

6th September 2024

Additional C16 Report to Authority 2024-25

A report in accordance with standard condition C16 for 2024-2025



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Executive Summary

In accordance with the requirements of Condition C16 of the Transmission Licence¹, National Grid Electricity System Operator (NGESO) has produced a further review outside of the annual review of the C16 Statements. This report details NGESO's engagement with industry throughout this additional review process and the proposed changes to the 2024-25 C16 statements.

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

The following statements are the focus of this review:

Procurement Guidelines Statement (PGS)

Balancing Principles Statement (BPS)

Applicable Balancing Services Volume Methodology Statement (ABSVD)

This report will highlight and showcase the changes NGESO intend to make to the C16 statements for 2024/25, as well as detailing the steps NGESO took to consult with industry. We have included a brief overview of the services that have prompted updates for this additional review. For transparency we have also included all industry feedback and NGESO views into this report.

NGESO would now like to invite Ofgem to review this report, and the track changed statements, by the 4th of October 2024 and provide any feedback or direction ahead of the statements going live on the 4th of October 2024.

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

Alice Beddow

Markets, National Grid Electricity System Operator

Email: balancingservices@nationalgrideso.com

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

Penny Garner

Market Frameworks Senior Manager

Key Dates:

Documents sent to Ofgem: 06 September

Ofgem Veto/Direction: 04 October

Revised C16 Statements go live: 04 October.

¹ [Electricity Transmission Standard Licence Conditions 19 10 2021 \(ofgem.gov.uk\)](https://www.ofgem.gov.uk)

Introduction & Process Overview

The Review

In accordance with Standard Condition C16 (C16) of its Transmission Licence, NGENSO has concluded its annual review of all licence statements, the updated statements have been approved by the Authority (Ofgem) and were effective as of 1st April 2024. This report relates to an additional consultation to the annual process and is due to further changes required after the annual industry consultation had closed.

The purpose of NGENSO's review and consultation is to ensure that each of the applicable documents remains current, by seeking industry views on any proposed changes. NGENSO invite the Authority to review proposed changes. If the Authority chooses to exercise their powers of veto for these proposed changes to the C16 statements, the existing versions will remain in place. Alternatively, the proposed changes will become effective by 4th October 2024, unless issued a direction by the Authority for statements changes to become effective earlier or vetoed.

- The following statements are the focus of this review:
- Procurement Guidelines Statement (PGS)
- Applicable Balancing Services Volume Data Methodology Statement (ABSVD)
- Balancing Principles Statement (BPS)

NGESO also posed a question as part of this consultation asking respondents to detail if they thought any amendments were needed to the remaining statements as part of this additional review.

Step 1 Issue Consultation

The first step in the review process is to publish consultation documents on the NGENSO website outlining the changes proposed and providing updated tracked changes versions of the statements as part of the C16 Licence Condition. This consultation provided industry with the opportunity to review recommended text changes in the statements. This consultation ran for 28 days closing on 29th September 2023.

Step 2 Report to Authority

The second step in the review process is for NGENSO to document, in the form of a report, the ESO's final position on the additional changes along with the track changed versions of the statements. This report includes in a clear and transparent way all industry responses and NGENSO's view for each of these.

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

Step 3 Authority Decision and Statement go live

The third step in the review process is for the Authority (Ofgem) to review all the documents submitted to them from step 2.

As part of the Licence Condition, Ofgem have 28 days to offer a direction or challenge the submission, if Ofgem do not veto the changes then the statements go live on the NGENSO

website on the 4th of October 2024 unless directed otherwise. If Ofgem do veto, then there are 2 different directions for the statements to go live. Ofgem can either direct a change or they can request NGENO 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.

Review of Suggested Changes

For context we have provided some information relating to the services that are being updated as part of this additional review.

Demand Flexibility Service (DFS):

The Demand Flexibility Service (DFS) was introduced during the winter of 22/23 as part of our winter contingency toolkit. Its purpose was to act as an enhanced action, in addition to the normal electricity market, to be used to access additional megawatts (MW) during times of high national demand, particularly on peak winter days when the system could have been placed under stress.

In September 2023, our Winter Outlook Report highlighted slightly higher base case margins for the upcoming winter, but also identified risks and uncertainties in the global energy markets. As a prudent system operator, we prepared for various scenarios to ensure the safe operation of the system and minimise the impact on electricity customers in Great Britain. To provide additional tools to maintain system margin during peak demand, we announced the continuation of the Demand Flexibility Service (DFS) as an enhanced action.

We believe that DFS can continue to play a crucial role in supporting system operations and providing additional margin during periods of high demand. We remain committed to improving and expanding the service to meet the growing needs of the energy market and ensure a reliable and secure electricity supply for Great Britain. In line with this we have proposed updates to the Procurement Guidelines Statement to reflect our intentions for the service.

For the purpose of this C16 document the only changes to the statement is a minor amendment to the purpose of DFS going forward.

Local Constraint Market (LCM):

During the informal and formal consultations during the 2024/2025 Annual Review of the statements, ESO consulted with industry on a series of questions to seek various viewpoints on potential updates to the Local Constraints Market service. The questions focused on exploring a potential price adjustment mechanism which could act as an alternative to ABSVD for demand turn up and generation turn down providers.

Background

The Local Constraint Market is a thermal constraint management service which has been designed to provide an interim solution 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 and existing 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. Presently for LCM ESO applies the 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”.
- (b) and 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 Providers (both for LCM and other services), ESO has solicited valued feedback from stakeholders including aggregators about refining ESO’s approach to adjusting (demand turn up and generation turn down) 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 or Generation Turn Down 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 the 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, ESO has reviewed our current approach to seek possible improvements, in order to better serve the wider market and enable more 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 and generation turn down providers in the short term while the more enduring solutions are evaluated as part of the BSC issues group.

Trial eligibility to be limited to (a) and (b) above and further limited to demand turn up and generation turn down 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 ESO directly to qualifying providers who opt out eligible MPANs. The option would be for either demand turn up or generation turn down 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 ESO BSUoS charges. This approach aims to eliminate any net RCRC effects on the bill payer.

ESO Position on LCM

Following the previous consultation, the ESO withdrew the proposal on the LCM ABSVD Opt out solution, citing more time to consider the impacts based on industry feedback in addition to addressing some technical barriers for a timely delivery. During this time the ESO has now mitigated against all technical requirements and delivery timescales and can now offer confidence to market participants on the successful delivery of the solution for the remainder of the LCM service. Additionally, the ESO conducted some analysis of the impact to industry parties,

The calculation methodology

The analysis conducted has focused on the period from April 2023 – June 2024, we selected this period to show up to the point of go live, but specifically one that included a period where LCM was running.

1. A mathematical and economic model is developed to evaluate the economic impact of ABSVD opt-out on suppliers, aggregators, consumers, and system. We referred to credible database, including NED and EnAppSys, to collect all the relevant data, e.g., energy imbalance price, EPEX energy price, LCM capacity and volume, and LCM bidding information. NED is the National Grid Economic Data Warehouse, while EnAppSys is a comprehensive data and analytics service provider specializing in the energy sector, particularly focusing on electricity and gas markets. From the visualized results, it is concluded that:
2. We can see a range of RCRC in the whole LCM market varying between -£150/month and £175/month over 15 months since Apr 2023, after applying Opt Out volumes. Due to the fact that in certain instances during the investigated time period, EPEX price is higher than the Imbalance price, the Residual Credit position is negative for 10 months over the investigated period.
3. With ABSVD opted out, we can see its impact on all suppliers' cost in the whole LCM market varying from -£600/month (credit) to £200/month (debt). Over the investigated 15 months, the average monthly net cost for all suppliers is -£156.3 (credit).
4. Taking one MPAN customer into account, we also used the load profile for average profile class 1 (domestic Unrestricted) customer to analyse the impact for suppliers per MPAN. Results reveal that with one typical MPAN customer opted out in ABSVD, its impact on suppliers vary from -30p (credit) to 15p (debt) per month and from -£4 (credit) to £2(debt) per year. The averaged net impact per MPAN is -93.4p (credit) per year and -7.7 p (credit) per month.

We have also made some assumptions when parameterizing key factors:

1. Assumptions of 7 p/kwh: We used 7 p/kWh as the energy tariff for LCM end-consumers. We investigated the off-peak prices applied by key suppliers, including Octopus Energy, Good Energy, Axle Energy, and Equiwatt Energy, etc. The night off-peak rate is set as 7 - 14 p/kWh. To fully consider the risk exposure to suppliers, we selected 7 p/kWh to investigate the worst case.

2. Assumptions of 1.5%: We apply a percentage of 1.5% on the MPAN daily load volume to represent the LCM opt out volume for one MPAN customer. The rate was chosen by referring to the current proportion of BM action and LCM volumes.

The Results

The analysis shows that when a customer is opted out of ABSVD through the LCM process the impact per MPAN is ranged between -£4 (credit) to £2 (debt) throughout the course of a year, this is based on the calculation detailed above, a range has been applied as the number will be based on system prices for the days instructed, so it can never be a static figure, however when we focused on the period used within the analysis the average total impact on an MPAN per year basis was -93.4p (credit)

The key takeaway is that providing the market prices remain as they have for the previous 15 months (April 2023 – June 2024) the impact to suppliers should be seen as marginal.

ESO Conclusion

The ESO continues to believe that the LCM can play a key role in learning about potential future flexibility markets, by enabling increased participation from 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 and generation turn down. To best achieve this, we need to see a mix of both aggregators and suppliers participating with various asset types, ideally both turning generation down and demand up.

The ESO believes that coordinated solutions are needed across all markets and that discussions are required with policy makers as to how best to move to take this issue forwards. LCM is a time limited service, contracted to end at the end of 2025 (with the potential to extend for two years) and the proposed Opt Out solution is trying to maximise further learning by removing a clear barrier for aggregators. We are supportive of accelerated action in this area and agree with our stakeholders that a holistic review of the current settlement arrangements is required to alleviate the concerns across all services. We believe that the up-and-coming Elexon led issue group² is the right forum to find an enduring solution.

We note objections from a both Octopus and OVO who both share concerns around the risks they are exposed to but cannot control by aggregators opting MPANs out of ABSVD, based on our analysis we shared in the consultation we believe that those risks are small owing to stable market conditions and low volumes in the LCM. Should we see a significant change in either of those scenarios we reserve the right to review the implemented Opt Out solution.

LCM has already proven very useful in supporting price discovery and options for participation of distribution connected flexibility in our markets and has given us many learnings around day ahead constraint services.

The LCM is helping the ESO better understand:

- The types of assets that may in future be able to save the consumer money in a day ahead constraint market, such a non-subsidised Generation Turn down capable

² [Issue 114 Settlement of ABSVD for ancillary services delivered through independent aggregators - Elexon BSC](#)

assets like CHPs which can potentially Turn down / off at a price still in merit vs the BM counterfactual.

- Why there are a number of bigger hurdles to overcome regarding Low Voltage Demand Turn up and subsidised Generation Turn Down including Tariffs and green subsidies.
- The coordination with SSEN and SPEN around Low Voltage Domestic Demand Turn Up. Allowing us to work together to see how we can better inform and process data both in real time and after the events to protect the DNO networks and also help shape and grow the potential of future flexibility.
- As the market moves quickly toward turning demand up at a supplier level the learnings from LCM can really help us support DNOs in that change of behaviour which we anticipate will grow at a significant pace.

The ESO would like to make it clear that the ABSVD Opt Out solution for LCM is not being considered for other services, and we do not see it as an enduring solution. If agreed, we recommend that the ESO continues to monitor the impacts of the use in a live environment to ensure there are no adverse unforeseen impacts.

MW Dispatch Service:

MW Dispatch is a transmission constraint management service and the first product to be developed through our joint Regional Development Programmes with DNOs. This service is initially only open to Distributed Energy Resource (DER) connected to specific Grid Supply Points in National Grid Electricity Distribution (Southwest) and UK Power Network (South East Coast region) DNO areas. This enables those DER with specific connection terms and conditions to fulfil these obligations and the ESO may well look to open this service up to more parties and geographies in the coming months, dependent upon needs case assessments.

The service, regardless of technology, requires providers to reduce real power output to zero ('turn to zero') when instructed by ESO under certain network conditions and when it is economic to do so. If instructed, and providing they comply with the instruction, MW Dispatch Service Providers will be paid for the volume of energy they have curtailed.

The introduction of this service will give the ESO Control Room teams a way to view and understand network conditions in the DNO network and therefore make informed real time decisions on DER Providers curtailment to manage pre fault thermal constraints. This is also expected to allow us to potentially provide earlier connection dates to more DER providers in particularly constrained areas of the network.

Generation Export Management Service (GEMS):

Following a review of GEMS, the delivery did not make the progress as initially expected in 2023-2024. This is due to combination of reasons including technical issues with our project partner, cyber security concerns and concerns over the implications for a transmission company of full compliance with Balancing and Settlement Code (BSC) (BM Dispatch Rules).

We evaluated other options with our project partner, after discussions with the Open Balancing Programme (OBP) it was determined that given the slower rate of generation connections, the needs case for securing this network now aligned with the roadmap and

timescales of the OBP delivery schedule. This will deliver a more streamlined, lower risk and scalable solution for the consumer as well as provide consistency in approach GB wide, whilst not impeding new connections in this part of Southwest Scotland.

As a result of this, references to Generation Export Management Services have been removed from the C16 Statements during this review.

Proposals for additional Procurement Guidelines Statement review 2024/25

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

We have proposed updates to the Procurement Guidelines to seek to give effect to changes.

The amendments proposed are:

- Version Control
- Housekeeping
- Removal of references to Project TERRE as ESO is not eligible to participate in this service following EU-Exit.
- Following GC0156, we have updated references to “Black Start” within the statements, replacing them with “Electricity System Restoration”.
- Removal of references to Generation Export Management Services as the service is now discontinued.
- Updates to the wording related to Demand Flexibility reflecting the planned changes to the service for Winter 2024/2025 to a commercial in merit action service. This will be subject to a successful Article 18 consultation.
- Addition of UKPN to the distribution areas covered by the MW Dispatch Service

Background to these changes is summarised in the Table 1 below.

Please see updated tracked change document ‘**Procurement Guidelines Statement v26’ draft** for detail of changes below:

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

Table 1

ID	Section	Page number(s)	Overview of proposed changes to wording
1.01	Version Control	1-3	Updated version in the version text box
1.02	Housekeeping	1-44	Dates amended. Web links checked and updated

1.03	Draft text change to Part B General Principles	9	Removal of references to Project TERRE
1.04	Draft text change to Part C Balancing Services	15-16	Removal of references to Black Start and replacement with Electricity System Restoration.
1.05	Draft text change to Part 2.2 Commercial Ancillary Services we expect to procure	24-25	Removal of the references to the Generation Export Management Services.
1.06	Draft text change to Part 2.2 Commercial Ancillary Services we expect to procure.	26-27	Updated wording for Demand Flexibility Service
1.07	Draft text change to Table 2 Commercial Ancillary Services	38	Update wording to add UKPN and remove GEMS
1.08	Draft text change to Table 2L Balancing Services Information Provision Summary	46	Removal of the word “live” in references to Demand Flexibility Service.
1.09	Revision to Part C Balancing Services Required	17	Revert to previous version following consultation feedback.

1.03 Draft text change to Part B General Principles

Procurement Guidelines v25

Replacement Reserve:

This is a commercial service offered by, generators, suppliers and virtual lead parties and represent a willingness to increase or decrease the energy output from Balancing Mechanism Units in exchange for payment. Accepted services are used to balance generation and demand across participating TSO's participating in project TERRE

Procurement Guidelines v26

Replacement Reserve:

This is a commercial service offered by, generators, suppliers and virtual lead parties and represent a willingness to increase or decrease the energy output from Balancing Mechanism Units in exchange for payment. ~~Accepted services are used to balance generation and demand across participating TSO's participating in project TERRE~~

ESO have proposed the removal of references to Project TERRE as ESO is not able to participate.

1.04 Draft text change to Part C Balancing Services

<u>Procurement Guidelines v25</u>	<u>Procurement Guidelines v26</u>
<ul style="list-style-type: none"> If agreement is reached some generators are required to provide the Part 2 System Ancillary Services of Black Start (throughout this document please read 'Black Start' interchangeably as 'Restoration Services' consistent with new Electricity System Restoration Standard (ESRS) which was introduced on 19th October 2021 and 	<ul style="list-style-type: none"> If agreement is reached some generators are required to provide the Part 2 System Ancillary Services for of Black Start Electricity System Restoration <u>for of Black Start Electricity System Restoration</u> (throughout this document please read 'Black Start'
Procurement Guidelines 15	Procurement Guidelines 15
<p>will come into effect by December 2026, frequency control by means of Fast Start and System to Generator Operational Intertripping.</p>	<p>interchangeably as 'Restoration Services' consistent with new Electricity System Restoration Standard (ESRS) which was introduced on 19th October 2021 and will come into effect by December 2026, frequency control by means of Fast Start and System to Generator Operational Intertripping.</p>
<p>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 the Electricity System Restoration Assurance Framework 2023/24, which outlines the ESO's</p>	<p>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 the Electricity System Restoration Assurance Framework 2023/24, which outlines the ESO's</p>

ESO have proposed updating the references from “Black Start” to Electricity System Restoration to reflect the updated naming convention for this service.

1.05 Draft text change to Part 2.2 Commercial Ancillary Services we expect to procure.

Procurement Guidelines v25

Generation Export Management Scheme (GEMS)

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

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

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

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

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

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

Procurement Guidelines v26

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~~More details can be found on the National Grid ESO [Regional Development Programmes \(RDPs\)](#) web pages.~~

ESO have proposed the removal of text for the Generation Export Management Scheme as this is no longer an active service.

1.06 Draft text change to Part 2.2 Commercial Ancillary Services we expect to procure.

Procurement Guidelines v25	Procurement Guidelines v26
<u>Demand Flexibility Service (DFS)</u>	<u>Demand Flexibility Service (DFS)</u>
<p>Is a service which allows NGENSO 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</p>	<p><u>The Demand Flexibility Service (DFS) was introduced during the winter of 22/23 as part of our winter contingency toolkit. Its purpose was to act as an enhanced action, in addition to the normal electricity market, to be used to access additional megawatts (MW) during times of high national demand, particularly on peak winter days when the system could have been placed under stress.</u></p>
Procurement Guidelines	Procurement Guidelines
26	26
<p>designed to help support our Electricity National Control Centre during the tightest periods of the system providing us additional resilience in our winter toolkit.</p>	<p><u>In September 2023, our Winter Outlook Report highlighted slightly higher base case margins for the upcoming winter, but also identified risks and uncertainties in the global energy markets. As a prudent system operator, we prepared for various scenarios to ensure the safe operation of the system and minimise the impact on electricity customers in Great Britain. To provide additional tools to maintain system margin during peak demand, we announced the continuation of the Demand Flexibility Service (DFS) as an enhanced action.</u></p>
<p>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.</p>	<p><u>We believe that DFS can continue to play a crucial role in supporting system operations and providing additional margin during periods of high demand. We remain committed to improving and expanding the service to meet the growing needs of the energy market and ensure a reliable and secure electricity supply for Great Britain. Therefore, we will be evolving the DFS to a commercial merit-based margin tool that will continue to provide a route to market for flexibility.</u></p>

ESO have proposed updates to the wording relating to the Demand Flexibility Service in line with plans for the service, for more information please see the Demand Flexibility Service information above. In the consultation responses ESO received feedback objecting to the open-ended nature of the service that was implied by the suggested wording. ESO have taken on board this feedback and suggested an update to the wording as shown below to take on board the feedback provided in regard to Market-wide Half Hourly Settlement (MHHS)

Procurement Guidelines v25	Procurement Guidelines v26
<u>Demand Flexibility Service (DFS)</u>	<u>Demand Flexibility Service (DFS)</u>
<p>Is a service which allows NGENSO 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</p>	<p><u>The Demand Flexibility Service (DFS) was introduced during the winter of 22/23 as part of our winter contingency toolkit. Its purpose was to act as an enhanced action, in addition to the normal electricity market, to be used to access additional megawatts (MW) during times of high national</u></p>
Procurement Guidelines	Procurement Guidelines
26	26
<p>designed to help support our Electricity National Control Centre during the tightest periods of the system providing us additional resilience in our winter toolkit.</p>	<p><u>demand, particularly on peak winter days when the system could have been placed under stress.</u></p>
<p>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.</p>	<p><u>In September 2023, our Winter Outlook Report highlighted slightly higher base case margins for the upcoming winter, but also identified risks and uncertainties in the global energy markets. As a prudent system operator, we prepared for various scenarios to ensure the safe operation of the system and minimise the impact on electricity customers in Great Britain. To provide additional tools to maintain system margin during peak demand, we announced the continuation of the Demand Flexibility Service (DFS) as an enhanced action.</u></p>
	<p><u>We believe that DFS can continue to play a crucial role in supporting system operations and providing additional margin during periods of high demand. We remain committed to improving and expanding the service to meet the growing needs of the energy market and ensure a reliable and secure electricity supply for Great Britain. Therefore, we will be evolving the DFS to a commercial merit-based margin tool that will continue to provide a route to market for flexibility until Market-wide Half Hourly Settlement (MHHS) is established as an effective enduring route.</u></p>

1.07 Draft text change to Table 2 Commercial Ancillary Services.

Procurement Guidelines v25		Procurement Guidelines v26	
Reactive Power <ul style="list-style-type: none"> • Voltage Network Services Procurement 	<ul style="list-style-type: none"> • Contracts derived from market tenders 	Reactive Power <ul style="list-style-type: none"> • Voltage Network Services Procurement 	<ul style="list-style-type: none"> • Contracts derived from market tenders
Commercial Ancillary Services Constraint Management Services <ul style="list-style-type: none"> • MW Dispatch constraint management service • Generation Export Management Scheme (GEMS) • Local Constraint Market (LCM) • <u>Constraint Management Intertrip Service (CMIS)</u> 	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	Commercial Ancillary Services Constraint Management Services <ul style="list-style-type: none"> • MW Dispatch constraint management service • Generation Export Management Scheme (GEMS) • Local Constraint Market (LCM) • <u>Constraint Management Intertrip Service (CMIS)</u> 	Bilateral Contracts or Contracts derived from market tenders Tri-party Contracts with NGED and UKPN 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
<ul style="list-style-type: none"> • Demand Flexibility Service 	Contracts derived from market tender process, required according to system conditions	<ul style="list-style-type: none"> • Demand Flexibility Service 	Contracts derived from market tender process, required according to system conditions
Stability Markets <ul style="list-style-type: none"> • Y-4 • Y-1 • D-1 	Contracts derived from market tenders	Stability Markets <ul style="list-style-type: none"> • Y-4 • Y-1 • D-1 	Contracts derived from market tenders

ESO have proposed adding UKPN to the providers with triparty contracts for MW dispatch following an extension of the service. ESO have also proposed removing references to GEMS within this table following a review of the service with is now no longer active.

1.08 Draft text change to Table 2L Balancing Services Information Provision Summary

Procurement Guidelines v25					Procurement Guidelines v26				
STOR	website	MBSS	As required	https://www.nationalgrideso.com/industry-information/balancing-services/reserve-services/short-term-operating-reserve-stor	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	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	https://www.nationalgrideso.com/data-portal	Demand Flexibility Service (DFS)	ESO data portal	ESO data portal	DFS Live events	https://www.nationalgrideso.com/data-portal
Commercial Ancillary Services under review			Ad hoc		Commercial Ancillary Services under review			Ad hoc	
Response					Response				
Enhanced Frequency Response	website	MBSS	monthly	https://www.nationalgrideso.com/industry-information/balancing-services/frequency-response-services	Enhanced Frequency Response	website	MBSS	monthly	https://www.nationalgrideso.com/industry-information/balancing-services/frequency-response-services
Non-tendered Fast Reserve with low frequency trigger	N/A	MBSS	monthly		Non-tendered Fast Reserve with low frequency trigger	N/A	MBSS	monthly	
Reserve					Reserve				
BM Start Up	website	MBSS	monthly	https://www.nationalgrideso.com/industry-information/balancing-services/reserve-services/bm-start	BM Start Up	website	MBSS	monthly	https://www.nationalgrideso.com/industry-information/balancing-services/reserve-services/bm-start
Hydro Optional Spin Pump	N/A	MBSS	monthly		Hydro Optional Spin Pump	N/A	MBSS	monthly	
Hydro Rapid Start	N/A	MBSS	monthly		Hydro Rapid Start	N/A	MBSS	monthly	
Non-tendered Fast Reserve without low frequency trigger	N/A	MBSS	monthly		Non-tendered Fast Reserve without low frequency trigger	N/A	MBSS	monthly	
Reactive					Reactive				
Enhanced Reactive Power	website	MBSS	monthly	https://www.nationalgrideso.com/industry-information/balancing-services/reactive-power-services	Enhanced Reactive Power	website	MBSS	monthly	https://www.nationalgrideso.com/industry-information/balancing-services/reactive-power-services

ESO have proposed removing the “live” wording in reference to Demand Flexibility Service. This change ensures the table references all DFS events.

1.09 Draft text change to Part C Balancing Services Required.

Procurement Guidelines v25 consulted upon during 2024/2025 Annual.	Procurement Guidelines v25 live on website	Procurement Guidelines v26
DC, DM and DR are currently procured separately at day-ahead by EFA blocks on EPEXSPOT the EAC 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 between alternative provider offers and alternative ESO requirements to maximise the overall market welfare across all services.	DC, DM and DR are currently procured at day-ahead by EFA blocks on the EAC auction platform	DC, DM and DR are currently procured at day-ahead by EFA blocks on the EAC 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 between alternative provider offers and alternative ESO requirements to maximise the overall market welfare across all services.

As part of the consultation, we received feedback querying changes made to the Procurement Guidelines that were not highlighted as a tracked change. ESO proposed changes during the consultation carried out earlier this year, as part of the annual review of the C16 statements, The version seen on the left was approved during that consultation. However, the version in the middle was published on the website after 1st April – with all text following the word “platform” being removed in error. As this change has not been consulted upon, this section of text will revert to the text contained within the consulted upon version 25 of the Procurement Guidelines. This means the text for version 26 of the Procurement Guidelines will be as detailed in the right of the image above.

Proposals for the ABSVD review 2024/25

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

- Version Control
- Housekeeping
- Following feedback from users, we have updated the table showing BM ABSVD services, we hope this update provides clarity to users.
- Updated wording for Local Constraint Market reflecting the changes to the service – for more detail see the Local Constraint Market section above.
- We have added wording reflecting the potential for a change proposed under P412 to move from delivered volume to expected volume.
- We are proposing to remove wording relating the delivered volumes by MSID pair and by settlement period under the description in Part 2 ABSVD Calculation for Non-BM providers. This removal has been suggested to ensure the text is correct if the opt out process is followed for Local Constraint Market.

Please see tracked change document ‘**ABSVD Methodology Statement v18**’ draft for detail of changes.

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

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

Table 2

ID	Section	Page number(s)	Overview of proposed changes to wording
2.01	Version Control	1-2	Updated version in the version text box
2.02	Housekeeping	1-34	Dates amended. Web links checked and updated
2.03	Draft text change to Part B, BM ABSVD Applied Table	9	Table updated for clarity following feedback
2.04	Draft text change to Part C: Applicable Balancing Services Volume Data for Non-BM Providers	13	LCM ABSVD Update Solution
2.05	Draft text change to Part C: Applicable Balancing Services Volume Data for Non-BM Providers	13	Addition of footnote for potential changes for P412

2.06	2.05 – Draft text change to Part C: Applicable Balancing Services Volume Data for Non-BM Providers	14	Removal of text to reflect impact of LCM ABSVD Opt Out
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2.03 Draft text change to Part B, BM ABSVD Applied Table

ABSVD 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 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 $\text{Min}(Q_{\text{maxij}}, X * \text{CEC}/2)$ in accordance with clause 4.2.5 of the CUSC.

ABSVD Statement v18

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 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 $\text{Min}(Q_{\text{maxij}}, X * \text{CEC}/2)$ in accordance with clause 4.2.5 of the CUSC.

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For the avoidance of doubt, the following services are automatically included in the imbalance volume via the Bid/Offer Acceptance process and thus no ABSVD is required for them.

Balancing Service	Data Volume Source
Short Term Operating Reserve	BOA Volume
Balancing Reserve	BOA Volume
Negative Quick Reserve (NQR)	BOA Volume
Positive Quick Reserve (PQR)	BOA Volume

Following feedback from users after the annual review, we have proposed a layout change to the table to ensure greater clarity. We have received positive feedback on this change in submissions to the consultation.

2.04 Draft text change to Part C: Applicable Balancing Services Volume Data for Non-BM Providers

ABSVD Statement v17

*LCM - NGENSO 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 NGENSOs 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 Statement v18

*LCM - NGENSO 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 NGENSOs remit.~~ Utilisation volumes will be determined in the accordance with the characteristics of the service over the duration of the trial. With the optionality to opt out of ABSVD for eligible non-BM providers and calculation in accordance with the relevant Commercial Services Agreement.

In line with the detail outlined above in the section on Local Constraint Markets, ESO have proposed updates to the ABSVD statement to give effect to the opt out solution, following feedback in the consultation submissions we have amended this proposal to replace the word “trial” with “LCM product” to ensure clarity. The amended text can be seen below:

ABSVD Statement v17

*LCM - NGENSO 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 NGENSOs 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 Statement v18

*LCM - NGENSO 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 NGENSOs remit.~~ Utilisation volumes will be determined in the accordance with the characteristics of the service over the duration of the trial. With the optionality to opt out of ABSVD for eligible non-BM providers and calculation in accordance with the relevant Commercial Services Agreement.

ABSVD Statement v18 amended

*LCM - NGENSO 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 NGENSOs remit.~~ Utilisation volumes will be determined in the accordance with the characteristics of the service over the duration of the LCM Product trial. With the optionality to opt out of ABSVD for eligible non-BM providers and calculation in accordance with the relevant Commercial Services Agreement.

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

2.05 Draft text change to Part C: Applicable Balancing Services Volume Data for Non-BM Providers

ABSVD Statement v17

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)

*LCM - NGENSO 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 NGENSOs 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 Statement v18

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 **
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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)

*LCM - NGENSO 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 NGENSOs remit. Utilisation volumes will be determined in the accordance with the characteristics of the service over the duration of the trial. With the optionality to opt out of ABSVD for eligible non-BM providers and calculation in accordance with the relevant Commercial Services Agreement.~~

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

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

To clarify the reference to “Delivered Volume” ESO have proposed adding a footnote referencing the potential change proposal under P412.

2.06 Draft text change to Part C: Applicable Balancing Services Volume Data for Non-BM Providers

ABSVD Statement v17	ABSVD Statement v18
<p>2. ABSVD Calculation for Non-BM Providers</p>	<p>2. ABSVD Calculation for Non-BM Providers</p>
<p>The imbalances associated with an Applicable Balancing Service provided by a Non-BM Provider (the Balancing Service Provider (BSP)) are attributed to the relevant Supplier (the Balancing Responsible Party (BRP)). An adjustment will be made to the BRP's imbalance account to</p>	<p>The imbalances associated with an Applicable Balancing Service provided by a Non-BM Provider (the Balancing Service Provider (BSP)) are attributed to the relevant Supplier (the Balancing Responsible Party (BRP)). An adjustment will be made to the BRP's imbalance account to ensure this takes into account the volumes provided to National Grid under an Applicable Balancing Services contract with a Non-BM Provider. ELEXON will calculate Non BM Unit ABSVD for each impacted BRP in accordance with the BSC, which will be used to correct BRP imbalance positions.</p>
<p>12</p>	<p>The Non-BM ABSVD volumes will take the form of delivered volumes of Applicable Balancing Services, collared at the instructed amount, by MSID pair and by settlement period. This will be applied to all sites within the Applicable Balancing Services contract irrespective of the complexity. The requirement to provide the necessary data to meet these requirements will be part of the contract terms for each Applicable Balancing Service. For STOR, these collared delivered volumes will be based on metered delivered volumes known as "backing data" sent by National Grid to the provider.</p>
<p>ensure this takes into account the volumes provided to National Grid under an Applicable Balancing Services contract with a Non-BM Provider. ELEXON will calculate Non BM Unit ABSVD for each impacted BRP in accordance with the BSC, which will be used to correct BRP imbalance positions.</p>	<p>The requirement to provide the necessary data to meet these requirements will be part of the contract terms for each Applicable Balancing Service. For STOR, these collared delivered volumes will be based on metered delivered volumes known as "backing data" sent by National Grid to the provider.</p>
<p>The Non-BM ABSVD volumes will take the form of delivered volumes of Applicable Balancing Services, collared at the instructed amount, by MSID pair and by settlement period. This will be applied to all sites within the Applicable Balancing Services contract irrespective of the complexity. The requirement to provide the necessary data to meet these requirements will be part of the contract terms for each Applicable Balancing Service. For STOR, these collared delivered volumes will be based on metered delivered volumes known as "backing data" sent by National Grid to the provider.</p>	<p>The requirement to provide the necessary data to meet these requirements will be part of the contract terms for each Applicable Balancing Service. For STOR, these collared delivered volumes will be based on metered delivered volumes known as "backing data" sent by National Grid to the provider.</p>
<p>When National Grid receives this data, they will calculate the volumes by</p>	<p>The requirement to provide the necessary data to meet these requirements will be part of the contract terms for each Applicable Balancing Service. For STOR, these collared delivered volumes will be based on metered delivered volumes known as "backing data" sent by National Grid to the provider.</p>

ESO are suggesting the deletion of this sentence as this is necessary to allow the progression of the LCM Opt Out solution. If the opt out process is followed, then it would not be correct to state that the application would be applied to all sites as participants will have the option to opt out during the LCM trial. The following sentence in the methodology outlines that ABSVD will be applied as per the service contract terms which are specific to each service.

Proposals for the Balancing Principles Statement Review 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.

- Version Control
- Housekeeping
- Following GC0156, we have updated references to “Black Start” within the statements, replacing them with “Electricity System Restoration”.
- Removal of references to Generation Export Management Services

Please see tracked change document ‘**Balancing Principles Statement v24** draft for detail of changes.

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

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

Table 2

ID	Section	Page number(s)	Overview of proposed changes to wording
2.01	Version Control	1-2	Updated version in the version text box
2.02	Housekeeping	1-34	Dates amended. Web links checked and updated
2.03	Draft text changes to Part B General Principles	11	Removal of references to “Black Start” and replacement with “Electricity System Restoration”
2.04	Draft text changes to Part B General Principles	13	Removal of references to “Black Start” and replacement with “Electricity System Restoration”
2.05	Draft text change to Part D: Transmission Constraint Principles	26	Updates to text following the removal of GEMS.
2.06	Draft text change to Part G: Exceptions to the Balancing Principles Statement	41	Removal of references to “Black Start” and replacement with “Emergency System Restoration”

2.03 Draft text change to Part B General Principles

<u>Balancing Principles Statement v23</u>	<u>Balancing Principles Statement v24</u>
<p>In the case of a BMU, Emergency Instructions may include an instruction for the BMU to operate in a way that is not consistent with the dynamic parameters, QPNs and/or export and import limits. In all cases (with the exception of the need to invoke the Black Start process or the Re-Synchronisation of De-Synchronised Island process in accordance with OC9 of the Grid Code) where we have issued an Emergency Instruction to a BM Participant, details will be posted on the BMRS and the Emergency Instruction Acceptance Data will be agreed post event.</p>	<p>In the case of a BMU, Emergency Instructions may include an instruction for the BMU to operate in a way that is not consistent with the dynamic parameters, QPNs and/or export and import limits. In all cases (with the exception of the need to invoke the Black Start Electricity System Restoration process or the Re-Synchronisation of De-Synchronised Island process in accordance with OC9 of the Grid Code) where we have issued an Emergency Instruction to a BM Participant, details will be posted on the <u>BMRS</u> and the Emergency Instruction Acceptance Data will be agreed post event.</p>

ESO have proposed replacing references to “Black Start” with “Electricity System Restoration” in line with the updated name for the service.

2.04 Draft text change to Part B General Principles

<u>Balancing Principles Statement v23</u>	<u>Balancing Principles Statement v24</u>
<p>accordance with the General Principles described above.</p> <p>(d) Black Start (Detailed in OC9 of the Grid Code) The need to invoke the Black Start process or the Re-Synchronisation of De-Synchronised Island process in accordance with OC9.</p>	<p>(d) Black Start Electricity System Restoration (Detailed in OC9 of the Grid Code) The need to invoke the Black Start Electricity System Restoration process or the Re-Synchronisation of De-Synchronised Island process in accordance with OC9.</p>

ESO have proposed replacing references to “Black Start” with “Electricity System Restoration” in line with the updated name for the service.

2.05 Draft text change to Part D: Transmission Constraint Principles

Balancing Principles Statement v23	Balancing Principles Statement v24
<p>2.5 New localised constraint management services – Regional Development Program</p>	<p>2.5 New localised constraint management services – Regional Development Program</p>
<p>As part of the Regional Development Programme, two new services are scheduled to go live in 2023: Generation Export Management (GEMS) for SW Scotland and MW-Dispatch for Southern England (initially SW England). These represent innovative ways of operating the network and managing transmission constraints in a coordinated whole system manner, with DNOs. These ESO services will integrate with DNO automatic network (constraint) management systems with further enhanced coordination of DNO & ESO planning and real-time operational activities. All new connecting parties in these otherwise congested areas, are obligated to participate in the relevant commercial curtailment scheme. Already connected parties may choose to participate in the scheme if they are in the impacted network area. Non-BMUs will be able to submit a curtailment price £/MWh that will apply per unit for each operational day.</p>	<p>As part of the Regional Development Programme, two new services are scheduled to go live in 2023: Generation Export Management (GEMS) for SW Scotland and MW-Dispatch for Southern England (initially SW England). These represent innovative ways of operating the network and managing transmission constraints in a coordinated whole system manner, with DNOs. These ESO services will integrate with DNO automatic network (constraint) management systems with further enhanced coordination of DNO & ESO planning and real-time operational activities. All new connecting parties in these otherwise congested areas, are obligated to participate in the relevant commercial curtailment scheme. Already connected parties may choose to participate in the scheme if they are in the impacted network area. Non-BMUs will be able to submit a curtailment price £/MWh that will apply per unit for each operational day.</p>

Balancing Principles Statement v23	Balancing Principles Statement v24
<p>The GEMS automatic constraint management service will be utilised whenever there are active constraints in SW Scotland. A new automatic system will monitor network boundaries and curtail in merit order from the list of</p>	<p>The GEMS automatic constraint management service will be utilised whenever there are active constraints in SW Scotland. A new automatic system will monitor network boundaries and curtail in merit order from the list of</p>
<p>Balancing Principles Statement -26-</p>	<p>Balancing Principles Statement -26-</p>
<p>participating, MW-exporting parties impacting that boundary. The initial service will be limited to transmission connected parties. This will be extended in the coming years to include distribution connected parties.</p>	<p>participating, MW-exporting parties impacting that boundary. The initial service will be limited to transmission connected parties. This will be extended in the coming years to include distribution connected parties.</p>

ESO have proposed the removal of wording relating to GEMS as the service is no longer live. The section now provides general context and information on the Regional Development Program and its aims rather than a specific service.

2.06 Draft text change to Part G: Exceptions to the Balancing Principles Statement

<u>Balancing Principles Statement v23</u>	<u>Balancing Principles Statement v24</u>
<p>PART G: EXCEPTIONS TO THE BALANCING PRINCIPLES STATEMENT</p> <p>Infrequently circumstances may arise which require us to operate outside the principles detailed in this statement. Such circumstances are listed below:</p> <ul style="list-style-type: none"> (i) Black Start events (as detailed in OC9 of the Grid Code); (ii) where parts of the transmission system have become islanded (as detailed in OC 9 of the Grid Code); (iii) when emergency evacuation procedures have been invoked at our control centres or wide spread communication problems are experienced; (iv) where circumstances exist where not to do so would prejudice the safe and secure operation of the transmission system or would be in breach of statutory obligations; 	<p>PART G: EXCEPTIONS TO THE BALANCING PRINCIPLES STATEMENT</p> <p>Infrequently circumstances may arise which require us to operate outside the principles detailed in this statement. Such circumstances are listed below:</p> <ul style="list-style-type: none"> (i) Black Start Electricity System Restoration events (as detailed in OC9 of the Grid Code); (ii) where parts of the transmission system have become islanded (as detailed in OC 9 of the Grid Code); (iii) when emergency evacuation procedures have been invoked at our control centres or wide spread communication problems are experienced; (iv) where circumstances exist where not to do so would prejudice the safe and secure operation of the transmission system or would be in breach of statutory obligations;

ESO have proposed replacing references to “Black Start” with “Emergency System Restoration” in line with the updated name for the service.

Stakeholder Engagement

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

Review and Final Consultation Responses

This Final Consultation was issued 2nd August and closed on the 30th of August 2024. The content of that consultation can be found [here](#).

The Questions

We invited industry to provide feedback on the changes proposed to the Procurement Guidelines, ABSVD and Balancing Principles 2024/25 C16 Statements. The consultation questions summarised below were also within the response proforma.

Procurement Guidelines Statement (PGS)

1. Do you have any other comments in relation to the changes proposed to the PGS? Or any additional changes you would like to see?
2. Do you agree with the removal of the wording relating to Project TERRE on P10?
3. Do you agree with the updated replacement of references to “Black Start” and the replacement with “Electricity System Restoration” on P15?
4. Do you agree with the deletion of the reference to “Black Start Capability” on P16?
5. Do you agree with the deletion of the wording for Generation Export Management Services (GEMS) on P25?
6. Do you agree with the updates to the wording for Demand Flexibility Service (DFS) on P26/P27?
7. Do you agree with the removal of the reference to GEMS in Table 2 on P37?
8. Do you agree with the addition of UKPN to the list of Tri-Party contracts for MW Dispatch on P37?
9. Do you agree with the removal of the reference to “Live” events for DFS in Table 2 Balancing Services Information Provision Summary on P44?
10. Do you have any other comments in relation to the changes proposed to the Procurement Guidelines Statement? Or any additional changes you would like to see?
11. Do you have any other comments in relation to the changes proposed to the Procurement Guidelines Statement? Or any additional feedback you would like to submit in relation to the statement?

Applicable Balancing Services Volume Data Methodology Statement (ABSVD)

1. Do you have any other comments in relation to the changes proposed to the ABSVD? Or any additional changes you would like to see?
2. Do you agree with the updates to the BM ABSVD Applied table on P9/P10?
3. Do you agree with the updates to the wording for Local Constraint Market (LCM) on P12?
4. Do you agree with the clarification text added relating to P412 on P13?
5. Do you agree with the deletion of the wording relating to the application to all sites on P14?

6. Do you have any other comments in relation to the changes proposed to the ABSVD Statement? Or any additional feedback you would like to submit in relation to the statement?

Balancing Principles Statement (BPS)

1. Do you have any other comments in relation to the changes proposed to the BPS? Or any additional changes you would like to see?
2. Do you agree with the removal of the references to GEMS on P26/P27?
3. Do you agree with the updated replacement of references to “Black Start” and the replacement with “Electricity System Restoration” on P41?
4. Do you have any other comments in relation to the changes proposed to the Balancing Principles Statement? Or any additional feedback you would like to submit in relation to the statement?

Additional Questions

1. ESO have not proposed updates to BSAD in this review. Do you have any comments in relation to BSAD? Or any additional feedback you would like to submit in relation to the statement?
2. ESO have not proposed updates to SMAF in this review. Do you have any comments in relation to SMAF? Or any additional feedback you would like to submit in relation to the statement?

Responses to the Consultation

We received 7 responses from industry stakeholders for the additional C16 consultation following several weeks of industry engagement across various forums and related workstreams for each product.

OTF Engagement

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

- 14th of August - Operational Transparency Forum (OTF) used to pinpoint the C16 Consultation issued on the 2nd of August and provide direction for how to respond.
- 21st of August - Operational Transparency Forum (OTF) used to pinpoint the C16 Consultation issued on the 2nd of August and provide direction for how to respond.
- 28th of August - Operational Transparency Forum (OTF) used to pinpoint the C16 Consultation issued on the 2nd of August and provide direction for how to respond.

Other Industry Engagement

We have also engaged with industry utilising the following:

- 2nd of August ESO C16 Mailing list consisting of 302 members who have signed up for C16 updates, email confirming C16 Additional Review Consultation is now live and detailing how to respond.
- 9th of August: ESO Plugged In, used to highlight C16 Additional Review Consultation is now live and detailing how to respond.
- 12th of August: Elexon Newscast, entry on Elexon Newscast email highlighting the C16 Additional Review Consultation is now open and of interest to BSC parties.
- 23rd of August: Reminder emails sent via C16 Mailing list to advise consultation was closing in 1 week.
- 28th of August: Reminder email sent to ESO C16 mailing list advising consultation was closing in 2 days.

Next Steps

- Following the official industry consultation, NGENSO 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 NGENSO in the C16 consultation.
- The Authority is invited to review the proposed changes and offer any direction or feedback **by 4th October 2024**. If the Authority does not approve these proposed changes to the C16 statements, the existing versions will remain in place.
- Subject to Ofgem veto/direction, the proposed changes **will become effective from 4th October 2024, unless directed earlier by the Authority**.