Publicly Available

C16 Report to Authority 2024

A report in accordance with the Standard Licence Condition C16 for 2024-2025.

22 February 2024

ESO

Contents

Executive summary

Key Dates:

Official Consultation Release:
18 January 2024

Official Consultation Deadline:
15 February 2024

Report to Authority:
22 February 2024

Authority Veto/Direction:
21 March 2024

Statements Go Live:
01 April 2024

In accordance with the requirements of Condition C16 of the Transmission Licence, National Grid Electricity System Operator (NGESO) has conducted an annual review of the C16 Statements. This report details NGESO's engagement with industry throughout this review and the proposed changes to the 2024-2025 C16 Statements.

NGESO has worked collaboratively and transparently with industry and the Authority (Ofgem) during this review. We have offered multiple avenues for all partied to provide us with feedback on the changes they would like to see represented to the C16 statements for 2024-25.

NGESO held an industry forum on 21 November 2023, the aim of which was to allow both NGESO and industry to share their early thoughts on what changes should be considered to the five C16 statements and Relevant Balancing Services Guidelines (RBS) this year and what could be considered for future reviews. Following the forum NGESO produced an informal consultation incorporating proposed changes for both C16 and the Relevant Balancing Services Guidelines which ran from 08 December 2023 to 05 January 2024. This informal consultation did not form part of the formal C16 Licence Condition process but is an additional element allowing NGESO to do more fact finding and create a more efficient and thorough review at the formal stage.

Following this, NGESO held a formal consultation as part of the C16 License Condition which detailed the changes NGESO are considering during this year's review following the feedback from the industry forum and informal consultation. It only concerned proposed changes to the C16 Statements. A final RBS Guidelines consultation was issued separately.

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

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

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

- Housekeeping updates including formatting, link review and version control.
- Inclusion of Balancing Reserve as a new service.
- Inclusion of Quick Reserve as a new service
- Amendments to the wording for Local Constraint Market (LCM)
- Updates to wording for Demand Flexibility Service
- Updates to naming for the Pathfinder projects.

Further details of these proposed changes can be found in the individual statement sections within this document and the statements themselves.

The changes proposed to the relevant C16 statements are detailed in the review of suggested changes section of this report and will be effective as of 01 April 2024, 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 on or before 21 March 2024.

The current versions of the C16 statements, informal and formal consultations, industry responses and the C16 report to Authority will all be published at the link below:

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

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

Alice Beddow

Markets, National Grid Electricity System Operator

Email: balancingservices@nationalgrideso.com

Please note that consequential changes resulting from modifications to GB industry codes, stakeholder suggestions and upcoming regulatory changes that are not captured here will be actioned either in future annual reviews, or individual statement reviews, as appropriate.

Jamie Webb
Market Frameworks Senior Manager

Standard Licence Condition C16 Process Overview

The Review

In accordance with Standard Condition C16 (C16) of its Transmission Licence, NGESO has conducted a review of all licence statements, regular reviews of the methodologies and, if appropriate, proposing changes to these documents.

The purpose of the review and consultation is to ensure that each of the applicable documents remains current by seeking industry views on any proposed changes. NGESO invites the Authority to review the proposed changes. If the Authority chooses to exercise their powers of veto for these proposed changes to the C16 statements, the existing versions will remain in place. Alternatively, the proposed changes will become effective by 01 April unless the Authority issues a direction that statements changes should become effective earlier or are vetoed.

The following C16 statements are the focus of the annual review:

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

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

Industry Forum

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

2023 Industry Forum

The industry forum was held on 21 November 2023.

The aim was to discuss the potential changes to be included in the 2024-2025 annual update for the C16 statements and the RBS Guidelines in more detail.

The recording of this webinar can be found here

Areas highlighted for C16 by NGESO on the industry forum were:

- Addition of new regulating reserve product: Balancing Reserve
- Review of MW Dispatch
- Review of Demand Flexibility Service
- Review of Network Services Procurement (formerly Pathfinders)

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

Informal Consultation

The next stage of the review process is for NGESO to issue an early more "informal" consultation, this builds on the outputs from the industry forum and allows wider industry to respond to NGESO's early thoughts on changes required. This consultation does not form part of the C16 Licence Condition and is an additional one that allows NGESO to do more fact finding and create a more efficient and thorough review.

At this point of the process, it is unlikely that NGESO will suggest complete text changes to the statements, however, we may provide some suggestions to text changes on certain topics. We allow up to 28 days for our stakeholders to review, as with the official consultation. As above, any thoughts from NGESO during this early consultation should not be considered as NGESO's final position.

The informal consultation ran from 08 December 2023 to 05 January 2024. We received nine responses from a range of industry stakeholders. Thank you to those who have provided feedback and engaged with the process so far.

Review and Issue Formal Consultation

Following the close of the informal consultation NGESO will review the early consultation responses and begin to finalise a draft position on the text changes in the statements. NGESO will offer a response to each point raised by industry where possible. If more consideration is required for any representations made in the informal consultation, then an NGESO response will be provided within the report submission to the Authority. This is documented and issued via an "official" consultation that does form part of the C16 Licence Condition, that runs for no less than 28 days.

The formal consultation ran from 18 January to 15 February 2024.

Report to Authority

Once the formal consultation has closed, NGESO will document, in the form of a report, the final position on the proposed changes, along with the tracked changed versions of the statements. The report will also include in a clear and transparent way all industry responses from both consultations and NGESO's view for each of these.

This report must be issued to the Authority within seven days (five working) from the closure of the formal consultation.

Authority Decision and Statement go live

The final step in the review process is for the Authority to review all the documents submitted to them by NGESO at the report submission stage.

As part of the Licence Condition, the Authority has 28 days to offer a direction or to challenge NGESO's submission. If the Authority does not veto the proposed changes, then the revised statements will go live on the NGESO website on the 01 April, unless directed otherwise. If the Authority does veto any proposed revisions, then there are two different directions for the statements to go live.

The Authority can either direct a change or they can request NGESO to run a further consultation on the specific issues they have identified, which may push back the go live date or a statement might go live pending further changes.

C16 Timeline of Next Steps

Action	Start Date	End Date
Report to Authority	15 February 2024	22 February 2024
Authority Direction	22 February 2024	On/Before 21 March 2024
Revised Statements Go Live	01 April 2024	

Review of Suggested Changes during the C16 consultation process

The proposed changes detailed below were consulted on across the early and official consultations, issued in December 2023 and January 2024.

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

1. Proposals for the Procurement Guidelines Statement (2024-25)

The Procurement Guidelines set out the types of Balancing Services which the NGESO may be interested in purchasing, together with the mechanisms by which NGESO envisages purchasing such Balancing Services. It acts as a generic statement of the procurement principles the NGESO expects to follow.

The amendments proposed to the Procurement Guidelines Statement are:

- Changes to the MW Dispatch introduction.
- Addition of an end date for the Demand Flexibility Service.
- Addition of Point C Restoration Services to reflect the definition of Balancing Services as per the transmission licence.
- Updates to the wording for Part 2 System Ancillary Services.
- Addition of Stability to the list of the types of Commercial Ancillary Services required.
- Removal of the wording related to Network Development Map.
- Removal of the wording relating to Pathfinder projects.
- The addition of Balancing Reserve to the list of Commercial Ancillary Services required.
- Addition of Voltage Network Services Procurement (formerly Voltage Pathfinder) to the list of Commercial Ancillary Services we expect to procure.
- Addition of Constraint Management Intertrip Service (CMIS) formerly Constraint Management Pathfinder to the list of Constraint Management Services.
- Updates to the wording relating to Reactive Power
- Removal of the wording relating to Operational Downward Flexibility Management (ODFM).
- Addition of wording related to Stability Markets.
- Addition of SuperSEL service.
- Removal of Demand Turn Up Service following feedback related to the removal of ODFM.
- Updates to version control following a review of the statement and general housekeeping i.e., link updates.

Please see the tracked change document for the Procurement Guidelines Statement (PGS) for detail of the proposed changes. This is stored within the folder: ‘C16 Annual Consultation 2024-25’, which can be located on the C16 webpage:

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

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

ID	Section	Page Numbers	Overview of proposed changes to wording
1.01	Version Control	1	Updates
1.02	Housekeeping	1-3	Dates Updated
1.03	Housekeeping	4	Amendment from Head of Markets to Director of Markets
1.04	Addition of text to Part B General Principles	9	Addition of Restoration Services to list of balancing services as per Transmission Licence and subsequent re-labelling of items in the list.

1.05	Addition of text to Section 3 “Taking Actions outside the Balancing Mechanism”	14	Clarification of types of system management contracts.
1.06	Addition of text to Part C: Balancing Services Required	16	Update on text for Part 2 System Ancillary Services to refer to Electricity System Restoration Framework 2023/24.
1.07	Addition of text to Part C: Balancing Services Required	17	Removal of reference to EPEXSPOT and addition of EAC to reflect the updated auction platform.
1.08	Addition of text to Part C: Balancing Services Required	18	Insertion of Stability into the list of Commercial Ancillary Services
1.09	Removal of Text from Part C: Balancing Services Required	19-20	Removal of text related to Pathfinder to allow for renaming of projects as per current naming.
1.10	Addition of text to Part C: Balancing Services Required	20	Insertion of Balancing Reserve into the list of Commercial Ancillary Services.
1.11	Addition of Text into S2.1 Commercial Ancillary Services we expect to Procure	22	Insertion of Balancing Reserve into the list of Commercial Ancillary Services we expect to procure,
1.12	Addition of Text into S2.1 Commercial Ancillary Services we expect to Procure	22-23	Insertion of Quick Reserve into the list of Commercial Ancillary Services we expect to procure,
1.13	Addition of Text into S2.1 Commercial Ancillary Services we	23	Insertion of text relating to Positive and Negative Reserve

	expect to Procure		
1.14	Housekeeping	24	Updated links for Quick Reserve to timelines and project updates.
1.15	Addition of text to Reactive Power to Response Services	25	Review and updated wording relating to Obligatory Reactive Power Service to reflect current project status.
1.16	Addition of text to Response Services	26	Addition of Voltage Network Services Procurement (formerly Voltage Pathfinder)
1.17	Updates to Constraint Management Services	29	Updates to the text for Constraint Management Intertrip Service (formerly Constraint Management Pathfinders) to reflect new project naming and current status.
1.18	Updates to Constraint Management Services	29	Removal of text related to ODFM following a review of the service.
1.19	Updates to Constraint Management Services	30	Updates to the text for Demand Flexibility Service
1.20	Updates to Constraint Management Services	30-31	Addition of Stability into the list of Constraint Management Services.
1.21	Updates to Constraint Management Services	31	Addition of SuperSEL into the list of Constraint Management Services.
1.22	Updates to the list of Existing Commercial Ancillary Services we don't expect to procure this year	32	Removal of Demand Turn Up Service following a review of the service.
1.23	Housekeeping	35	Grammar correction in System Ancillary Service.
1.24	Housekeeping	36	Clarification of location for service requirement communications in Procurement Communication Media.
1.25	Housekeeping	38-39	Reformatting of Table 2 Active Commercial Ancillary Services

1.26	Insertion of Text into Table 2 Active Commercial Ancillary Services	38	Addition of Balancing Reserve into Ancillary Services in Table 2 Active Commercial Ancillary Services.
1.27	Review of Text in Table 2 Active Commercial Ancillary Services	39-40	Updated naming on pathfinder projects for Reactive Power
1.28	Insertion of Text into Table 2 Active Commercial Ancillary Services	41	Addition of Stability Markets
1.29	Removal of Text into Table 2 Active Commercial Ancillary Services	41	Removal of text relating to ODFM in line with review of service
1.30	Housekeeping	43	Updated title from Head of Market Services to Director of Market Services.
1.31	Housekeeping	49	Updated link for ESO Data Portal in Table 2 Balancing Services Information Provision Summary

Statement Detail

S1.04 Addition of text to Part B General Principles:

Procurement Guidelines v24

PART B: GENERAL PRINCIPLES

1. **Balancing Services**

The services that we need to procure in order to operate the transmission system constitute Balancing Services.

The Transmission Licence defines Balancing Services as:

(a) Ancillary Services;
(b) Offers and Bids made in the Balancing Mechanism; and
(c) other services available to the licensee which serve to assist the licensee in co-ordinating and directing the flow of electricity onto and over the GB transmission system in accordance with the Act or the standard conditions and/or in doing so efficiently and economically, but shall not include anything provided by another transmission licensee pursuant to the STC.

Procurement Guidelines v25

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S1.05 Addition of text to Part C: Balancing Services Required,

Procurement Guidelines v24

- Forward Trading – negotiated bilateral contracts, which can be tailored to suit the parties' needs, which are used to resolve system issues, such as voltage constraints, thermal constraints or stability.
- System management contracts – agreements for services that help us manage system issues; we use these mainly for longer term system requirements or accessing non-BM generation or demand. These are often optional contracts that are enacted at day-ahead.
- You'll find more detail on our website at www.nationalgrideso.com. Look under Balancing services, and then https://www.nationalgrideso.com/industry-information/balancing-services/tradingTrading.

Procurement Guidelines v25

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Following feedback received during the formal consultation on the additional wording we proposed for v25 above the decision was made to move the text of the paragraph on system management contracts higher up the list of Balancing Services required, as the following points all related to trading. We hope this increases clarity when reading the list.

Please see below the updated screenshots for Procurement Guidelines Statement v25 showing the new location of this paragraph:

Procurement Guidelines v25

- Ancillary Service Agreements are normally entered into prior to Gate Closure such that prices and service capability are agreed well before they are exercised. Typically, Ancillary Service Agreements provide for the services to be exercised within Gate Closure timescales and for payments to be made in addition to those made within the BM. An example of this type of payment is the Frequency Response capability payment which is contracted for in advance and then made when a provider is placed in a state where it is capable of deviations in its output as a result of deviations in system frequency.

- System management contracts – agreements for services that help us manage system issues such as stability or voltage; we use these mainly for longer term system requirements or accessing non-BM generation or demand. These may be optional contracts that are enacted at day-ahead or within day.

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S1.06 Addition of text to Part C: Balancing Services Required.

Procurement Guidelines v24

Future Requirements for Part 2 System Ancillary Services

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

Procurement Guidelines v25

Future Requirements for Part 2 System Ancillary Services

We are interested in discussing arrangements with potential new providers of the Electricity System Restoration (formerly known as Black Start Capability) service, and in line with ~~our published Black Start Strategy and Procurement Methodology 2021-22~~the Electricity System Restoration Assurance Framework 2023/24. ~~(soon to be replaced by the Assurance Framework that will~~which outlines the ESO's restoration strategy for the future~~),~~. ~~w~~We will seek to introduce competition to our procurement process by incorporating new categories for Distributed Energy Resources to apply for at distribution level as well as the primary service requirements at transmission level connected generators. We will procure the best technical solutions wherever it is 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

S1.07 Addition of text to Part C: Balancing Services Required.

Procurement Guidelines v24

DC, DM and DR are currently procured separately at day-ahead by EFA blocks on EPEXSPOT auction platform. After Enduring Auction Capability (EAC) launches, the procurement of these new Dynamic Response Services will be co-optimised in a single, simultaneous, day-ahead, pay-as-clear auction. The auction clearing algorithm will select

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between alternative provider offers and alternative ESO requirements to maximise the overall market welfare across all services.

Procurement Guidelines v25

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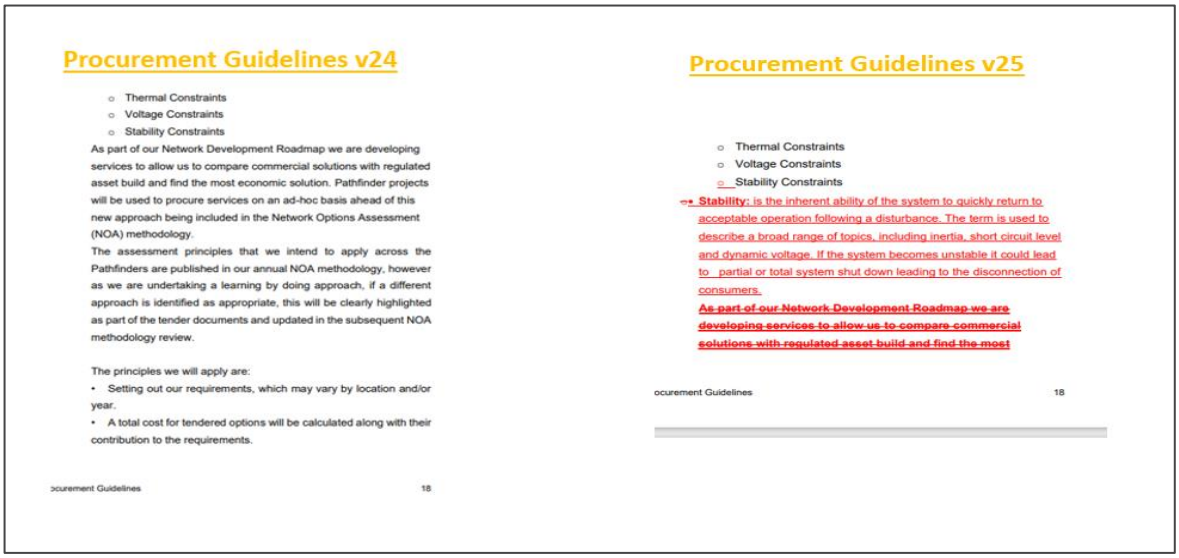
S1.08 Insertion of Stability into the list of Commercial Ancillary Services.



Procurement Guidelines v24

- Thermal Constraints
- Voltage Constraints
- Stability Constraints

As part of our Network Development Roadmap we are developing services to allow us to compare commercial solutions with regulated asset build and find the most economic solution. Pathfinder projects will be used to procure services on an ad-hoc basis ahead of this new approach being included in the Network Options Assessment (NOA) methodology.

The assessment principles that we intend to apply across the Pathfinders are published in our annual NOA methodology, however as we are undertaking a learning by doing approach, if a different approach is identified as appropriate, this will be clearly highlighted as part of the tender documents and updated in the subsequent NOA methodology review.

The principles we will apply are:

- Setting out our requirements, which may vary by location and/or year.
- A total cost for tendered options will be calculated along with their contribution to the requirements.

ocurement Guidelines 18

Procurement Guidelines v25

- Thermal Constraints
- Voltage Constraints
- Stability Constraints

- **Stability:** is the inherent ability of the system to quickly return to acceptable operation following a disturbance. The term is used to describe a broad range of topics, including inertia, short circuit level and dynamic voltage. If the system becomes unstable it could lead to partial or total system shut down leading to the disconnection of consumers.

~~As part of our Network Development Roadmap we are developing services to allow us to compare commercial solutions with regulated asset build and find the most~~

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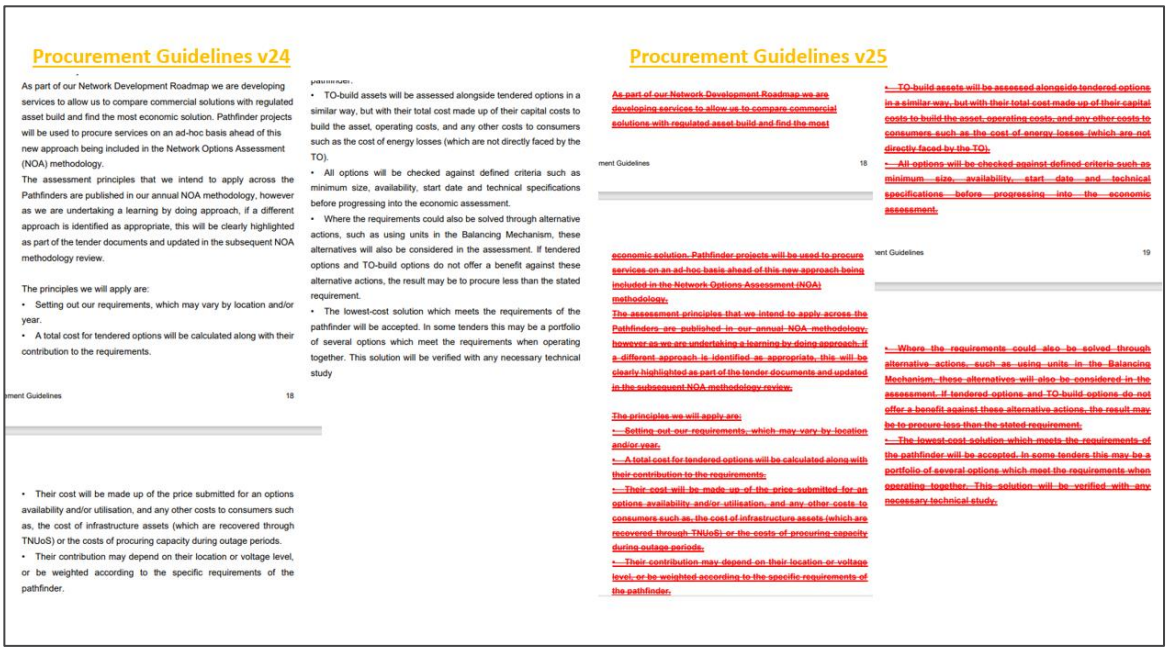
S1.09 Removal of text related to Pathfinders to allow for renaming of projects as per current naming.



Procurement Guidelines v24

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ment Guidelines 18

- Their cost will be made up of the price submitted for an options availability and/or utilisation, and any other costs to consumers such as, the cost of infrastructure assets (which are recovered through TNUoS) or the costs of procuring capacity during outage periods.
- Their contribution may depend on their location or voltage level, or be weighted according to the specific requirements of the pathfinder.

pathfinder.

- TO-build assets will be assessed alongside tendered options in a similar way, but with their total cost made up of their capital costs to build the asset, operating costs, and any other costs to consumers such as the cost of energy losses (which are not directly faced by the TO).
- All options will be checked against defined criteria such as minimum size, availability, start date and technical specifications before progressing into the economic assessment.
- Where the requirements could also be solved through alternative actions, such as using units in the Balancing Mechanism, these alternatives will also be considered in the assessment. If tendered options and TO-build options do not offer a benefit against these alternative actions, the result may be to procure less than the stated requirement.
- The lowest-cost solution which meets the requirements of the pathfinder will be accepted. In some tenders this may be a portfolio of several options which meet the requirements when operating together. This solution will be verified with any necessary technical study

Procurement Guidelines v25

~~As part of our Network Development Roadmap we are developing services to allow us to compare commercial solutions with regulated asset build and find the most~~

ment Guidelines 18

~~economic solution. Pathfinder projects will be used to procure services on an ad-hoc basis ahead of this new approach being included in the Network Options Assessment (NOA) methodology.~~

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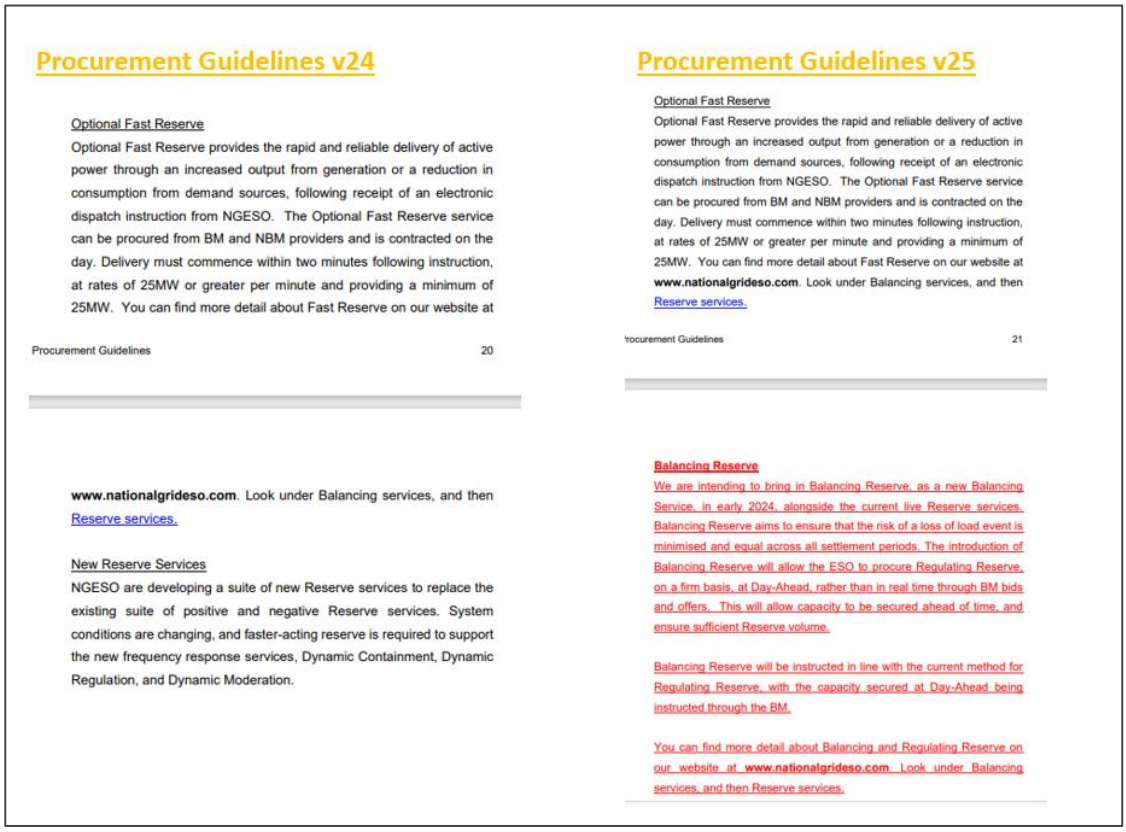
S1.10 Insertion of Balancing Reserve into the list of Commercial Ancillary Services.



Procurement Guidelines v24

Optional Fast Reserve

Optional Fast Reserve provides the rapid and reliable delivery of active power through an increased output from generation or a reduction in consumption from demand sources, following receipt of an electronic dispatch instruction from NGESO. The Optional Fast Reserve service can be procured from BM and NBM providers and is contracted on the day. Delivery must commence within two minutes following instruction, at rates of 25MW or greater per minute and providing a minimum of 25MW. You can find more detail about Fast Reserve on our website at

Procurement Guidelines 20

www.nationalgrideso.com. Look under Balancing services, and then Reserve services.

New Reserve 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.

Procurement Guidelines v25

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rocurement Guidelines 21

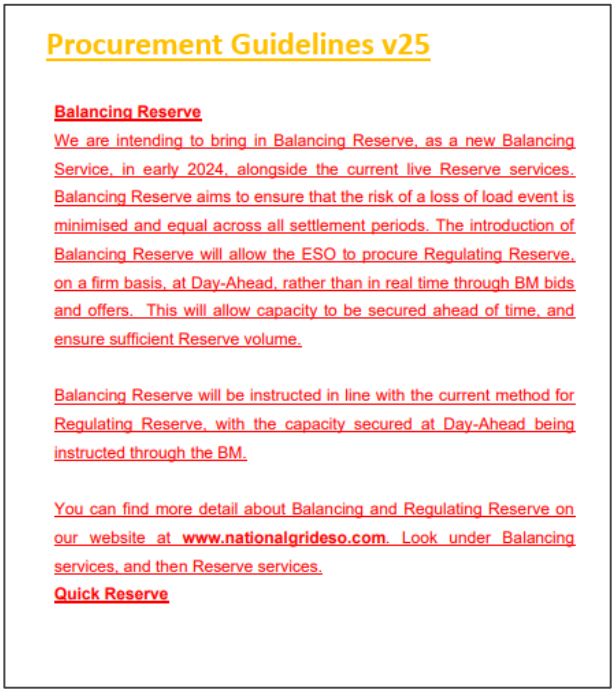
Balancing Reserve

We are intending to bring in Balancing Reserve, as a new Balancing Service, in early 2024, alongside the current live Reserve services. Balancing Reserve aims to ensure that the risk of a loss of load event is minimised and equal across all settlement periods. The introduction of Balancing Reserve will allow the ESO to procure Regulating Reserve, on a firm basis, at Day-Ahead, rather than in real time through BM bids and offers. This will allow capacity to be secured ahead of time, and ensure sufficient Reserve volume.

Balancing Reserve will be instructed in line with the current method for Regulating Reserve, with the capacity secured at Day-Ahead being instructed through the BM.

You can find more detail about Balancing and Regulating Reserve on our website at **www.nationalgrideso.com**. Look under Balancing services, and then Reserve services.

S1.11 Insertion of Balancing Reserve into the list of Commercial Ancillary Services we expect to procure.



Procurement Guidelines v25

Balancing Reserve

We are intending to bring in Balancing Reserve, as a new Balancing Service, in early 2024, alongside the current live Reserve services. Balancing Reserve aims to ensure that the risk of a loss of load event is minimised and equal across all settlement periods. The introduction of Balancing Reserve will allow the ESO to procure Regulating Reserve, on a firm basis, at Day-Ahead, rather than in real time through BM bids and offers. This will allow capacity to be secured ahead of time, and ensure sufficient Reserve volume.

Balancing Reserve will be instructed in line with the current method for Regulating Reserve, with the capacity secured at Day-Ahead being instructed through the BM.

You can find more detail about Balancing and Regulating Reserve on our website at **www.nationalgrideso.com**. Look under Balancing services, and then Reserve services.

Quick Reserve

S1.12 Insertion of Quick Reserve into the list of Commercial Ancillary Services we expect to procure,

Procurement Guidelines v24

New Reserve 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.

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 introduce 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). 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 are established.

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 v25

Quick Reserve

Reserve is needed for frequency management when there is an imbalance between supply of energy and demand for energy. ~~New Reserve 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.~~

We are developing a suite of new positive and negative reserve services to replace the existing suite of 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.

~~These services include Positive and Negative Slow Reserve~~

Procurement Guidelines 22

S1.13 Insertion of text relating to Positive and Negative Reserve.

Procurement Guidelines v24

New Reserve 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.

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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 are established.

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 v25

Initially we plan to commence the procurement of Positive and Negative Quick Reserve in the second half of 2024 with a phased approach based on the capabilities of our new and legacy IT systems, with the service available initially to Balancing Mechanism Units only.

We intend to introduce Positive and Negative Quick Reserve as a Firm service (contracting firm capacity at 'day-ahead' via a daily auction) with Utilisation in line with normal Balancing Mechanism operation by way of a Bid-Offer Acceptances (BOAs) via Electronic Dispatch Logging (EDL)/Electronic Data Transfer (EDT).

We will continue to develop the remaining new reserve services in parallel with the continued roll out of new IT capability as they replace our legacy systems and expect to complete the phased procurement of Quick Reserve and that of Slow Reserve during 2025.

~~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 introduce these services as both a n 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). The operational day will be split into a series of Service Windows during which participants can submit prices and volumes.~~

~~New Reserve Services~~

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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 are established.~~

ement Guidelines 23

S1.14 Updated links for Quick Reserve to timelines and project updates.

Procurement Guidelines v24

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 v25

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

- Quick Reserve
- Slow Reserve
- ~~Quick Reserve~~

S1.15 Review and updated wording relating to Obligatory Reactive Power Service to reflect current project status.

Procurement Guidelines v24

Reactive Power

Obligatory Reactive Power Service – mandatory

The vast majority of reactive power is procured through the Obligatory Reactive Power Service, a Part 1 System Ancillary Service, or through localised constraint management actions and tenders. A wider review of Reactive Power will be undertaken, likely from 2021, once learnings from a series of ongoing projects are understood. These projects include Power Potential (accessing dynamic voltage support from embedded providers), NOA Pathfinder tenders (identifying alternatives to network asset investment) and network boundary transfer discussions with the DNOs.

- You can find more detail about reactive power on our website at www.nationalgrideso.com. Look under Balancing services, then Reactive power services

Constraint management services

Procurement Guidelines v25

Reactive Power

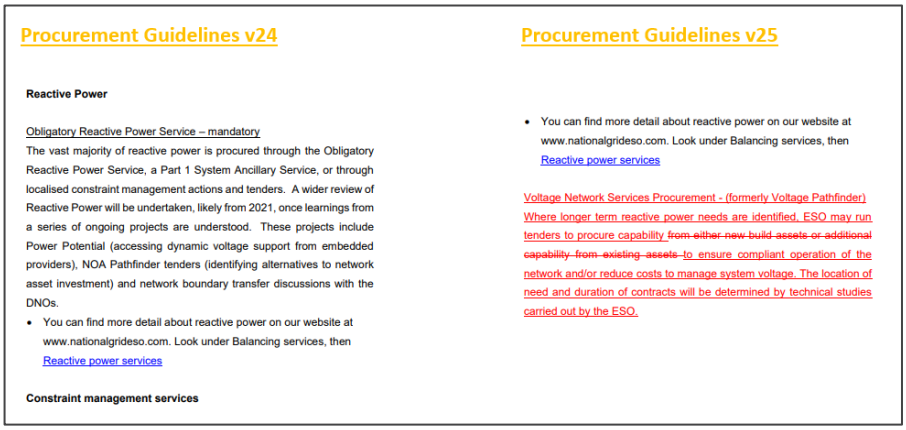
Obligatory Reactive Power Service – mandatory

The vast majority of reactive power is procured through the Obligatory Reactive Power Service, a Part 1 System Ancillary Service, or through localised constraint management actions and tenders. ~~A wider review of Reactive Power will be undertaken, likely from 2021, once learnings from a series of ongoing projects are understood. These projects include Power Potential (accessing dynamic voltage support from embedded providers), NOA Pathfinder tenders (identifying alternatives to network asset investment) and network boundary transfer discussions with the DNOs.~~ We are developing and pursuing other options for reactive power procurements which are implementing learnings from Pathfinders, Power Potentual, Voltage industry RFI and Reactive Market Reform. We have started an innovation project to review the ORPS payment methodology, which may result in different default payment rates; we are working with NGED to further test reactive power provision from DER; we are accessing more reactive power capability through Commercial Service Agreements; and we are developing the pathfinder projects into new reactive power markets in multiple timescale's.

rement Guidelines 25

- You can find more detail about reactive power on our website at www.nationalgrideso.com. Look under Balancing services, then Reactive power services

S1.16 Addition of Voltage Network Services Procurement (formerly Voltage Pathfinder).



Procurement Guidelines v24

Reactive Power

Obligatory Reactive Power Service – mandatory

The vast majority of reactive power is procured through the Obligatory Reactive Power Service, a Part 1 System Ancillary Service, or through localised constraint management actions and tenders. A wider review of Reactive Power will be undertaken, likely from 2021, once learnings from a series of ongoing projects are understood. These projects include Power Potential (accessing dynamic voltage support from embedded providers), NOA Pathfinder tenders (identifying alternatives to network asset investment) and network boundary transfer discussions with the DNOs.

- You can find more detail about reactive power on our website at www.nationalgrideso.com. Look under Balancing services, then Reactive power services

Constraint management services

Procurement Guidelines v25

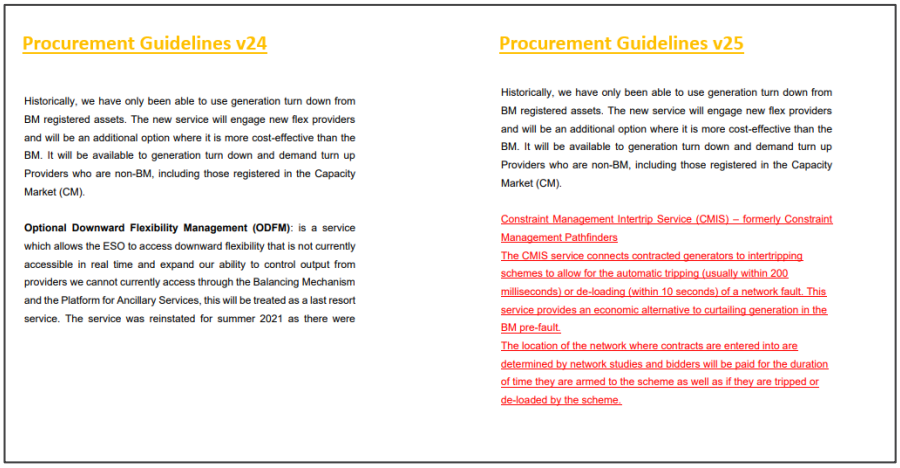
- You can find more detail about reactive power on our website at www.nationalgrideso.com. Look under Balancing services, then Reactive power services

Voltage Network Services Procurement - (formerly Voltage Pathfinder)

Where longer term reactive power needs are identified, ESO may run tenders to procure capability ~~from either new build assets or additional capability from existing assets~~ to ensure compliant operation of the network and/or reduce costs to manage system voltage. The location of need and duration of contracts will be determined by technical studies carried out by the ESO.

During the informal consultation we received feedback requesting we review the wording as it was unnecessary to define auctions as being required for both new build and existing assets separately. We have reviewed this feedback and agree with the points made. We have consolidated the text accordingly with the red line deleted sentence “from either new build assets or additional capability from existing assets” being removed for the formal consultation.

S1.17 Updates to the text for Constraint Management Intertrip Service (formerly Constraint Management Pathfinders) to reflect new project naming and current status.



Procurement Guidelines v24

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).

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

Procurement Guidelines v25

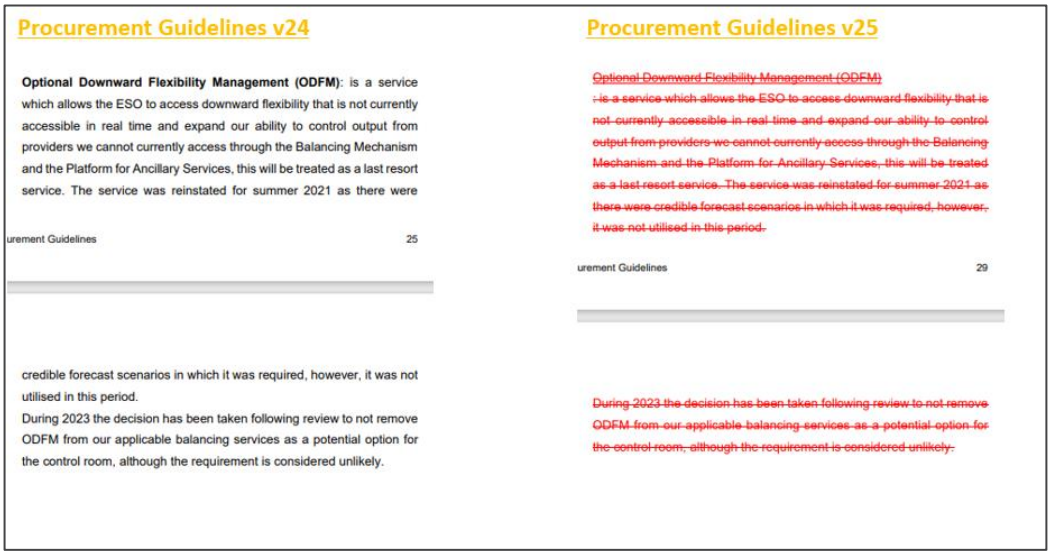
Historically, we have only been able to use generation turn down from BM registered assets. The new service will engage new flex providers and will be an additional option where it is more cost-effective than the BM. It will be available to generation turn down and demand turn up Providers who are non-BM,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

Constraint Management Intertrip Service (CMIS) – formerly Constraint Management Pathfinders

The CMIS service connects contracted generators to intertripping schemes to allow for the automatic tripping (usually within 200 milliseconds) or de-loading (within 10 seconds) of a network fault. This service provides an economic alternative to curtailing generation in the BM pre-fault.

The location of the network where contracts are entered into are determined by network studies and bidders will be paid for the duration of time they are armed to the scheme as well as if they are tripped or de-loaded by the scheme.

S1.18 Removal of text related to ODFM following a review of the service.



Procurement Guidelines v24

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

urement Guidelines 25

credible forecast scenarios in which it was required, however, it was not utilised in this period.
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.

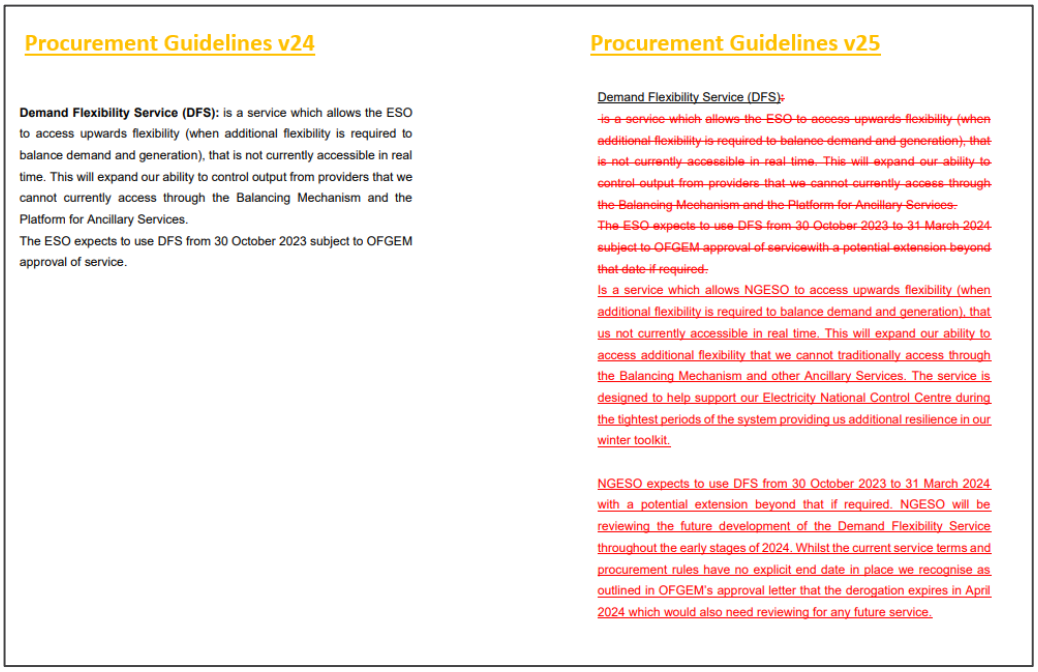
Procurement Guidelines v25

~~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.~~

urement Guidelines 29

~~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.~~

S1.19 Updates to the text for Demand Flexibility Service



Procurement Guidelines v24

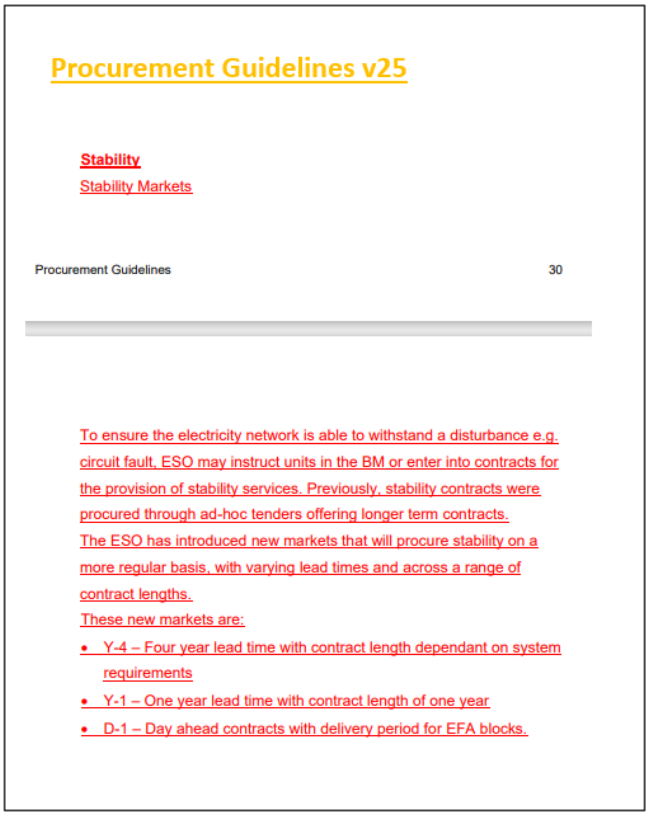
Demand Flexibility Service (DFS): is a service which allows the ESO to access upwards flexibility (when additional flexibility is required to balance demand and generation), that is not currently accessible in real time. This will expand our ability to control output from providers that we cannot currently access through the Balancing Mechanism and the Platform for Ancillary Services.
The ESO expects to use DFS from 30 October 2023 subject to OFGEM approval of service.

Procurement Guidelines v25

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 30 October 2023 to 31 March 2024 subject to OFGEM approval of servicewith a potential extension beyond that date if required.~~
Is a service which allows NGESO to access upwards flexibility (when additional flexibility is required to balance demand and generation), that us not currently accessible in real time. This will expand our ability to access additional flexibility that we cannot traditionally access through the Balancing Mechanism and other Ancillary Services. The service is designed to help support our Electricity National Control Centre during the tightest periods of the system providing us additional resilience in our winter toolkit.

NGESO expects to use DFS from 30 October 2023 to 31 March 2024 with a potential extension beyond that if required. NGESO will be reviewing the future development of the Demand Flexibility Service throughout the early stages of 2024. Whilst the current service terms and procurement rules have no explicit end date in place we recognise as outlined in OFGEM's approval letter that the derogation expires in April 2024 which would also need reviewing for any future service.

S1.20 Addition of Stability into the list of Constraint Management Services.



Procurement Guidelines v25

Stability

Stability Markets

Procurement Guidelines 30

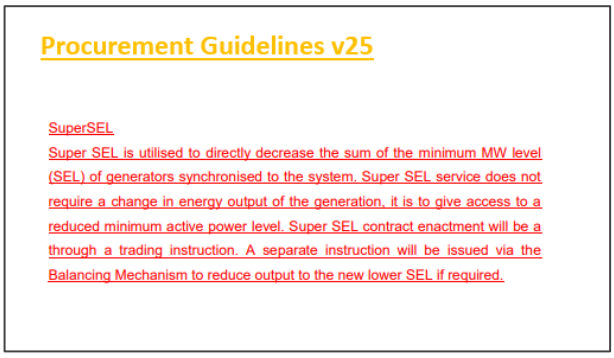
To ensure the electricity network is able to withstand a disturbance e.g. circuit fault, ESO may instruct units in the BM or enter into contracts for the provision of stability services. Previously, stability contracts were procured through ad-hoc tenders offering longer term contracts.

The ESO has introduced new markets that will procure stability on a more regular basis, with varying lead times and across a range of contract lengths.

These new markets are:

- Y-4 – Four year lead time with contract length dependant on system requirements
- Y-1 – One year lead time with contract length of one year
- D-1 – Day ahead contracts with delivery period for EFA blocks.

S1.21 Addition of SuperSEL into the list of Constraint Management Services.



Procurement Guidelines v25

SuperSEL

Super SEL is utilised to directly decrease the sum of the minimum MW level (SEL) of generators synchronised to the system. Super SEL service does not require a change in energy output of the generation, it is to give access to a reduced minimum active power level. Super SEL contract enactment will be a through a trading instruction. A separate instruction will be issued via the Balancing Mechanism to reduce output to the new lower SEL if required.

S1.22 Removal of Demand Turn Up Service following a review of the service.

Procurement Guidelines v24

- Hydro Optional Spin Pump
- Hydro Rapid Start

curement Guidelines 26

- BM Warming
- Non-tender Fast Reserve no low frequency trigger

*Demand turn-up service is a tendered service, but we do expect it to be part of the reserve service suite review. In addition to the review we expect that some elements of demand turn up to be part of the Optional Demand Flexibility Management service

Procurement Guidelines v25

- Hydro Optional Spin Pump
- Hydro Rapid Start
- BM Warming
- Non-tender Fast Reserve no low frequency trigger

~~*Demand turn-up service is a tendered service, but we do expect it to be part of the reserve service suite review. In addition to the review we expect that some elements of demand turn up to be part of the Optional Demand Flexibility Management service~~

During the informal consultation we received feedback asking us to review the wording on Demand Turn Up following the removal of references to ODFM earlier in the statement. We have reviewed this wording and have proposed the removal of this text.

S1.23 Grammar correction in System Ancillary Service.

Procurement Guidelines v24

PART D: PROCUREMENT MECHANISMS

1. **Procurement Process**

System Ancillary Service
System Ancillary Services are mandatory for all licensed Generator or required by some licenced Generators in certain circumstances, these are agreed the bilateral contracts.

Procurement Guidelines v25

PART D: PROCUREMENT MECHANISMS

1. **Procurement Process**

System Ancillary Service
System Ancillary Services are mandatory for all licensed Generator or required by some licenced Generators in certain circumstances, these are agreed ~~the~~ in bilateral contracts.

S1.24 Clarification of location for service requirement communications in Procurement Communication Media.

Procurement Guidelines v24

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 v25

2. **Procurement Communication Media**

We shall communicate service requirement through market information reports or other relevant pages 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 36

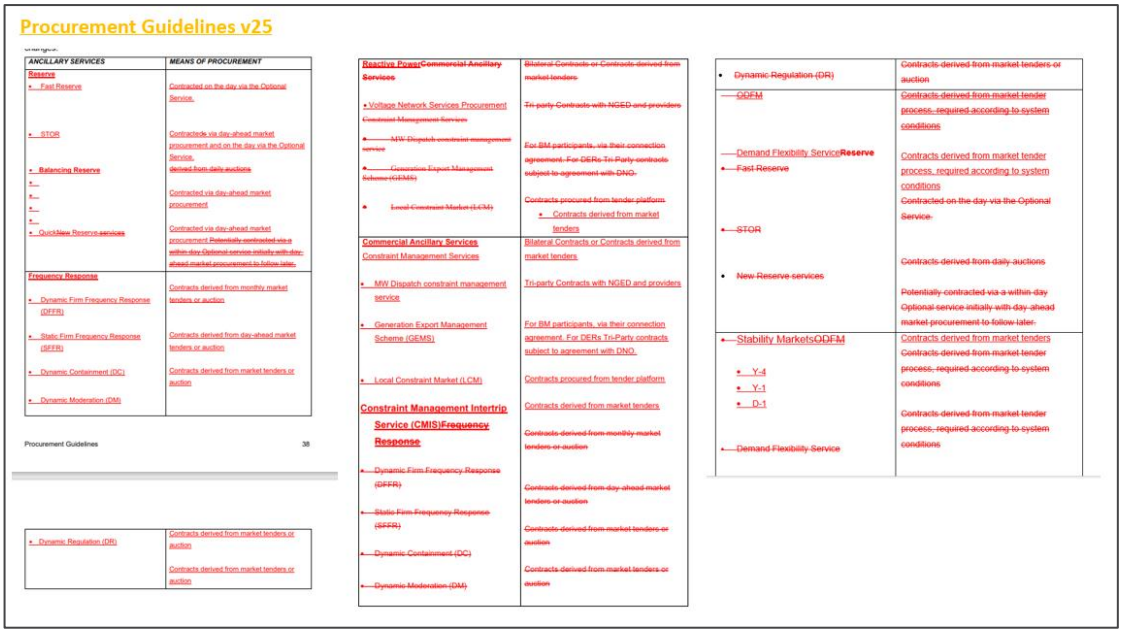
S1.25 Reformatting of Table 2 Active Commercial Ancillary Services.

Procurement Guidelines v24

Table 2 ACTIVE COMMERCIAL ANCILLARY SERVICES

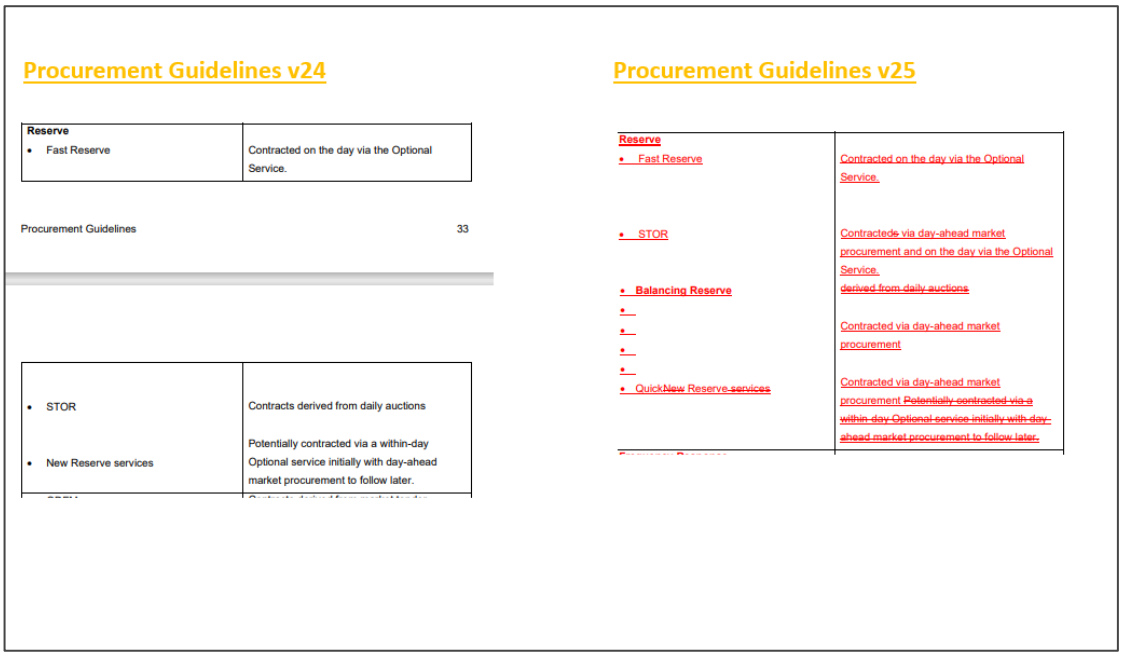
Active commercial ancillary services will be procured on an as required basis, in line with the Clean Energy Package which requires all volumes of balancing capacity services be procured at day-ahead. However, there is currently one open derogation and the possibility of more in the future. Providers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

ANCILLARY SERVICES	*MEANS OF PROCUREMENT*
Commercial Ancillary Services	Bilateral Contracts or Contracts derived from market tenders
Constraint Management Services	
• MW Dispatch constraint management service	Tri-party Contracts with NGED and providers
• Generation Export Management Scheme (GEMS)	For BM participants, via their connection agreement. For DERs Tri-Party contracts subject to agreement with DNO.
• Local Constraint Market (LCM)	Contracts procured from tender platform
Frequency Response	
• Dynamic Firm Frequency Response (DFFR)	Contracts derived from monthly market tenders or auction
• Static Firm Frequency Response (SFFR)	Contracts derived from day-ahead market tenders or auction
• Dynamic Containment (DC)	Contracts derived from market tenders or auction
• Dynamic Moderation (DM)	Contracts derived from market tenders or auction
• Dynamic Regulation (DR)	Contracts derived from market tenders or auction
Reserve	
• Fast Reserve	Contracted on the day via the Optional Service.
• STOR	Contracts derived from daily auctions
• New Reserve services	Potentially contracted via a within-day Optional service initially with day-ahead market procurement to follow later.
• ODFM	Contracts derived from market tender process, required according to system conditions
• Demand Flexibility Service	Contracts derived from market tender process, required according to system conditions



We have received feedback during the consultation that highlighted ODFM was still present in Table 2 despite its removal earlier in the Procurement Guidelines Statement. We welcome this feedback and have proposed the deletion of the service from the table in line with the removal of the service previously.

S1.26 Addition of Balancing Reserve into Ancillary Services in Table 2 Active Commercial Ancillary Services.



S1.27 Updated naming on pathfinder projects for Reactive Power.

Procurement Guidelines v24

ANCILLARY SERVICES	MEANS OF PROCUREMENT
Commercial Ancillary Services Constraint Management Services • MW Dispatch constraint management service • Generation Export Management Scheme (GEMS) • Local Constraint Market (LCM)	Bilateral Contracts or Contracts derived from market tenders Tri-party Contracts with NGED and providers For BM participants, via their connection agreement. For DERs Tri-Party contracts subject to agreement with DNO. Contracts procured from tender platform

Procurement Guidelines v25

~~Reactive Power Commercial Ancillary Services~~ • Voltage Network Services Procurement ~~Constraint Management Services~~ ~~• MW Dispatch constraint management service~~ ~~• Generation Export Management Scheme (GEMS)~~ ~~• Local Constraint Market (LCM)~~	~~Bilateral Contracts or Contracts derived from market tenders~~ ~~Tri-party Contracts with NGED and providers~~ ~~For BM participants, via their connection agreement. For DERs Tri-Party contracts subject to agreement with DNO.~~ ~~Contracts procured from tender platform~~ • Contracts derived from market tenders

S1.28 Addition of Stability Markets.

Procurement Guidelines v25

• Stability Markets~~ODFM~~ • Y-4 • Y-1 • D-1 ~~• Demand Flexibility Service~~	Contracts derived from market tenders ~~Contracts derived from market tender process, required according to system conditions~~ ~~Contracts derived from market tender process, required according to system conditions~~

S1.29 Removal of wording relating to ODFM.

Procurement Guidelines v24

• ODFM • Demand Flexibility Service	Contracts derived from market tender process, required according to system conditions Contracts derived from market tender process, required according to system conditions

Procurement Guidelines v25

•• ~~ODFM~~ ~~•~~	~~Contracts derived from market tender process, required according to system conditions~~

S1.30 Updated title from Head of Market Services to Director of Market Services.

Procurement Guidelines v24

2. **Information Provision Contacts**

All queries regarding the provision of Balancing Services we intend to procure should be made, in the first instance, to:

Head of Market Services
National Grid Electricity System Operator
Faraday House
Warwick Technology Park
Gallows Hill
Warwick CV34 6DA

Procurement Guidelines v25

2. **Information Provision Contacts**

All queries regarding the provision of Balancing Services we intend to procure should be made, in the first instance, to:

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Warwick Technology Park
Gallows Hill
Warwick CV34 6DA

S1.31 Updated link for ESO Data Portal in Table 2 Balancing Services Information Provision Summary.

Procurement Guidelines v24

STOR	website	MBSS	As required	https://www.nationalgrideso.com/industry-information/balancing-services/reserve-services/short-term-operating-reserve-stor
Maximum Generation	no additional requirement	website	ad hoc	https://www.nationalgrideso.com/industry-information/balancing-services/system-security-services/maximum-generation
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				

Procurement Guidelines v25

STOR	website	MBSS	As required	https://www.nationalgrideso.com/industry-information/balancing-services/reserve-services/short-term-operating-reserve-stor
Maximum Generation	no additional requirement	website	ad hoc	https://www.nationalgrideso.com/industry-information/balancing-services/system-security-services/maximum-generation
Demand Flexibility Service (DFS)	ESO data portal	ESO data portal	DFS Live events Ad hoc	https://www.nationalgrideso.com/data-portal
Commercial Ancillary Services under review				

Industry Feedback for Procurement Guidelines Statement

For transparency and clarity, we have included all industry responses in additional Annex B.

The feedback received to the proposed changes to the Procurement Guidelines was favourable with stakeholders in agreement with our proposed changes.

Stakeholders particularly welcomed the clarity that proposed changes brought to the services being procured and measures allowing greater procurement of services including efforts to involve industry at the earliest stages to enhance participation of a broader range of providers.

2. Proposals for the Applicable Balancing Services Volume Data (ABSVD) Methodology Statement (2024-25)

The Applicable Balancing Services Volume Data methodology sets out the information on Applicable Balancing Services that will be taken into account for the purposes of determining imbalance volumes.

The amendments proposed to the ABSVD Methodology Statement are:

- Removal of Operational Downward Flexibility Management (ODFM) from the list of Applicable Balancing Services contracts that will be included in the calculation of the ABSVD, following a review of the service.
- Addition of wording relating to Local Constraint Market (LCM) to the balancing services for inclusion in the ABSVD, to account for a conditional and limited scope facility to opt out of ABSVD for qualifying demand turn up providers.
- Removal of the wording for Negative Slow Reserve from the list of Applicable Balancing Services contracts that will be included in the calculation of the ABSVD, following a review of the service.
- Addition of Quick Reserve into the list of Applicable Balancing Services contracts that will be included in the calculation of the ABSVD.
- Reformatting of the list of Applicable Balancing Services Contracts which will be included in the calculation of the ABSVD into a table format from a list format, NGESO hopes this will assist in providing clarity on the contracts included.
- Reformatting of the list of Applicable Balancing Services Contracts with Non-BM providers which will be included in the calculation of the ABSVD into a table format from a list format, NGESO hopes this will assist in providing clarity on the contracts included.
- Addition of wording references to Section Q of BSC 6.4 into Section 3 ABSVD Provision for Applicable Balancing Services from Non-BM providers.
- Updates to version control following a review of the statement and general housekeeping i.e., link updates.

Please see the tracked change document for the Applicable Balancing Services Volume Data Methodology (ABSVD) for detail of the proposed changes. This is stored within the folder: 'C16 Annual Consultation 2024-25', which can be located on the C16 webpage:

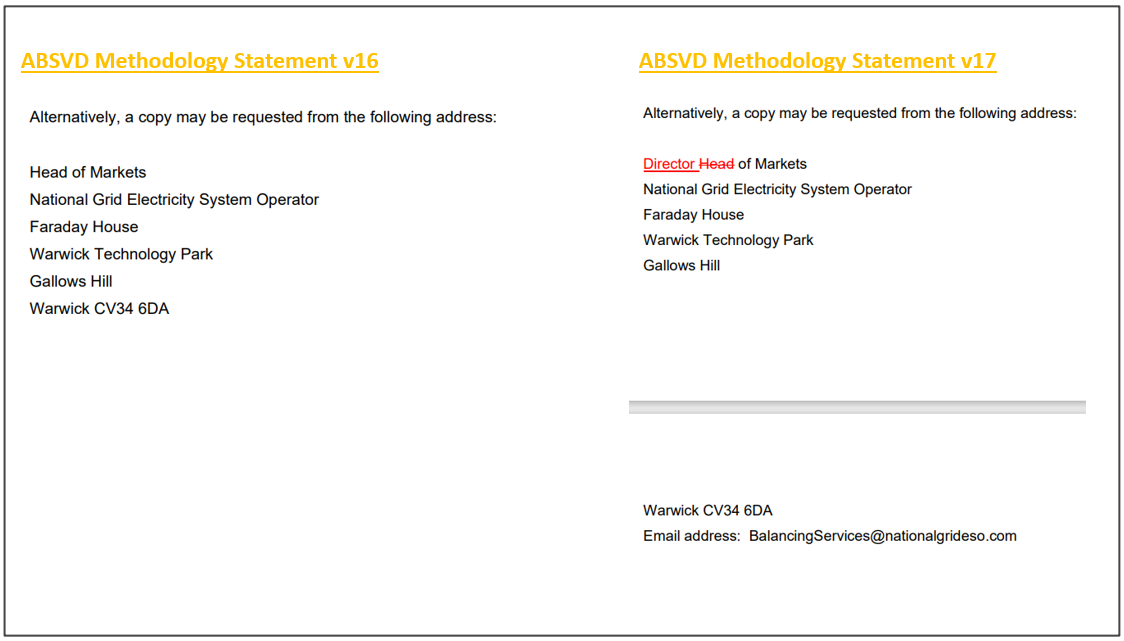
https://www.nationalgrideso.com/balancing-services/c16-statements-and-consultations

ID	Section	Page Numbers	Overview of proposed changes to wording
2.01	Housekeeping	1-3	Version Control
2.02	Housekeeping	1-3	Date Updates
2.03	Housekeeping	3	Updated Head of Markets to Director of Markets
2.04	Housekeeping	7	Updated Head of Markets to Director of Markets
2.05	Housekeeping	10-13	Re-formatting of text from the list of Balancing Services for inclusion in the ABSVD to reformat as table **note this includes the relocation of LCM into the Non-BM table
2.06	Housekeeping	14-15	Re-formatting of text from the list of Balancing Services for inclusion in the ABSVD for Non-BM Providers to reformat as table
2.07	Updates to Part C: Applicable Balancing Services	15-16	Insertion of text relating to LCM detailing potential opt out of ABSVD for qualifying demand turn up providers.

	Volume Data "ABSVD" for Non-BM Providers		
2.08	Updates to ABSVD provision for Non-BM Providers	17	Clarification on Section Q of BSC 6.4 on MSID Pair Delivered Volume.

Statement Detail

S2.03 Updated Head of Markets to Director of Markets



ABSVD Methodology Statement v16

Alternatively, a copy may be requested from the following address:

Head of Markets
National Grid Electricity System Operator
Faraday House
Warwick Technology Park
Gallows Hill
Warwick CV34 6DA

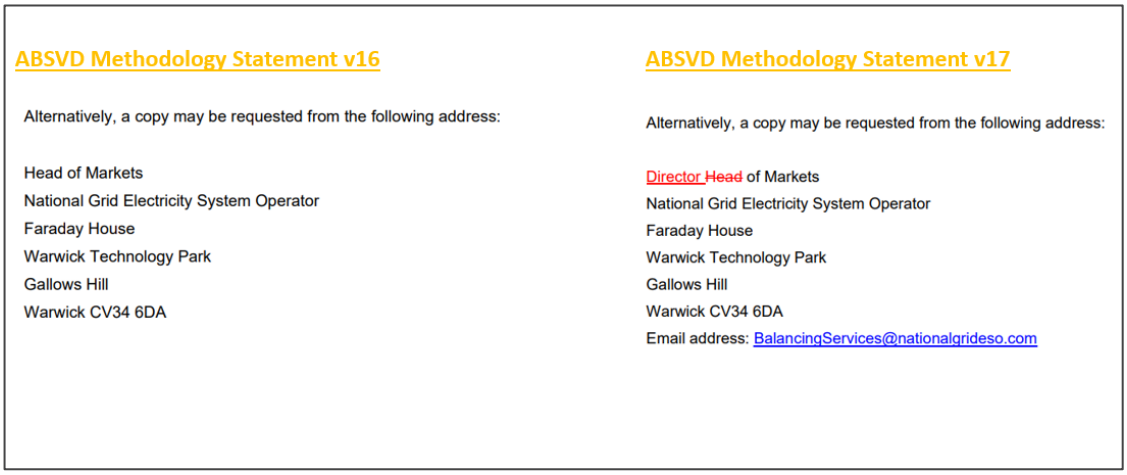
ABSVD Methodology Statement v17

Alternatively, a copy may be requested from the following address:

Director ~~Head~~ of Markets
National Grid Electricity System Operator
Faraday House
Warwick Technology Park
Gallows Hill

Warwick CV34 6DA
Email address: BalancingServices@nationalgrideso.com

S2.04 Updated Head of Markets to Director of Markets



ABSVD Methodology Statement v16

Alternatively, a copy may be requested from the following address:

Head of Markets
National Grid Electricity System Operator
Faraday House
Warwick Technology Park
Gallows Hill
Warwick CV34 6DA

ABSVD Methodology Statement v17

Alternatively, a copy may be requested from the following address:

Director ~~Head~~ of Markets
National Grid Electricity System Operator
Faraday House
Warwick Technology Park
Gallows Hill
Warwick CV34 6DA
Email address: BalancingServices@nationalgrideso.com

S2.05 Re-formatting of text from the list of Balancing Services for inclusion in the ABSVD to reformat as a table.

ABSVD Methodology Statement v16

- **Short Term Operating Reserve (STOR)** – Utilisation volumes for BM Participants will be dealt with automatically via the BM and will feed into the **energy** imbalance position via the acceptance of an Offer.
- **Negative slow reserve (NSR) BM -** Utilisation volumes for BM Participants will be dealt with automatically via the BM and will feed into the energy imbalance position via the acceptance of an Offer.
- **Mode A Frequency Response** – Energy volumes will be determined in accordance with paragraph 4.1.3.9A of the Connection and Use of System Code.
- **Frequency Response other than Mode A Frequency Response** – Utilisation volumes will be determined in accordance with system frequency and the characteristic of the response service.
- **Fast Reserve** – Utilisation volumes for participants within the Balancing Mechanism will be dealt with automatically via the BM and will feed into the energy imbalance position via the acceptance of an Offer.
- **Commercial Intertrips** – Energy volumes as a result of the operation of the commercial intertrip will be calculated in accordance with the relevant Commercial Services Agreement.
- **Fast De-Load Service (a type of constraint management service)** – Energy volumes as a result of an instruction to fast de-load will be calculated in accordance with the relevant Commercial Services Agreement.
- **Maximum Generation Service** – Utilisation volumes will be calculated in accordance with the CUSC, the relevant Commercial Services Agreement and the methodology contained in Part C of this Statement.
- **System to Generator Operational Intertripping** - Utilisation volumes will be calculated in accordance with Part C of this Statement. For the avoidance of doubt, where an intertripping scheme is a Category 1 Intertripping Scheme as defined in the CUSC and determined within a generator's Bilateral Connection Agreement, SF_{sm} will always be 0.
- **Operational Downward Flexibility Management (ODFM)** – Utilisation volumes will be determined in accordance with the characteristic of the service
- **Dynamic Containment (BM only)** Utilisation volumes will be determined in accordance with system frequency and the characteristic of the response service.
- **Dynamic Moderation (BM only)** Utilisation volumes will be determined in accordance with system frequency and the characteristic of the response service
- **Dynamic Regulation (BM only)** Utilisation volumes will be determined in accordance with system frequency and the characteristic of the response service
- **Demand Flexibility Service** - NGESO plans to apply Applicable Balancing Services Volume Data (ABSVD) process to HH-settled volumes covering 1) the Industrial and Commercial (I&C) consumers via P354 'Use of ABSVD for non-BM Balancing Services at the metered (MPAN) level' (No BMU ID aggregation) and 2) Domestic consumers whose MPAN is signed up to provide DFS with supplier, via ELEXON BMU ID.

Local Constraint Market – NGESO Plans to apply Applicable Balancing Services Volume Data (ABSVD)process to HH-settled volumes covering 1) the Industrial and Commercial (I&C) consumers via P354 'Use of ABSVD for non-BM Balancing Services at the Metered (MPAN) level' (No BMU ID aggregation and 2) Domestic Consumers whose MPAN permits (is HH-settled). Note: for the avoidance of doubt for all non-domestic, non-I&C ABSVD is unchanged.

ABSVD Methodology Statement v17

- ~~**Short Term Operating Reserve (STOR)** – Utilisation volumes for BM Participants will be dealt with automatically via the BM and will feed into the **energy** imbalance position via the acceptance of an Offer.~~
- ~~**Negative slow reserve (NSR) BM -** Utilisation volumes for BM Participants will be dealt with automatically via the BM and will feed into the energy imbalance position via the acceptance of an Offer.~~
- ~~**Mode A Frequency Response** – Energy volumes will be determined in accordance with paragraph 4.1.3.9A of the Connection and Use of System Code.~~
- ~~**Frequency Response other than Mode A Frequency Response** – Utilisation volumes will be determined in accordance with system frequency and the characteristic of the response service.~~
- ~~**Fast Reserve** – Utilisation volumes for participants within the Balancing Mechanism will be dealt with automatically via the BM and will feed into the energy imbalance position via the acceptance of an Offer.~~
- ~~**Commercial Intertrips** – Energy volumes as a result of the operation of the commercial intertrip will be calculated in accordance with the relevant Commercial Services Agreement.~~
- ~~**Fast De-Load Service (a type of constraint management service)** – Energy volumes as a result of an instruction to fast de-load will be calculated in accordance with the relevant Commercial Services Agreement.~~
- ~~**Maximum Generation Service** – Utilisation volumes will be calculated in accordance with the CUSC, the relevant Commercial Services Agreement and the methodology contained in Part C of this Statement.~~
- ~~**System to Generator Operational Intertripping** - Utilisation volumes will be calculated in accordance with Part C of this Statement. For the avoidance of doubt, where an intertripping scheme is a Category 1 Intertripping Scheme as defined in the CUSC and determined within a generator's Bilateral Connection Agreement, SF_{sm} will always be 0.~~
- ~~**Operational Downward Flexibility Management (ODFM)** – Utilisation volumes will be determined in accordance with the characteristic of the service~~
- ~~**Dynamic Containment (BM only)** Utilisation volumes will be determined in accordance with system frequency and the characteristic of the response service.~~
- ~~**Dynamic Moderation (BM only)** Utilisation volumes will be determined in accordance with system frequency and the characteristic of the response service~~
- ~~**Dynamic Regulation (BM only)** Utilisation volumes will be determined in accordance with system frequency and the characteristic of the response service~~
- ~~**Demand Flexibility Service** - NGESO plans to apply Applicable Balancing Services Volume Data (ABSVD) process to HH-settled volumes covering 1) the Industrial and Commercial (I&C) consumers via P354 'Use of ABSVD for non-BM Balancing Services at the metered (MPAN) level' (No BMU ID aggregation) and 2) Domestic consumers whose MPAN is signed up to provide DFS with supplier, via ELEXON BMU ID.~~

~~**Local Constraint Market** – NGESO Plans to apply Applicable Balancing Services Volume Data (ABSVD)process to HH-settled volumes covering 1) the Industrial and Commercial (I&C) consumers via P354 'Use of ABSVD for non-BM Balancing Services at the Metered (MPAN) level' (No BMU ID aggregation and 2) Domestic Consumers whose MPAN permits (is HH-settled). Note: for the avoidance of doubt for all non-domestic, non-I&C ABSVD is unchanged.~~

ABSVD Methodology Statement v17

BM ABSVD Applied

Unit Type	Balancing Service	Data Volume Source
Primary Unit only	Short Term Operating Reserve (STOR)	BOA Volume
Primary Unit only	Balancing Reserve	BOA Volume
Primary Unit only	Negative Quick Reserve (NQR)	BOA Volume
Primary Unit only	Positive Quick Reserve (PQR)	BOA Volume
Primary Unit only	Frequency Response Service	Response Energy Volumes computed in accordance

12

		with clause 4.1.3.9A of the CUSC
Primary Unit only	Commercial Intertrips	Volume Computed in accordance with the Commercial Services Agreement
Primary Unit only	System to Generator Operational Intertripping	Export Restricted Volume computed to from the time of the trip to end of the Balancing Mechanism Window
Primary Unit only	Maximum Generation Service	Service Volume computed as Min (Qmaxii, X *CEC/2) in accordance with clause 4.2.5 of the CUSC.

S2.06 Re-formatting of text from the list of Balancing Services for inclusion in the ABSVD for Non-BM Providers to reformat as table.

ABSVD Methodology Statement v16

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
- Demand Flexibility Service (DFS) only for Industrial and Commercial consumers via P354

Non-BM Dynamic Containment, Non-BM Dynamic Moderation and Non-BM Dynamic Regulation utilisation volumes will be determined in accordance with system frequency and the characteristic of the response service. This will be included once technically feasible and system development is complete.

LCM - NGESO plan to submit applicable Balancing Services Volume Data to Elexon with respects to delivered HH-settled volumes with

LCM - NGESO plan to submit applicable Balancing Services Volume Data to Elexon with respects to delivered HH-settled volumes with

14

Supplier, where it is feasible to do so. The commercial arrangements between Suppliers/Aggregators and their customers delivering for this service would be outside of NGESOs remit

ABSVD will not be calculated for Frequency Response services with Non-BM Providers under this methodology, save for the services listed above.

For the avoidance of doubt a consultation will be carried out prior to any further Balancing Services with Non-BM Providers being included in the calculation of ABSVD.

ABSVD Methodology Statement v17

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~~
- ~~Demand Flexibility Service (DFS) only for Industrial and Commercial consumers via P354 (except for Industrial and Commercial Consumers in Profile Class 3 and 4), and Domestic consumers participating in DFS.~~

~~Non-BM Dynamic Containment, Non-BM Dynamic Moderation and Non-BM Dynamic Regulation utilisation volumes will be determined in accordance with system frequency and the characteristic of the response service. This will be included once technically feasible and system development is complete.~~

Non-BM ABSVD Applied

Unit Type	Balancing Service	Data Volume Source
Non-BM	Short Term Operating Reserve (STOR)	Delivered Volume restricted to Instructed Volume** (see Note 1)
Non-BM	Fast Reserve	Delivered Volume restricted to Instructed Volume** (see Note 1)
Non-BM	MW Dispatch	Delivered Volume restricted to Instructed Volume** (see Note 1)
Non-BM Assets HH settled*	Local Constraint Market	Delivered Volume restricted to Instructed Volume** (see Note 1)
Non-BM Industrial and Commercial consumers (except for Industrial and Commercial Consumers in Profile Class 3 and 4) Non-BM HH settled Domestic consumers whose MPAN is signed up to provide DFS with the supplier that has an ELEXON BMU ID	Demand Flexibility Service (DFS)	Delivered Volume **

Note 1: If additional energy is shown as a positive Value then Min(Delivered MWh, Instructed MWh), if a Reduction in energy to the system is shown as a negative value then Max(Delivered Volume MWh, Instructed MWh)

S2.07 Insertion of text relating to LCM detailing potential opt out of ABSVD for qualifying demand turn up providers.

ABSVD Methodology Statement v16

LCM - NGESO plan to submit applicable Balancing Services Volume Data to Elexon with respects to delivered HH-settled volumes with

14

Supplier, where it is feasible to do so. The commercial arrangements between Suppliers/Aggregators and their customers delivering for this service would be outside of NGESOs remit

ABSVD Methodology Statement v17 for consultation

*LCM - NGESO plan to submit applicable Balancing Services Volume Data to Elexon with respects to eligible non-BM providers delivered HH settled volumes ~~with Supplier,~~ where it is feasible to do so. ~~The commercial arrangements between Suppliers/Aggregators and their customers delivering for this service would be outside of NGESOs remi~~ Utilisation volumes will be determined in the accordance with the characteristics of the service over the duration of a trial. ~~With the optionality~~ via a conditional and limited-scope facility to opt out of ABSVD

15

for qualifying demand turn up providers and calculation in accordance with the relevant Commercial Services Agreement.

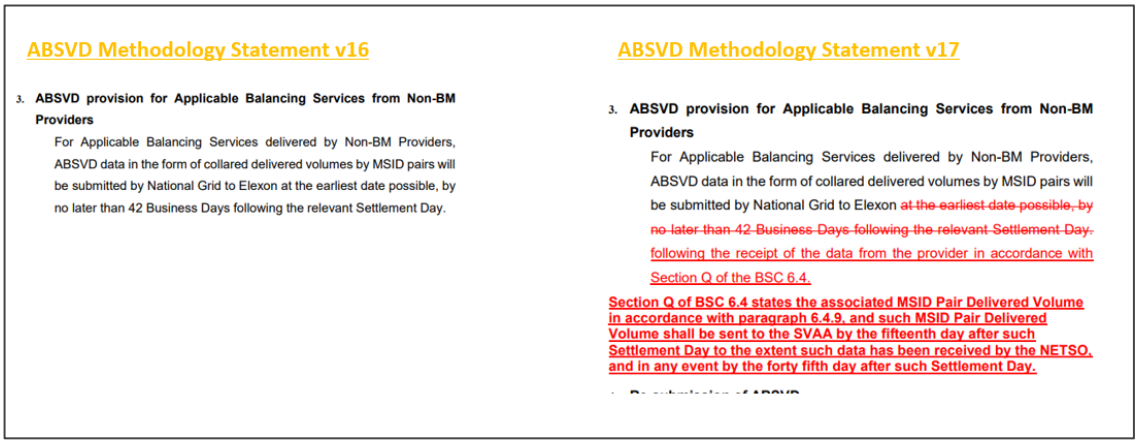
**This is subject to a change proposal under P412 which would move from delivered volume to expected volume

ABSVD Methodology Statement v17 Final

LCM - NGESO plan to submit applicable Balancing Services Volume Data to Elexon with respects to delivered HH-settled volumes with Supplier, where it is feasible to do so. The commercial arrangements between Suppliers/Aggregators and their customers delivering for this service would be outside of NGESOs remit.

ESO will be withdrawing its proposal to make the required revisions to the ABSVD Methodology to accommodate the ABSVD opt out facility for further details on this please see the section “Industry Feedback for Applicable Balancing Services Adjustment Data Methodology Statement”.

S2.07 Clarification on Section Q of BSC 6.4 on MSID Pair Delivered Volume.



ABSVD Methodology Statement v16

3. **ABSVD provision for Applicable Balancing Services from Non-BM Providers**

For Applicable Balancing Services delivered by Non-BM Providers, ABSVD data in the form of collared delivered volumes by MSID pairs will be submitted by National Grid to Elexon at the earliest date possible, by no later than 42 Business Days following the relevant Settlement Day.

ABSVD Methodology Statement v17

3. **ABSVD provision for Applicable Balancing Services from Non-BM Providers**

For Applicable Balancing Services delivered by Non-BM Providers, ABSVD data in the form of collared delivered volumes by MSID pairs will be submitted by National Grid to Elexon ~~at the earliest date possible, by no later than 42 Business Days following the relevant Settlement Day,~~ following the receipt of the data from the provider in accordance with Section Q of the BSC 6.4.

Section Q of BSC 6.4 states the associated MSID Pair Delivered Volume in accordance with paragraph 6.4.9, and such MSID Pair Delivered Volume shall be sent to the SVAA by the fifteenth day after such Settlement Day to the extent such data has been received by the NETSO, and in any event by the forty fifth day after such Settlement Day.

Industry Feedback for Applicable Balancing Services Adjustment Data Methodology Statement

For transparency and clarity, we have included all industry responses in additional Annex B.

Stakeholders were generally in favour of the proposed changes to the ABSVD statement. Stakeholders were particularly in favour of the re-formatting NGESO has proposed to the list of Applicable Balancing Services Contracts as they found this helpful and made the document clearer to understand.

Local Constraint Market (LCM) and ABSVD Proposal

During the informal and formal consultations ESO has consulted with industry on a series of questions to seek various viewpoints on potential updates to Local Constraints Market. The questions focused around exploring a potential price adjustment mechanism which could act as an alternative to ABSVD for demand turn up providers.

Background

The Local Constraint Market is a thermal constraint management service which has been designed to provide an interim solution over the next two to three years to help manage the high and rising costs at and above the England/Scotland boundary. Historically, we have only been able to use generation turn down from BM registered assets. The service is now live and used when B6 and or B4 boundaries require, and operational conditions permit. LCM has engaged new flexibility providers and is an additional option wherever LCM Provider bids prove more cost effective than the BM. It is now available to generation turn down and demand turn up from Providers who are non-BM, including those registered in the Capacity Market (CM).

Presently for LCM (Local Constraint Market) NGESO applies ABSVD process to Half-Hourly (HH) – settled volumes covering (a) The Industrial and Commercial (I&C) consumers via P354 “Use of ABSVD for non-BM Balancing Services at the Metered (MPAN) level”; and (b) Domestic Consumers whose MPAN permits (is HH settled). Use of ABSVD benefits consumers in general because the service can access additional volumes from those providers who rely on their LCM imbalances being corrected via ABSVD, thereby enabling additional savings on constraint action costs met by the bill payer.

With regard to the wider enabling of increased participation from demand turn up Providers (both for LCM and other services), NGESO has solicited valued feedback from stakeholders including aggregators about refining NGESO’s approach to adjusting (demand turn up) energy imbalances. Feedback from recent trials on the LCM service has highlighted that LCM Providers face problems in securing sufficient compensation for energy. In particular, there is a scenario where an energy customer is offering Demand Turn Up volume within the LCM service via an Aggregator, the ABSVD process would pass the allocation to the registered BSC Supplier to correct their Energy Imbalance position. Where the flex action is via an Aggregator, not the Supplier, the resulting credit

does not reach direct LCM end customer or independent Aggregators unless they set up commercial agreements with their consumers' Supplier(s).

Summary of the ESO's Proposal for LCM.

As a result of this feedback and to overcome some of the present ABSVD challenges for LCM providers, NGESO has reviewed our current approach to seek possible improvements, in order to better serve the wider market and enable more demand turn up providers to participate.

One solution that was explored is a price adjustment mechanism which could act as an alternative to ABSVD for demand turn up providers.

Trial eligibility to be limited to (a) and (b) above and further limited to demand turn up providers and MPANs only. (Those where the LCM provider is also the BSC registered supplier may not opt out).

Also excluded will be MPANs party to a current agreement or other Supplier arrangement which relies on ABSVD.

Eligible LCM Providers would have the option to opt out qualifying and explicitly consenting MPAN LCM volumes from ABSVD. There will be requirements that have to be met for each MPAN; these requirements will be specified in the relevant Commercial Services Agreement.

This would have the net result that Suppliers who receive increased LCM energy payments would no longer also benefit from energy imbalance position correction via ABSVD. As a result, a credit would flow back to Residual Cashflow Reallocation Cashflow (RCRC) at a level determined using the system price in effect at the time of imbalance.

We have consulted with our stakeholders whether energy compensation can be made by NGESO directly to qualifying providers who opt out eligible MPANs. The option would be limited to demand turn up providers on a trial basis, using transparent prices such as EPEX day ahead to show the partial energy compensation. The payments would apply only to qualifying bid volumes from Elexon approved, eligible MPANs and would be reported openly to allow both the ESO and our wider stakeholders to monitor and review the scale and the providers involved. Requirements for bid volumes to qualify would also be specified in the relevant Commercial Services Agreement. To offset this cost, the resulting imbalance credits would be offset by NGESO BSUoS charges. This approach aims to eliminate any net RCRC effects on the bill payer.

ESO Decision on proposal.

During the consultation process, we received several responses from industry stakeholders. This included a mixture of positive market feedback and several objections to the proposal. All industry responses are listed in Annex B with an ESO response each representation made.

ESO believes there is a strong case to address the concerns raised by industry around the LCM market unfairness and a solution is required to ensure all participants can effectively access the LCM.

ESO believes that LCM has significant value to facilitate future flexibility markets, by enabling increased participation from distributed energy resources, encouraging more competition to unlock new sources of demand side flexibility and increasing collaboration with DNOs and DSOs to enable distributed demand turn up. Whilst the ESO supports the principle of which the proposed compensation mechanism is trying to achieve, further time is required which the regulatory timescales associated with the C16 process do not allow, to fully understand the concerns raised in the consultation and, given the nature of the ABSVD process, allow us to implement the proposal effectively.

Consequently, ESO will be withdrawing its proposal to make the required revisions to the ABSVD Methodology to accommodate the ABSVD opt out facility but reserves the right to bring this forward in a future proposal. We intend to re-engage further with industry on this proposed mechanism when the process, technical requirements and timescales have been finalised.

Next Steps

Alongside progressing the ABSVD Opt Out proposal above, ESO also believes that broader market changes are required to fully resolve the challenge of ABSVD and compensation for Aggregators/Virtual Lead Parties, across all ancillary services.

ESO agrees with Energy UK and the ADE that coordinated solutions are needed across all markets and that discussions are required with policy makers as to how best to move this forwards. We are supportive of accelerated action in this area and are in agreement with our stakeholders that a holistic review of the current settlement arrangements is required to alleviate the concerns across all services.

We will commit to working with industry stakeholders and policy makers at pace to develop an enduring cross market solution via the most appropriate forum. To further support this, we are establishing an additional internal workstream which will look to review the current limitations of settlement arrangements and associated compensation mechanisms across all services.

3. Proposals for the Balancing Principles Statement (2024-25)

The Balancing Principles Statement defines the broad principles and criteria (the Balancing Principles) used by NGET that will determine, at different times and in different circumstances, which Balancing Services it will use to assist in the efficient and economic operation of the transmission system, and also to define when NGET would resort to measures not involving the use of Balancing Services.

The amendments proposed to the BPS are:

- Updates to the wording in Section 2.3 Control Phase – Pre Gate Closure to add detail on intertripping schemes.
- Balancing Reserve: Balancing Reserve has been added as a new regulating reserve product.
- Addition of Quick Reserve to the list of Reserve products.
- Updates to version control following a review of the statement and general housekeeping i.e., link updates.

Please see the tracked change document for the Balancing Principles Statement (BPS) for detail of the proposed changes. This is stored within the folder: 'C16 Annual Consultation 2024-25', which can be located on the C16 webpage:

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

ID	Section	Page Numbers	Overview of proposed changes to wording
3.01	Housekeeping	1-3	Version Control
3.02	Housekeeping	1-3	Date Updates
3.03	Housekeeping	4	Updated title from Head of Markets to Director of Markets
3.04	Housekeeping	10	Link updates to BC1 in Information Sources
3.05	Housekeeping	21	Link update to most recent version of C28 derogation for NTC procurement.
3.06	Housekeeping	22	Gramma update on Balancing Services contracts in Constraint Management Principles.
3.07	Insertion of text into S2.3 Control Phase- Pre Gate Closure	25	Addition of text detailing intertripping schemes.
3.08	Insertion of text into S3.2 Reserve	28	Addition of text relating to regulating reserve and including of link to more details on NGESO website.
3.09	Insertion of text into S3.2 Reserve	30	Addition of text relating to Quick Reserve into the list of reserve products.

Statement Detail

S3.03 Updated title from Head of Markets to Director of Markets.

Balancing Principles Statement v22	Balancing Principles Statement v23
https://www.nationalgrideso.com/balancing-services/c16-statements-and-consultations Alternatively, a copy may be requested from Head of Markets National Grid Electricity System Operator Faraday House Warwick Technology Park Gallows Hill Warwick CV34 6DA Email address BalancingServices@nationalgrideso.com	https://www.nationalgrideso.com/balancing-services/c16-statements-and-consultations Alternatively, a copy may be requested from Director ~~Head~~ of Markets National Grid Electricity System Operator Faraday House Warwick Technology Park Gallows Hill Warwick CV34 6DA Email address BalancingServices@nationalgrideso.com

S3.04 Link updates to BC1 in Information Sources.

Balancing Principles Statement v22	Balancing Principles Statement v23
3 Information Sources We will determine what balancing measures will be employed by taking account of Balancing Mechanism Unit (BMU) data (made available on the Balancing Mechanism Reporting System (BMRS) from participants), our forecast of GB National Demand and GB Transmission System Demand (BC1 of the Grid Code details the release of this information on the BMRS), the Transmission Outage Plan (our co-ordinated schedule of transmission plant outages, details of which are made available to relevant generators and Network Operators under OC2 of the Grid Code), actual system conditions (including weather conditions) and any other relevant data as defined in BC1.4.2 (f) of the Grid Code.	**3 Information Sources** We will determine what balancing measures will be employed by taking account of Balancing Mechanism Unit (BMU) data (made available on the Balancing Mechanism Reporting System (BMRS) from participants), our forecast of GB National Demand and GB Transmission System Demand (BC1 of the Grid Code details the release of this information on the BMRS), the Transmission Outage Plan (our co-ordinated schedule of transmission plant outages, details of which are made available to relevant generators and Network Operators under OC2 of the Grid Code), actual system conditions (including weather conditions) and any other relevant data as defined in **BC1**.4.2 (f) of the Grid Code.

S3.05 Link update to most recent version of C28 derogation for NTC procurement.

Balancing Principles Statement v22	Balancing Principles Statement v23
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.	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.

S3.06 Grammar update on Balancing Services contracts in Constraint Management Principles.

Balancing Principles Statement v22	Balancing Principles Statement v23
• We may negotiate Balancing Services contracts to manage the financial risks associated with potential high cost outages.	• We may ~~negotiate~~ enter into Balancing Services contracts to manage the financial risks associated with potential high cost outages.
• In calculating constraints we will take account of any pre and post fault actions available in order to minimise restrictions of generation capacity.	• In calculating constraints we will take account of any pre and post fault actions available in order to minimise restrictions of generation capacity.

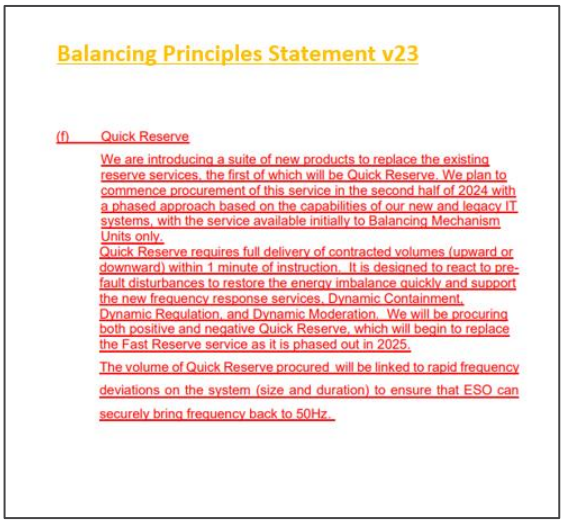
S3.07 Addition of text detailing intertripping schemes.

Balancing Principles Statement v22	Balancing Principles Statement v23
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 day ahead trades.	**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 day ahead trades. Additionally, units may be armed to intertripping schemes as an alternative to redespatching units to manage constraints.

S3.08 Addition of text relating to regulating reserve and including of link to more details on NGESO website.

Balancing Principles Statement v22	Balancing Principles Statement v23
(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.	(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.~~ ESO website (https://www.nationalgrideso.com/industry-information/balancing-services)

S3.09 Addition of text relating to Quick Reserve into the list of reserve products.



Balancing Principles Statement v23

(f) Quick Reserve

We are introducing a suite of new products to replace the existing reserve services, the first of which will be Quick Reserve. We plan to commence procurement of this service in the second half of 2024 with a phased approach based on the capabilities of our new and legacy IT systems, with the service available initially to Balancing Mechanism Units only.

Quick Reserve requires full delivery of contracted volumes (upward or downward) within 1 minute of instruction. It is designed to react to pre-fault disturbances to restore the energy imbalance quickly and support the new frequency response services, Dynamic Containment, Dynamic Regulation, and Dynamic Moderation. We will be procuring both positive and negative Quick Reserve, which will begin to replace the Fast Reserve service as it is phased out in 2025.

The volume of Quick Reserve procured will be linked to rapid frequency deviations on the system (size and duration) to ensure that ESO can securely bring frequency back to 50Hz.

Industry Feedback for Balancing Principles Statement

For transparency and clarity, we have included all industry responses in Annex B.

Stakeholders were in favour of the proposed changes to the Balancing Principles Statement stating, “we are supportive of the changes as they reflect the reality of what ESO is procuring”.

4. Proposals for the Balancing Services Adjustment Data (BSAD) Methodology Statement (2024-25)

The Balancing Services Adjustment Data Methodology Statement (BSAD) sets out the information on relevant balancing services that will be taken into account under the Balancing and Settlement code for the purposes of determining Imbalance Prices.

The amendments proposed to the BSAD Methodology Statement are:

- Removal of all references to ODFM following a review of the service.
- Update to the Buy Price Adjuster Formula in Section 3, page 14 as currently only BM Start Up is included in the BPA calculation.
- Update to the worked example of the Buy Price Adjuster Formula in Section 3,.1.2 following the update to the formula as above.
- Removal of wording relating to Regulating Reserve
- Addition of wording in Section 3.2 Sell Price Adjuster calculation.
- Removal of the Section 3.2.1 Sell Price Adjuster worked example.
- Removal of Section 2 “Basis of BSAD” from Part C BSAD Submission.
- Addition of Demand Flexibility Service (DFS) into the list of services whose costs and volumes will be included in post-event submissions of BSAD.
- Updates to version control following a review of the statement and general housekeeping i.e., link updates.

Please see the tracked change document for the Balancing Services Adjustment Data Methodology (BSAD) for detail of the proposed changes. This is stored within the folder: ‘C16 Annual Consultation 2024-25’, which can be located on the C16 webpage:

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

ID	Section	Page Numbers	Overview of proposed changes to wording
4.01	Housekeeping	1-3	Version Control
4.02	Housekeeping	1-3	Date Updates
4.03	Housekeeping	5	Updated title from Head of Markets to Director of Markets
4.04	Housekeeping	6	Updated contents page to reflect changes to statement.
4.05	Balancing Service Adjustment Actions	9	Removal of text for Non-BM Negative Slow Reserve Actions (NSR)
4.06	Balancing Services included within S2.1 Balancing Service Adjustment Actions	13	Removal of text relating to ODFM
4.07	S3. Price Adjusters	14	Removal of introductory paragraph.

4.08	S3 Price Adjusters	14	Updated Buy Price Adjuster equation
4.09	S3.1 Balancing Services included within the Buy Price Adjuster	15-16	Removal of regulating reserve
4.10	S3.1.2 Worked Example – Buy Price Adjuster	16	Updated equation
4.11	S3.2 Sell Price Adjuster	17	Updated text.
4.12	S3.2.1	17	Removal of the worked example.
4.13	Part C BSAD Submission	19	Removal of text relating to ODFM and insertion of DFS.
4.14	Part C BSAD Submission	20	Removal of the paragraph “Basis of BSAD”
4.15	Housekeeping	20	Re-numbering of sections following removal of prior section.
4.16	Part C BSAD Submission	20	Removal of ODFM from the list of “Re-submission of BSAD”

Statement Detail

S4.03 Updated title from Head of Markets to Director of Markets.

Balancing Services Adjustment Data v23

Alternatively, a copy may be requested from:

Head of Markets
National Grid Electricity System Operator
Faraday House
Warwick Technology Park
Gallows Hill
Warwick CV34 6DA

Email: BalancingServices@nationalgrideso.com

Balancing Services Adjustment Data v24

Alternatively, a copy may be requested from:

Director ~~Head~~ of Markets
National Grid Electricity System Operator
Faraday House
Warwick Technology Park
Gallows Hill
Warwick CV34 6DA

Email: BalancingServices@nationalgrideso.com

S4.05 Removal of text for Non-BM Negative Slow Reserve Actions (NSR).

Balancing Services Adjustment Data v23

2 Balancing Service Adjustment Actions

Any relevant balancing service including non-BM Short Term Operating Reserve (STOR) actions, non-BM Fast Reserve actions, 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.

Balancing Services Adjustment Data v24

2 Balancing Service Adjustment Actions

Any relevant balancing service including non-BM Short Term Operating Reserve (STOR) actions, non-BM Fast Reserve actions, ~~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.

S4.06 Removal of text relating to ODFM.

Balancing Services Adjustment Data v23

Optional Downward Flexibility management (ODFM)

ODFM costs and volumes will be submitted post instruction the day after the service usage. The information will be submitted alongside Trade data and will include costs and volumes associated with each instruction. Updates will be submitted should performance monitoring change the costs and volumes associated with an instruction.

Balancing Services Adjustment Data v24

~~**Optional Downward Flexibility management (ODFM)**~~

~~ODFM costs and volumes will be submitted post instruction the day after the service usage. The information will be submitted alongside Trade data and will include costs and volumes associated with each instruction. Updates will be submitted should performance monitoring change the costs and volumes associated with an instruction.~~

S4.07 Removal of introductory paragraph.

Balancing Services Adjustment Data v23

3 Price Adjusters

BSAD Methodology Statement 13

With the exception of STOR services, where NGESO pays option fees to either, facilitate access to MW capacity within the Balancing Mechanism or to facilitate the withdrawal of MW capacity from the Balancing Mechanism, such fees will be represented through the Price Adjusters. Specifically, fees paid to facilitate additional MW capacity will be represented through the Buy Price Adjuster and fees paid to facilitate the withdrawal of MW capacity through the Sell Price Adjuster.

Balancing Services Adjustment Data v24

3 Price Adjusters

~~With the exception of STOR services, where NGESO pays option fees to either, facilitate access to MW capacity within the Balancing Mechanism or to facilitate the withdrawal of MW capacity from the Balancing Mechanism, such fees will be represented through the Price Adjusters. Specifically, fees paid to facilitate additional MW capacity will be represented through the Buy Price Adjuster and fees paid to facilitate the withdrawal of MW capacity through the Sell Price Adjuster.~~

Price Adjusters are the part of BSAD to reflect option feeds for Balancing Services Contracts. Specifically, fees paid to facilitate additional MW capacity will be represented through the Buy Price Adjuster and fees paid to facilitate the withdrawal of MW capacity through the Sell Price Adjuster. Only one is used for each settlement period.

For the formal consultation process we originally proposed the removal of the introductory text under the Price Adjusters section of the Balancing Services Adjustment Data, however we received feedback during the consultation process that asked us to reconsider this removal. We have reviewed the paragraph and feel that the wording still needs to be removed, however we have suggested alternative introductory text to provide a clarification on Price Adjusters and their usage.

S4.08 Updated Buy Price Adjuster equation.

Balancing Services Adjustment Data v23

3.1 Buy Price Adjuster (BPA)

The formula below illustrates how the costs associated with such option fees are converted into a £/MWh figure.

$$BPA_j = \frac{(\sum RC_j + \sum FC_j)}{(cR_j + cF_j)} + \sum \frac{BC}{cB}$$

(The j notation indicates the variable is directly related to the settlement period)

- RC_j = cost of purchases of firm regulating reserve option fees (£)
- FC_j = cost of purchases of Forward Contract option fees (£)
- cR_j = capability of firm regulating reserve contracts for the relevant settlement period (MWh)
- cF_j = capability of Forward contracts for the relevant settlement period (MWh)
- BC = cost of BM StartUp instructions to minute t (£)
- cB = volume capability of BM StartUp instructions over the defined BPA period to minute t (MWh)
- BMStartUp Time = all minutes associated with BM StartUp instruction

For the avoidance of doubt, if the denominator of BPA is zero in any settlement period, then BPA will be set to zero in that period.

Balancing Services Adjustment Data v24

3.~~1~~ Buy Price Adjuster (BPA)

The formula below illustrates how the costs associated with such option fees are converted into a £/MWh figure.

$$BPA_j = \Sigma(BC / cB) \frac{(\sum RC_j + \sum FC_j)}{(cR_j + cF_j)} + \sum \frac{BC}{cB}$$

(The j notation indicates the variable is directly related to the settlement period)

- ~~RC_j = cost of purchases of firm regulating reserve option fees (£)~~
- ~~FC_j = cost of purchases of Forward Contract option fees (£)~~
- ~~cR_j = capability of firm regulating reserve contracts for the relevant settlement period (MWh)~~
- ~~cF_j = capability of Forward contracts for the relevant settlement period (MWh)~~
- BC = cost of BM StartUp instructions to minute t (£)
- cB = volume capability of BM StartUp instructions over the defined BPA period to minute t (MWh)
- BMStartUp Time = all minutes associated with BM StartUp instruction

For the avoidance of doubt, if the denominator of BPA is zero in any settlement period, then BPA will be set to zero in that period.

S4.09 Removal of Regulating Reserve.

Balancing Services Adjustment Data v23

Regulating Reserve

For firm provision of this service NGESO will pay option fees with any utilisation fees being fixed via agreement of BM Offers.

Firm Regulating Reserve option payments for increasing generation or reducing demand will feed into the calculation of the BPA. This will be

calculated by dividing the total option fee in any settlement period by the total contracted capability.
Similarly any option payments for reducing generation or increasing demand (negative reserve) will feed into the calculation of the SPA.

Balancing Services Adjustment Data v24

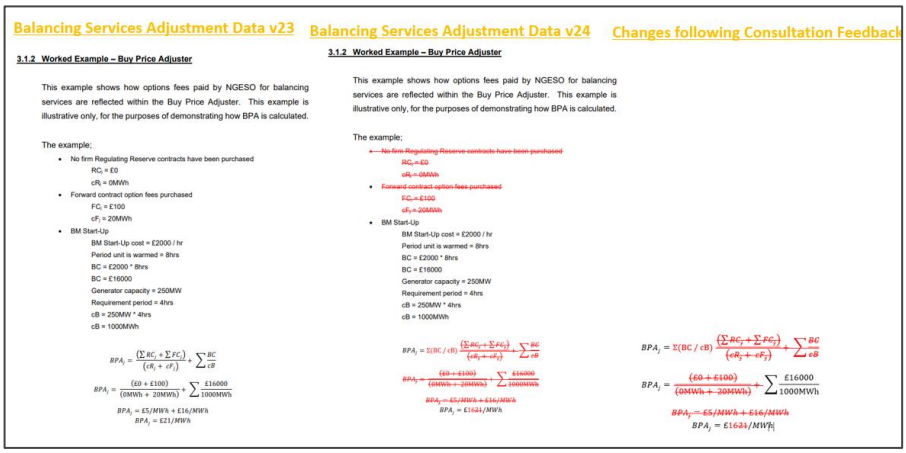
~~Regulating Reserve~~

~~For firm provision of this service NGESO will pay option fees with any utilisation fees being fixed via agreement of BM Offers.~~

~~Firm Regulating Reserve option payments for increasing generation or reducing demand will feed into the calculation of the BPA. This will be~~

~~calculated by dividing the total option fee in any settlement period by the total contracted capability.~~
~~Similarly any option payments for reducing generation or increasing demand (negative reserve) will feed into the calculation of the SPA.~~

S4.10 Updated equation - Worked Example – Buy Price Adjuster.



Balancing Services Adjustment Data v23

3.1.2 Worked Example – Buy Price Adjuster

This example shows how options fees paid by NGESO for balancing services are reflected within the Buy Price Adjuster. This example is illustrative only, for the purposes of demonstrating how BPA is calculated.

The example;

- No firm Regulating Reserve contracts have been purchased
  - RC_j = £0
  - cR_j = 0MWh
- Forward contract option fees purchased
  - FC_j = £100
  - cF_j = 20MWh
- BM Start-Up
  - BM Start-Up cost = £2000 / hr
  - Period unit is warmed = 8hrs
  - BC = £2000 * 8hrs
  - BC = £16000
  - Generator capacity = 250MW
  - Requirement period = 4hrs
  - cB = 250MW * 4hrs
  - cB = 1000MWh

$$BPA_j = \frac{(\sum RC_j + \sum FC_j)}{(cR_j + cF_j)} + \sum \frac{BC}{cB}$$

$$BPA_j = \frac{(£0 + £100)}{(0MWh + 20MWh)} + \sum \frac{£16000}{1000MWh}$$

$$BPA_j = £5/MWh + £16/MWh$$

$$BPA_j = £21/MWh$$

Balancing Services Adjustment Data v24

3.1.2 Worked Example – Buy Price Adjuster

This example shows how options fees paid by NGESO for balancing services are reflected within the Buy Price Adjuster. This example is illustrative only, for the purposes of demonstrating how BPA is calculated.

The example;

- ~~No firm Regulating Reserve contracts have been purchased~~
  - ~~RC_j = £0~~
  - ~~cR_j = 0MWh~~
- ~~Forward contract option fees purchased~~
  - ~~FC_j = £100~~
  - ~~cF_j = 20MWh~~
- BM Start-Up
  - BM Start-Up cost = £2000 / hr
  - Period unit is warmed = 8hrs
  - BC = £2000 * 8hrs
  - BC = £16000
  - Generator capacity = 250MW
  - Requirement period = 4hrs
  - cB = 250MW * 4hrs
  - cB = 1000MWh

$$BPA_j = \Sigma(BC / cB) \frac{(\sum RC_j + \sum FC_j)}{(cR_j + cF_j)} + \sum \frac{BC}{cB}$$

$$BPA_j = \frac{(£0 + £100)}{(0MWh + 20MWh)} + \sum \frac{£16000}{1000MWh}$$

$$BPA_j = £5/MWh + £16/MWh$$

$$BPA_j = £21/MWh$$

Changes following Consultation Feedback

$$BPA_j = \Sigma(BC / cB) \frac{(\sum RC_j + \sum FC_j)}{(cR_j + cF_j)} + \sum \frac{BC}{cB}$$

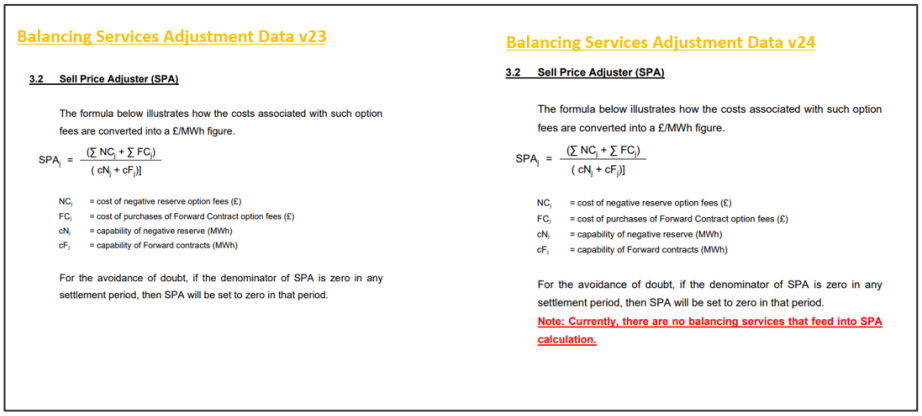
$$BPA_j = \frac{(£0 + £100)}{(0MWh + 20MWh)} + \sum \frac{£16000}{1000MWh}$$

$$BPA_j = £5/MWh + £16/MWh$$

$$BPA_j = £21/MWh$$

We received feedback during the consultation asking us to review the deletions on the numerical example for the Worked Example – Buy Price Adjuster. We have reviewed this feedback and have concluded that the answer of "$BPAj$ = £16/MWh" should still be included in the calculation. As such we have withdrawn the suggested deletion of these sections of the equation.

S4.11 Updated text. - Sell Price Adjuster.



Balancing Services Adjustment Data v23

3.2 Sell Price Adjuster (SPA)

The formula below illustrates how the costs associated with such option fees are converted into a £/MWh figure.

$$SPA_j = \frac{(\sum NC_j + \sum FC_j)}{(cN_j + cF_j)]}$$

NC_j = cost of negative reserve option fees (£)
FC_j = cost of purchases of Forward Contract option fees (£)
cN_j = capability of negative reserve (MWh)
cF_j = capability of Forward contracts (MWh)

For the avoidance of doubt, if the denominator of SPA is zero in any settlement period, then SPA will be set to zero in that period.

Balancing Services Adjustment Data v24

3.2 Sell Price Adjuster (SPA)

The formula below illustrates how the costs associated with such option fees are converted into a £/MWh figure.

$$SPA_j = \frac{(\sum NC_j + \sum FC_j)}{(cN_j + cF_j)]}$$

NC_j = cost of negative reserve option fees (£)
FC_j = cost of purchases of Forward Contract option fees (£)
cN_j = capability of negative reserve (MWh)
cF_j = capability of Forward contracts (MWh)

For the avoidance of doubt, if the denominator of SPA is zero in any settlement period, then SPA will be set to zero in that period.

Note: Currently, there are no balancing services that feed into SPA calculation.

S4.12 Removal of the worked example including equation.

Balancing Services Adjustment Data v23

3.2.1 Worked Example – Sell Price Adjuster

This example shows how options fees paid by NGESO for particular balancing services are provided through the Sell Price Adjuster. This example is illustrative only, for the purposes of demonstrating how SPA is calculated.

The example;

- Forward contracts option fees

Option fees purchased for 15 settlement periods
Total option fees of £3000 to withdraw 150MWh per settlement period
cF = 150MWh
Aggregated cost of forward contract option fees per settlement period
= £3000 / 15
= £200
FC = £200

$$SPA_j = \frac{(\sum NC_j + \sum FC_j)}{(cN_j + cF_j)]}$$

$$SPA_j = \frac{(£0 + £200)}{(0MWh + (-150MWh))}$$

$$SPA_j = -£1.333/MWh$$

Balancing Services Adjustment Data v24

~~**3.2.1 Worked Example – Sell Price Adjuster**~~

~~This example shows how options fees paid by NGESO for particular balancing services are provided through the Sell Price Adjuster. This example is illustrative only, for the purposes of demonstrating how SPA is calculated.~~

~~The example;~~

- ~~Forward contracts option fees~~

~~Option fees purchased for 15 settlement periods~~
~~Total option fees of £3000 to withdraw 150MWh per settlement period~~
~~cF = 150MWh~~
~~Aggregated cost of forward contract option fees per settlement period~~
~~= £3000 / 15~~
~~= £200~~
~~FC = £200~~

$$SPA_j = \frac{(\sum NC_j + \sum FC_j)}{(cN_j + cF_j)]}$$

$$SPA_j = \frac{(£0 + £200)}{(0MWh + (-150MWh))}$$

$$SPA_j = -£1.333/MWh$$

BSAD Methodology Statement 17

S4.13 Removal of text relating to ODFM and insertion of DFS.

Balancing Services Adjustment Data v23

PART C: BSAD Submission

1 BSAD Provision

BSAD will be submitted in accordance with section Q, Paragraph 6.3 of the Balancing and Settlement Code. In outline this entails the submission of BSAD to the Balancing Mechanism Reporting Agent (BMRA) at or before 5pm each day to cover the 24 hour period from half-hour ending 00:30 to half-hour ending 24:00 for the following day. BSAD amendments for previous periods will also be included in the submission.

This initial submission of BSAD to the BMRA will include the Balancing Service Adjustment Actions, BPA and SPA for each settlement period.

The costs and volumes of ODFM Services, System-to-System services, Maximum Generation services, Emergency Deenergisation Instructions, System-to-Generator Operational Intertrips and Commercial Intertrips will be included in a post event re-submission(s) of BSAD as described in section 3.

BSAD will also be published on the NGESO Website.

Balancing Services Adjustment Data v24

PART C: BSAD Submission

1 BSAD Provision

BSAD will be submitted in accordance with section Q, Paragraph 6.3 of the Balancing and Settlement Code. In outline this entails the submission of BSAD to the Balancing Mechanism Reporting Agent (BMRA) at or before 5pm each day to cover the 24 hour period from half-hour ending 00:30 to half-hour ending 24:00 for the following day. BSAD amendments for previous periods will also be included in the submission.

This initial submission of BSAD to the BMRA will include the Balancing Service Adjustment Actions, BPA and SPA for each settlement period.

The costs and volumes of ~~ODFM Services~~, DFS, System-to-System services, Maximum Generation services, Emergency Deenergisation Instructions, System-to-Generator Operational Intertrips and Commercial Intertrips will be included in a post event re-submission(s) of BSAD as described in section 3.

BSAD will also be published on the NGESO Website.

S4.14 Removal of the paragraph “Basis of BSAD”.

Balancing Services Adjustment Data v23

2 Basis of BSAD

The calculation of the BSAD will be performed on the following basis:

- Reserve availability will be calculated on the basis of week ahead submissions of availability from service providers;
- If no week ahead submission is received from a service provider then zero availability of that contract will be assumed in the calculation of BPA; and
- Any forward contracts struck prior to the submission of BSAD at 5pm at the day-ahead stage will be included. Best endeavours will be employed to include all the contracts that have been entered into prior to 5pm.

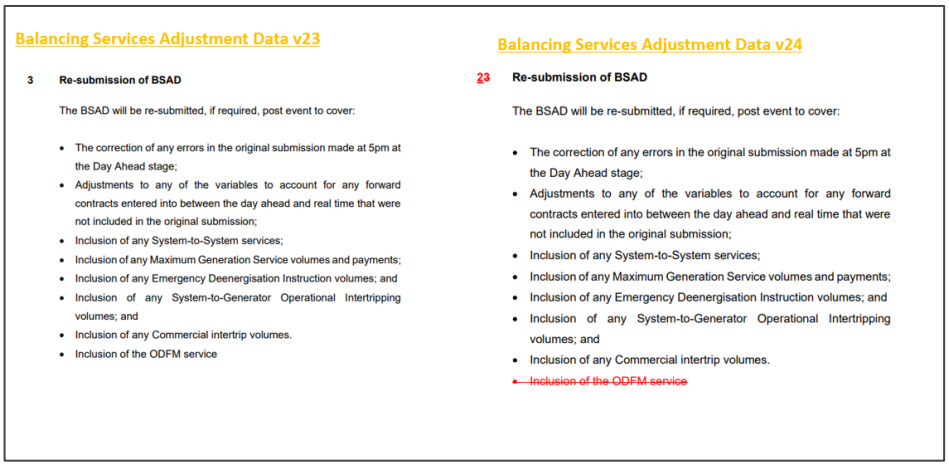
Balancing Services Adjustment Data v24

~~**2 Basis of BSAD**~~

~~The calculation of the BSAD will be performed on the following basis:~~

- ~~Reserve availability will be calculated on the basis of week ahead submissions of availability from service providers;~~
- ~~If no week ahead submission is received from a service provider then zero availability of that contract will be assumed in the calculation of BPA; and~~
- ~~Any forward contracts struck prior to the submission of BSAD at 5pm at the day-ahead stage will be included. Best endeavours will be employed to include all the contracts that have been entered into prior to 5pm.~~

S4.16 Removal of ODFM from the list of “Re-submission of BSAD”.



Balancing Services Adjustment Data v23

3 Re-submission of BSAD

The BSAD will be re-submitted, if required, post event to cover:

- The correction of any errors in the original submission made at 5pm at the Day Ahead stage;
- Adjustments to any of the variables to account for any forward contracts entered into between the day ahead and real time that were not included in the original submission;
- Inclusion of any System-to-System services;
- Inclusion of any Maximum Generation Service volumes and payments;
- Inclusion of any Emergency Deenergisation Instruction volumes; and
- Inclusion of any System-to-Generator Operational Intertripping volumes; and
- Inclusion of any Commercial intertrip volumes.
- Inclusion of the ODFM service

Balancing Services Adjustment Data v24

~~2~~3 Re-submission of BSAD

The BSAD will be re-submitted, if required, post event to cover:

- The correction of any errors in the original submission made at 5pm at the Day Ahead stage;
- Adjustments to any of the variables to account for any forward contracts entered into between the day ahead and real time that were not included in the original submission;
- Inclusion of any System-to-System services;
- Inclusion of any Maximum Generation Service volumes and payments;
- Inclusion of any Emergency Deenergisation Instruction volumes; and
- Inclusion of any System-to-Generator Operational Intertripping volumes; and
- Inclusion of any Commercial intertrip volumes.
- ~~Inclusion of the ODFM service~~

Industry Feedback for Balancing Services Adjustment Data

For transparency and clarity, we have included all industry responses in Annex B. Stakeholders were supportive of the changes proposed by NGESO to the statement.

5. Proposals for System Management Action Flagging (SMAF) Methodology Statement (2024-25)

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

The amendments proposed to SMAF Statement are:

- Updates to version control following a review of the statement and general housekeeping i.e., link updates.

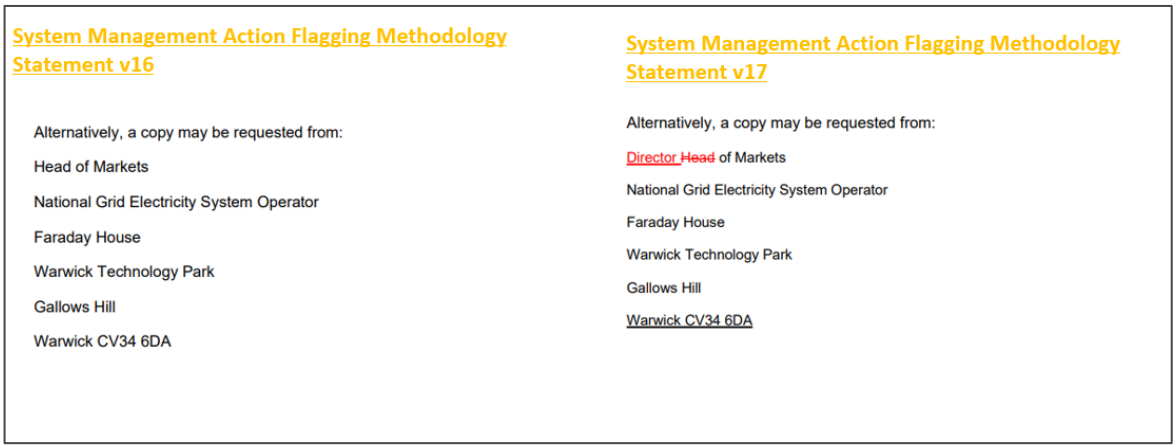
Please see the tracked change document for the System Management Action Methodology Statement (SMAF) for detail of the proposed changes. This is stored within the folder: 'C16 Annual Consultation 2024-25', which can be located on the C16 webpage:

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

ID	Section	Page Numbers	Overview of proposed changes to wording
5.01	Housekeeping	1-3	Version Control
5.02	Housekeeping	1-3	Updated Dates
5.03	Housekeeping	3	Updated title from Head of Markets to Director of Markets
5.04	Housekeeping	1-17	Text Alignment

Statement Detail

S5.03 Updated title from Head of Markets to Director of Markets.



System Management Action Flagging Methodology Statement v16

Alternatively, a copy may be requested from:

Head of Markets

National Grid Electricity System Operator

Faraday House

Warwick Technology Park

Gallows Hill

Warwick CV34 6DA

System Management Action Flagging Methodology Statement v17

Alternatively, a copy may be requested from:

Director ~~Head~~ of Markets

National Grid Electricity System Operator

Faraday House

Warwick Technology Park

Gallows Hill

Warwick CV34 6DA

Industry Feedback for System Management Action Flagging Methodology Statement

For transparency and clarity, we have included all industry responses in Annex B.

Stakeholders had no objections to the proposed updates to the statement.

The Consultation Questions

The C16 Questions

We invite industry to provide further feedback on the changes proposed to the Procurement Guidelines, Balancing Principles, BSAD, SMAF and ABSVD 2024/2025 C16 Statements. The consultation questions summarised below are also within the response proforma in Appendix A.

Procurement Guidelines Statement (PGS)

1. Do you agree with the proposed suggestions to the Procurement Guidelines in relation to housekeeping updates i.e., version control, link updates? Please provide rationale.
2. Do you agree with the addition of Point C Restoration Services into the list of Balancing Services defined by the Transmission License on P9? Please provide rationale.
3. Do you agree with the proposed suggestions to the wording on system management contracts on P14? Please provide rationale.
4. Do you agree with the updates to the wording for Future Requirements for Part 2 System Ancillary Services on P16? Please provide rationale.
5. Do you agree with the removal of the wording for EPEXSPOT and replacement with EAC to reflect the auction platform in use on P17? Please provide rationale.
6. Do you object to the removal of the text relating to how EAC will be used for DC, DM and DR following EAC launch. This is replaced by the reference above as these services are now using EAC. Please provide rationale.
7. Do you agree with the addition of Stability to the list of Commercial Ancillary Services on P18? Please provide rationale.
8. Do you object to the removal of the wording related to Network Development Roadmap found on P18-P20? Please provide rationale.
9. Do you agree with the proposed suggestions to the Procurement Guidelines Statement for Balancing Reserve on P20? Please provide rationale.
10. Do you agree with the addition of Balancing Reserve to the list of Commercial Ancillary Services on P21-22? Please provide rationale.
11. Do you agree with the addition of Quick Reserve to the list of Commercial Ancillary Services on P22? Please provide rationale.
12. Do you agree with the updates to the wording on Reactive Power on P25? Please provide rationale.
13. Do you agree with the proposed suggestions to the Procurement Guidelines Statement for Voltage Network Services Procurement on P25? Please provide rationale.
14. Do you agree with the proposed suggestions to the Procurement Guidelines Statement for Constraint Management Intertrip Service (CMIS) on P29? Please provide rationale.
15. Do you object to the removal of the wording for Operational Downward Flexibility Management (ODFM) from the Procurement Guidelines Statement on P29? Please provide rationale.
16. Do you agree with the proposed suggestions to the Procurement Guidelines for Demand Flexibility Service on P30? Please provide rationale.
17. Do you agree with the proposed suggestions to the Procurement Guidelines Statement for Stability on P30? Please provide rationale.
18. Do you agree with the addition of SuperSEL to the list of Constraint Management Services on P30? Please provide rationale.
19. Do you agree with the removal of the wording relating to Demand Turn Up on P30? Please provide rationale.
20. Do you agree with the movement of the DM/DR/DC Services from Commercial Ancillary Services to Frequency Response Services in Table 2 on P40? Please provide rationale.
21. 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? Please provide rationale.

Applicable Balancing Services Volume Data Methodology Statement (ABSVD)

1. Do you agree with the proposed suggestions to the ABSVD Statement in relation to housekeeping updates, i.e., version control, link updates? Please provide rationale.
2. Do you object to the reformatting of the list of Applicable Balancing Services Contracts into a table form on P10-12? Please provide rationale.
3. Do you object to the removal of the wording for Negative Slow Reserve on P10? Please provide rationale.
4. Do you agree with the addition of Quick Reserve into the table on P12? Please provide rationale.
5. Do you object to the removal of the wording for Operational Downward Flexibility Management (ODFM) from P14? Please provide rationale.
6. Do you object to the reformatting of the list of Applicable Balancing Services Contracts with Non-BM providers into a table form on P14-16? Please provide rationale.
7. Do you object to the inclusion of wording relating to Section Q of BSC 6.4 on P17? Please provide rationale.
8. Do you agree with the proposed suggestions to the ABSVD Statement for the Local Constraint Market (LCM) on P15-16? Please provide rationale.
9. Do you believe consumer LCM imbalances should be corrected via ABSVD for demand turn up providers, as per existing C16 arrangements? Please provide rationale. NOTE: please state if you are answering as (A) a BSC-registered Supplier (and contracted-partner), or (B) an independent aggregator flex provider or (C) other (please specify).
10. Do you have any feedback on the potential proposed (LCM Provider-optional) compensation alternative to ABSVD? Please provide rationale.
11. Where the Provider is also the BSC-registered party Supplier for a consenting MPAN, should the LCM Provider also be permitted an opt-out of the existing intended ABSVD mechanism? Please provide rationale.
12. Do you have any other comments in relation to the changes proposed to ABSVD? Or any additional changes you would like to see? Please provide rationale.

Balancing Principles Statement (BPS)

1. Do you agree with the proposed suggestions to the Balancing Principles Statement in relation to housekeeping updates, i.e., version control, link updates? Please provide rationale.
2. Do you agree to the updates to wording in Section 2.3 Control Phase - Pre-Gate Closure in the Balancing Principles Statement on P25? Please provide rationale.
3. Do you agree with the proposed suggestions to the wording on Regulating Reserve in the Balancing Principles Statement on P29? Please provide rationale.
4. Do you agree with the addition of Quick Reserve to the list of Reserve Products on P32? Please provide rationale.
5. Do you have any other comments in relation to the changes proposed to the Balancing Principles Statement? Or any additional changes you would like to see? Please provide rationale.

Balancing Services Adjustment Data Methodology Statement (BSAD)

1. Do you agree with the proposed suggestions to the BSAD Methodology Statement in relation to housekeeping updates, i.e., version control, link updates? Please provide rationale.
2. Do you object to the removal of Non-BM Negative Slow Reserve Actions (NSR) on P9? Please provide rationale.
3. Do you object to the removal of wording for Operational Downward Flexibility Management (ODFM) from P13? Please provide rationale.
4. Do you object to the removal of the text relating to Price Adjuster on P14? Please provide rationale.
5. Do you object to the update to the Buy Price Adjuster formula on P14? Please provide rationale.
6. Do you object to the removal of the wording relating to Regulating Reserve on P15-16? Please provide rationale.
7. Do you object to the update to the worked example of the Buy Price Adjuster following the update to the formula on P16? Please provide rationale.

8. Do you agree to the updated wording for the Sell Price adjuster calculation on P17? Please provide rationale.
9. Do you object to the removal of the Sell Price Adjuster calculation on P17? Please provide rationale.
10. Do you agree with the addition of Demand Flexibility Service to Part C on P19? Please provide rationale.
11. Do you object to the removal of Section 2 “Basis of BSAD” from P20? Please provide rationale.
12. Do you object to the removal of wording for Operational Downward Flexibility Management (ODFM) from P20? Please provide rationale.
13. Do you have any other comments in relation to the changes proposed to the BSAD Methodology Statement? Or any additional changes you would like to see? Please provide rationale.

System Management Action Flagging Statement (SMAF)

1. Do you agree with the proposed suggestions to the SMAF Methodology Statement in relation to housekeeping updates, i.e., version control, link updates? Please provide rationale.
2. Do you have any other comments in relation to the changes proposed to SMAF? Or any additional changes you would like to see? Please provide rationale.

Responses to the Consultation.

We received eleven responses from industry stakeholders for the formal C16 consultation and nine responses to the informal consultation following several weeks of industry engagements across various workstreams.

Stakeholder Engagement

OTF Engagement

We have engaged with industry via the OTF following the publication of the C16 consultation, to provide additional information:

- 07 February – Operational Transparency Forum used to pinpoint the C16 Formal consultation issued on 18 January and provide direction on how to respond.
- 14 February - Operational Transparency Forum used to pinpoint the C16 Formal consultation issued on 18 January and provide direction on how to respond.

Other industry Engagement

We have also engaged with industry utilising the following:

- 08 December: ESO C16 Mailing list consisting of 297 members who have signed up for C16 updates, email confirming C16 Informal Consultation is now open.
- 09 January Joint European Stakeholder Group monthly meeting used to pinpoint the C16 consultation opening on 08 December and provide details on how to response.
- 18 December Elexon Newscast, email sent detailing opening of Informal C16 consultation and provide details on how to respond.
- 03 January: ESO C16 Mailing list consisting of 297 members who have signed up for C16 updates, email reminding subscribers the informal consultation was closing in two days.
- 17 January: ESO C16 Mailing list consisting of 297 members who have signed up for C16 updates, email communicating change from previously published opening date to new date of 18 January.
- 18 January ESO C16 Mailing list consisting of 297 members who have signed up for C16 updates, email confirming C16 Informal Consultation is now open.
- 29 January Elexon Newscast, email sent detailing opening of Formal C16 consultation and provide details on how to respond.
- 26 January ESO Plugged in, used to highlight C16 Formal review consultation is now live and detailing how to response.
- 13 February: ESO C16 Mailing list consisting of 297 members who have signed up for C16 updates, email reminding subscribers the informal consultation was closing in two days.

Next Steps

- Following the formal industry consultation, NGESO now presents to Authority for consideration revised versions of the C16 Statements supporting the changes outlined in this report.
- The final revised versions of the C16 statements are formatted to show the revisions originally proposed by NGESO in the C16 consultation,
- The Authority is invited to review the proposed changes and offer any direction or feedback by 21 March 2024. If the Authority does not approve these 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 2024, unless directed earlier by the Authority.