?	Thank you for your question. Yes, this is an ESO service and so will lie under the ESO's Transmission License.

Review and Final Consultation Responses

ESO issued two C16 consultations which included proposed changes to the C16 Statements as part of the annual review process.

- Early Consultation [Issued November 18 - December 6, 2022]
 - [Consultation document can be found here](#)
- Official Consultation [Issued January 16 - February 13, 2023]
 - [Consultation document can be found here](#)

The Questions

We invited industry to provide feedback on the changes proposed to the C16 Statements.

Procurement Guidelines Statement (PGS)

1. Do you agree with the housekeeping updates (p.14, 15, 25, 31)? Please provide rationale
2. Do you agree with the proposed addition of wording to define and update current wording for frequency response products Dynamic Moderation and Dynamic Regulation (p. 15, 21, 22)? Please provide rationale.
3. Do you agree with the proposed suggestion to change STOR to daily auction from tendered (p.19, 34)? Please provide rationale.
4. Do you agree with the edits proposed for New Reserve Products (p.20-21)? Please provide rationale.
5. Do you agree with the edits and additional wording proposed for Firm Frequency Response to incorporate changes for DC, DM, DR, Dynamic and Static FFR within the Response Section (p.21-22, 30)? Please provide rationale.
6. Do you agree with the proposed addition of wording for the new Balancing Reserve product (p20, 34)? Please provide rationale.
7. Do you agree with the proposed addition of thermal constraints to the type of constraint management services (p23)? Please provide rationale.
8. Do you agree with the proposed addition of wording for the new MW dispatch service to constraint management services (p23, 33)? Please provide rationale.
9. Do you agree with the proposed addition of wording for the Generation Export Management Scheme (GEMS) (p24, 33)? Please provide rationale.
10. Do you agree with the proposed addition of wording for the new Local Constraint Management (LCM) service to constraint management services (p25, 33)? Please provide rationale.
11. Do you agree with the proposed changes and addition of wording for ODFM (p25)? Please provide rationale.
12. Do you agree with the proposed addition of wording for the Demand Flexibility Service (p.26, 42)? Please provide rationale.
13. Do you agree with removal of Interconnector response wording due to the fact we are not planning on removing frequency response products for interconnectors in the near future (p27)? Please provide rationale.
14. Do you agree with the proposed edits and additions to Table 2 Active Commercial Ancillary services (p. 33-34)? Please provide rationale.
15. Do you agree with the proposed addition of wording for EFR within Table 3 Commercial ancillary services under review (p35)? Please provide rationale.
16. Do you agree with the proposed edits and additions to Table 2: Balancing Services Information Provision Summary (p40-42)? Please provide rationale.
17. 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?

Balancing Principles Statement (BPS)

1. Do you agree with the housekeeping updates proposed, for example updating Mvar to MVar, throughout the statement (p1-40)? Please provide rationale.
2. Do you agree with proposed wording amendments to Control Phase - Pre gate closure (p24)? Please provide rationale.

3. Do you agree with proposed wording added for New localised constraint management services – Regional Development Program (MW Dispatch and GEMS) (p25). Please provide rationale.
4. Do you agree with the proposed wording added for DM and DR (p27)? Please provide rationale.
5. Do you agree with the proposed addition of wording to Regulating Reserve (p28)? Please provide rationale
6. Do you agree with the proposed suggestions to remove the wording in relation to Winter Contingency Services (p.39-40)? Please provide rationale.
7. Do you find the BPS Report useful, please bear in mind that the information will be presented in the annual report in the future? Do you have any suggestions on improvements?
8. 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?

Balancing Services Adjustment Data Methodology Statement (BSAD)

1. Do you agree with the housekeeping updates? Please provide rationale.
2. Do you agree with the proposed changes in relation to adding MW dispatch and LCM to Balancing service adjustment actions (p9)? Please provide rationale.
3. Do you agree with the proposed changes in relation to removing the wording for Winter Contingency Services? (p13) Please provide rationale.
4. Do you have any other comments in relation to the changes proposed to the BSAD? Or any additional changes you would like to see?

Applicable Balancing Services Volume Data Methodology Statement (ABSVD)

1. Do you agree with the housekeeping updates? Please provide rationale.
2. Do you agree with the proposed addition of wording for the MW Dispatch constraint management service (p8, 13)? Please provide rationale.
3. Do you agree with the proposed addition of wording for LCM (p8,13)? Please provide rationale.
4. Do you agree with the proposed changes to remove wording in relation to the Winter Contingency Services (p11)? Please provide rationale.
5. Do you have any other comments in relation to the changes proposed to the ABSVD? Or any additional changes you would like to see?

System Management Action Flagging Statement (SMAF)

1. Do you agree with the housekeeping updates? Please provide rationale.
2. Do you agree with the proposed changes in relation to removal of wording for the Winter Contingency Services (p7, p11)? Please provide rationale.
3. 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?

Responses to the Consultations

Early Consultation

We received one industry response to the early C16 consultation.

Thank you to the stakeholder who responded and provided us with your invaluable feedback. We continue to welcome any feedback that may improve the content and process in future years.

Early Consultation Responses

Industry Feedback on the Procurement Guidelines Statement

Response from: National Grid Ventures

Proforma Questions	Industry Response	ESO Response
Question 1: Do you agree with the housekeeping updates (p.14, 15, 25, 29, 32,)? Please provide rationale	P.27 Response - Regarding Interconnector Response, the text says that you are working with all affected parties to transition them to new routes to market. Has this work already started and if so, who have you been working with? We at National Grid Ventures have not been included in this working group so far and would particularly like to be involved in this.	Thank you for taking the time to respond to our consultation and for your feedback. We currently do not anticipate any changes in the near future in relation to Interconnector response reform. As a result of this feedback, we will remove interconnector response from this section to increase industry clarity around this subject and seek to review, should any further changes occur.
Question 5: Do you agree with the edits and additional wording proposed for Firm Frequency Response to incorporate DC, DM, DR & Static FFR within the Response Section (p.20-21,30)? Please provide rationale.	Our initial feeling is that moving from monthly to daily tenders could be positive as you're more likely to know what Interconnector scheduled flow looks like closer to real-time (noting though that there may be other parts of I/C business process to accommodate such as Intraday, and also possible external TSO effects/impacts with a frequency-initiated transfer change).	Thank you for taking the time to respond to our consultation and for your feedback. We also concur that moving static to day ahead procurement would open up the market to new participants and is a positive step.

Official Consultation

We received three responses from various industry stakeholders to the official C16 consultation.

We received individual responses from ElecLink and National Grid Ventures (NGV). We also received a joint consultation response signed by; NGV, ElecLink, NemoLink, Moyle Interconnector and BritNed.

Thank you to those stakeholders who responded and provided us with your invaluable feedback during this year's consultation. We continue to welcome any feedback that may improve the content and process in future years.

The full Industry responses referred to within the table below can be found within supporting **Annex A**, which will be published on our [ESO C16 website](#).

Industry Feedback on the Procurement Guidelines Statement

Industry Response	Annex section	Proforma Question(s)	Industry Response
National Grid Ventures	Annex A.1	Question 17 - 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?	The ability to utilise the service of Interconnector NTC restriction in its current form is dependent on a derogation from Ofgem that permits ESO to procure and utilise the service on a non-market basis. The derogation, expiring in May 2023, places an expectation on the planned development of other market-based services (for example Dynamic Containment) which when available would at least reduce, if not remove, the need for NTC restrictions for non-locational reasons (eg system frequency). DC appears to be an established service now, so is there still a requirement for NTC Restriction at all?
ElecLink	Annex A.2	Question 17 - 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?	In answer to question 17 of the PGS and question 8 of the BPS, this response urges NGESO to: <ol style="list-style-type: none"> 1.Update the PGS, BPS, the interim NTC methodology and any other relevant NGESO documentation to provide industry participants with greater transparency and a shared understanding on the conditions of use of NTC limits. We would also welcome a standalone day-ahead and intraday capacity calculation methodology for greater clarity 2.Provide much greater transparency in circumstances where operational restrictions limiting interconnector flows have been procured, detailing the reason why an action of last resort was required. 3.Agree with industry participants updated compensation terms in the interim NTC methodology, remedying a number of current

			<p>defects and providing greater clarity in several key areas. This includes new compensation provisions in the event interconnectors are fined due to NTC restrictions from NGESO, resulting in a breach of their obligations as part of the capacity market of the neighbouring countries.</p>
<p>National Grid Ventures, Elec Link, NemoLink, BritNed, Moyle Interconnector</p>	<p>Annex A.3</p>	<p>Question 17 - 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?</p>	<p>As a group, we are concerned that at present there are no formal guidance documents available to industry which clearly detail the role of NTC limits and the conditions under which it is procured. Based on the regularity with which NTC limits have been procured by NGESO, it is important that NGESO provide greater clarity in this respect, to ensure market confidence that NTC limits are being imposed on a consistent, fair and non-discriminatory basis.</p> <p>In this context, and in the absence of alternative guidance documents available to industry participants, in response to question 17 of the PGS and question 8 of the BPS, we urge NGESO to take the following steps:</p> <ol style="list-style-type: none"> 1. Update the PGS, BPS and any other relevant NGESO documentation to provide industry participants with greater transparency and a shared understanding on the conditions of use of NTC limits. This includes, but is not limited to, clarification on the full range of services that NGESO can procure to ensure system security, the order in which NGESO will attempt to procure these services relative to NTC limits, the system conditions that would be required in order for intraday and/or day-ahead NTC limits to be procured, and the methodology NGESO use to calculate the level that NTC limits will need to be procured at, ensuring any actions that need to be taken in the market are consistent, fair and non-discriminatory; and 2. Provide much greater transparency when operational restrictions limiting interconnector flows have been procured, detailing the reason why an action of last resort was required. Whilst we recognise that the instances in which NTC limits have been procured by NGESO are now published on the NGESO data portal, these notifications do not provide sufficient information to understand why an action of last resort was

			required, typically simply citing ‘system security’. These publications should provide participants with significantly more clarity and transparency, stipulating specifically why an action of last resort was required, referring back to the conditions referred to in point 1 above.
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Industry Feedback on the Balancing Principles Statement

Industry Response	Annex section	Proforma Question(s)	Industry Response
National Grid Ventures	Annex A.1	Question 8 - 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?	<p>The service of Interconnector NTC Restriction is still not referred to in the BPS. If there is a continuing requirement for the service of NTC Restriction, then the BPS should describe the intended utilisation principles, in conjunction with other available services, and noting the expectation referred to in the derogation approval letter that it should be used as a service of ‘last resort’.</p> <p>A clear set of principles for the utilisation of NTC Restriction will assist in achieving the obligation to maximise interconnector capacities, as well as improving transparency for the industry, and ensuring consistency of service utilisation.</p> <p>Omission from the BPS has been an oversight ever since the service of NTC Restriction was first implemented, and this C16 renewal is an opportunity to address this.</p>
ElecLink	Annex A.2	Question 8 - 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?	<p>In answer to question 17 of the PGS and question 8 of the BPS, this response urges NGESO to:</p> <ol style="list-style-type: none"> 1. Update the PGS, BPS, the interim NTC methodology and any other relevant NGESO documentation to provide industry participants with greater transparency and a shared understanding on the conditions of use of NTC limits. We would also welcome a standalone day-ahead and intraday capacity calculation methodology for greater clarity 2. Provide much greater transparency in circumstances where operational restrictions limiting interconnector flows have been

			<p>procured, detailing the reason why an action of last resort was required.</p> <p>Agree with industry participants updated compensation terms in the interim NTC methodology, remedying a number of current defects and providing greater clarity in several key areas. This includes new compensation provisions in the event interconnectors are fined due to NTC restrictions from NGESO, resulting in a breach of their obligations as part of the capacity market of the neighbouring countries.</p>
<p>National Grid Ventures, Elec Link, NemoLink, BritNed, Moyle Interconnector</p>	<p>Annex A.3</p>	<p>Question 8 - 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?</p>	<p>As a group, we are concerned that at present there are no formal guidance documents available to industry which clearly detail the role of NTC limits and the conditions under which it is procured. Based on the regularity with which NTC limits have been procured by NGESO, it is important that NGESO provide greater clarity in this respect, to ensure market confidence that NTC limits are being imposed on a consistent, fair and non-discriminatory basis.</p> <p>In this context, and in the absence of alternative guidance documents available to industry participants, in response to question 17 of the PGS and question 8 of the BPS, we urge NGESO to take the following steps:</p> <ol style="list-style-type: none"> 1. Update the PGS, BPS and any other relevant NGESO documentation to provide industry participants with greater transparency and a shared understanding on the conditions of use of NTC limits. This includes, but is not limited to, clarification on the full range of services that NGESO can procure to ensure system security, the order in which NGESO will attempt to procure these services relative to NTC limits, the system conditions that would be required in order for intraday and/or day-ahead NTC limits to be procured, and the methodology NGESO use to calculate the level that NTC limits will need to be procured at, ensuring any actions that need to be taken in the market are consistent, fair and non-discriminatory; and 2. Provide much greater transparency when operational restrictions limiting interconnector flows have been procured, detailing the reason

			<p>why an action of last resort was required. Whilst we recognise that the instances in which NTC limits have been procured by NGENSO are now published on the NGENSO data portal, these notifications do not provide sufficient information to understand why an action of last resort was required, typically simply citing 'system security'. These publications should provide participants with significantly more clarity and transparency, stipulating specifically why an action of last resort was required, referring back to the conditions referred to in point 1 above.</p>
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ESO Official Response to: National Grid Ventures, ElecLink, NemoLink, BritNed and Moyle Interconnector

Thank you for taking the time to respond to our consultation, we appreciate the feedback provided.

NGESO's position is that the continued use of NTC is required in its suite of tools to ensure safe and secure operation of the transmission system. Utilising NTC guarantees the ESO's ability to secure any losses above the maximum securable loss limit, should the market provide insufficient response volumes (e.g., DC) to secure maximum capacities. In the case of non-locational reasons (e.g., system frequency containment), NTCs will continue to be required as a tool available to guarantee system security at all times.

The GB Commercial Compensation Methodology sets out the principles of use for NTCs, the derogation allows ESO to procure NTCs on a non-market basis. As per the GB Commercial Compensation Methodology, ESO will always use all other available options to secure the GB system whilst maximising interconnector flows wherever possible prior to the use of capacity restrictions e.g., intraday markets and SO-SO Trading. However, these other options are not always guaranteed e.g., market trades can be countertraded, SO-SO trade requests can be rejected by the connecting SO; EA and EI cannot be used ahead of real time as these are for unforeseen real-time issues only. NTCs will continue to be required as a tool available to guarantee system security at all times. NGENSO will continue to only use capacity restrictions in line with the GB Commercial Compensation Methodology and C28 derogation.

To address the feedback regarding the need for further transparency on the utilisation and order of NTC use within the Balancing Principles Statement, we propose as a first step, to add wording within the final C16 report, which aligns to the intent of the GB Compensation Methodology. We also propose to update the Procurement Guidelines to provide transparency with regards to the GB Commercial Methodology, which documents the commercial principles and arrangements.

NTC and its use is a complex issue on which we welcome further discussions. However, we will not be able to address all feedback and suggestions within this year's annual C16 consultation regulatory timelines. Therefore, we propose to set a plan in place to action this feedback, with sufficient time to work through the concerns in full. We will start discussions with interconnector TSOs as soon as practically possible, the first possible opportunity to do this would be in our next UK TSO Capacity Calculation workgroup, where we will set the NTC concerns raised within this consultation as a specific agenda item.

In the meantime, we will engage with BritNed, Moyle Interconnector, NemoLink, National Grid Ventures and ElecLink, who have raised these concerns bilaterally.

Other Industry Engagement

ESO proactively engaged with industry to inform of the C16 consultation process to encourage as many BSC parties to participate with the review process.

In addition to the industry forum, industry participants who engaged with last year's annual C16 review were also contacted and informed of this year's consultations.

ESO also highlighted the consultations across multiple forums:

- **Operational Transparency Forum** – Industry informed of early and official C16 consultations publications across November to February
- **Joint European Stakeholder Group** – Presentations given to inform of early and official consultations across November to February
- **Elexon Newscast** - Consultation information published in multiple articles across November to February
- **ESO Plugged-In Industry newsletter** – Consultation information published in multiple articles across January to February

6. Next Steps

- Following the close of the official industry consultation, ESO now presents to the Authority for consideration the revised versions of the C16 Statements, detailing the changes outlined in this report.
- The final revised versions of the C16 statements are formatted to show the revisions originally proposed by ESO in the C16 consultation
- The Authority is invited to review the proposed changes and offer any direction or feedback by 20 March 2023, as per the timelines within C16.9 of the Transmission License.
- If the Authority does not approve the proposed changes to the C16 statements, the existing versions will remain in place
- Subject to Authority veto/direction, the proposed changes will become effective from 01 April 2023, unless directed earlier by the Authority.