

EBGL Article 18 Proposal - Response Proforma

NGESO invites responses to this consultation by **17:00 Monday 15th March 2021**. The responses to the specific consultation questions (below) or any other aspect of this consultation can be provided by completing the following form. Please note that responses submitted after this time may not be counted.

Please complete this form regarding the proposal titled: **“EBGL Article 18 Mapping: Optional Downward Flexibility Management, 15.03.2021”**.

Please return the completed form (word version) to: box.europeancodes.electricity@nationalgrideso.com

Respondent	Iona Penman
Company Name	Energy UK
Does this response contain confidential information? If yes, please specify.	No

Number	Question	Response
1.	Do you agree with the updates in the proposal for ODFM? Please provide rationale	<p>Whilst we welcome the changes set out by National Grid ESO in the proposal for ODFM we are disappointed that this has been left to such a late stage that only small changes can be made. As an industry there are broader changes which we would welcome and ask National Grid to consider. Energy UK requests that you please read the letter attached which elaborates on this.</p> <p>In terms of providing more detail on these proposals, we are happy with the inclusion of providing weekly availability reports as set out, although we question why National Grid ESO did not move to day-ahead as with other Ancillary Service tools.</p>
2.	Annex 1: Do you have any comments on the highlighted mapping for ODFM?	No.
3.	Do you have any other comments on the ODFM proposal?	<p>Yes. Please see our letter sent alongside this form which sets out in more detail our seven key asks below. I have also attached the letter as an Annex to this document.</p> <p>In the future National Grid ESO should consider:</p> <ul style="list-style-type: none"> • Allowing at least six months for consultation and implementation on the next ODFM (or similar) product • Ensure direct participation with potential ODFM participants in the consultation process • Improve communication and transparency with wider industry through a traffic light notification

system and provision of forecasts up to three days ahead

- Communicate clear thresholds for when the service is likely to be used
- NG ESO to avoid approaching generators directly to participate in ODFM - in order to mitigate the problem of breaching a fixed PPA contract
- NG ESO to provide an update Energy UK as to whether an enduring solution to downward flexibility management is being considered through the BM and whether ODFM (and other new products) are being considered to be treated as a 'relevant balancing service' for Capacity Market purposes.
- If future downward flexibility is to be procured outside the BM, we would like an update on work being done to find an enduring solution to downward flexibility management through the Reserve Reform work and request that Energy UK is involved in the design of this product.
- Commit to coming back to industry with further clarifications before 30 April 2021

Annex 1

Energy UK Response – National Grid ESO: EBGL Article 18 Mapping: Optional Downward Flexibility Management

15 March 2021

Dear National Grid ESO,

This letter is supplementary to our answers within the ‘EBGL Article 19 Mapping: Optional Downward Flexibility Management (ODFM)’ Consultation Form provided by National Grid ESO, and as such, should be treated as part of Energy UK’s full consultation response.

Whilst we welcome the opportunity to engage in a consultation on ODFM, we hold overarching concerns with the process that has been followed. We would also like to propose further updates to the second version of ODFM which we believe to be realistic for implementation by 30 April 2021. We have set out in more detail our key concerns and proposals within the body of this letter. A Summary of our key asks can be found in the table below for ease of reference.

1	Allow at least six months for consultation and implementation on the next ODFM (or similar) product in the future
2	Ensure that NG ESO are directly engaging with potential ODFM participants in the consultation process
3	Improve communication and transparency with wider industry through a traffic light notification system and providing the industry with forecasts up to three days ahead
4	Communicate clear thresholds for when the service is likely to be used
5	NG ESO to avoid approaching generators directly to participate in ODFM - in order to mitigate the problem of breaching a fixed PPA contract
6	NG ESO to provide an update Energy UK as to whether an enduring solution to downward flexibility management is being considered through the BM and whether ODFM (and other new products) are being considered to be treated as a ‘relevant balancing service’ for Capacity Market purposes.
7	If future downward flexibility is to be procured outside the BM, we would like an update on work being done to find an enduring solution to downward flexibility management through the Reserve Reform work and request that Energy UK is involved in the design of this product.
8	Commit to coming back to industry with further clarifications on ODFM before 30 April 2021

1. Consultation Process

We are disappointed with the approach taken by National Grid ESO to engage with the industry on ODFM. We would have welcomed a longer more thorough consultation process commencing in October 2020 to allow sufficient time for consideration and implementation of industry views. We request that next year, if ODFM does continue in its current form – being procured outside of the Balancing Mechanism (BM), that National Grid ESO ensures there is at least a six-month period where by industry has the opportunity to input prior to the service going live.

We recognise that some form of downward flexibility management will be needed in future years, including 2022, but some Energy UK members remain disappointed that the ESO has not sought to procure this through the Balancing Mechanism. ODFM providers have had a further year to engage in the Wider BM Access and this time period should have been used to encourage them to do so rather than continuing a

service that reduced the incentive to participate in the standard market arrangements. Therefore, we request that next year, if ODFM is implemented again, National Grid ESO ensures there is a consultation held six months before the service goes live.

Linked to the above point, if ODFM must continue, we also request that National Grid ESO ensures that there is direct consultation with all parties impacted and all potential service providers prior to going live with the ODFM service.

2. GC0147

We hold concerns around the interaction with Grid Code modification 147 (GC0147). Before the last resort option clarified in this modification can be taken, all commercial options available must be exhausted. A commercial arrangement to turn down distributed generation must therefore be in place. As a result, a well-structured ODFM product is a crucial tool to satisfy this obligation. However, we would like to highlight that this issue would not arise if the BM were used to access this downward flexibility.

3. Communication and Transparency

We would welcome changes made to improve communication and transparency in the market. In 2020, a lack of visibility for market participants of when ODFM was likely to be used resulted in wider market signals being distorted. We therefore suggest that this time, National Grid ESO put in place a traffic light notification system to keep industry updated as to the likelihood of ODFM being used in order to prepare the wider market. Furthermore, Energy UK members would find it useful to see the forecasts used by National Grid ESO to give them an indication of whether ODFM could be used in the upcoming three days.

We believe that implementing a traffic light and forecasting notification system is achievable by 30 April 2021, and is particularly important if the market is not expecting ODFM to be used, as communicated by National Grid ESO in the covering letter to the consultation. Further to this, we would request that parties are notified via email, website updates or a similar type of push notification as opposed to a reliance on Twitter.

Linked to the above point, it would be useful if National Grid ESO were able to provide the thresholds or parameters for when ODFM is considered to be 'needed'. This will also help individual companies with their own predictions and avoid wider market distortion as a result of ODFM.

We would welcome clarification from National Grid ESO as to whether or not this information can be made accessible and communicated prior to 30 April 2021.

We would also like to request that National Grid ESO considers the following issues related to the timing and communication of notifications, when considering the best way to implement this product. Firstly, as we understand it, notifications will move from 17:00 to 18:00 for D-1. We would like to highlight that this could potentially cause issues where a site needs an engineer visit to manually disconnect. Energy UK members have expressed that this was already particularly difficult on a Friday or bank holiday weekend when notifications were at 17:00. Secondly, we also understand that in 2020, National Grid contacted generators directly to encourage them to participate in ODFM, Energy UK members reported issues where customers held a fixed PPA contract, as it would result in a breach of contract if they participated in the service. We ask that National Grid ESO avoid approaching customers directly this year in order to mitigate this issue.

4. Enduring Solution

Energy UK welcomes the fact that National Grid have stated ODFM as it is now is not an enduring solution, however we do recognise that downward flexibility management is an ancillary service which we will need to use in the future. Therefore, we fully expect that downward flexibility management will be needed again in summer 2022 and going forward, many Energy UK members believe that this is best delivered through the Balancing Mechanism. We welcome the fact that National grid ESO have committed to looking at an enduring

product through the Reserve Reform, which is now open to consultation. However, we have noted that timescales on this did slip and there are some concerns amongst some Energy UK members that potential cheaper options to downward flexibility could be missed as a result of the delays on this work.

Reiterating our point made above, many Energy UK members would prefer that the enduring solution to downward flexibility management is delivered through the BM. Some members would also like to highlight that ODFM (as well as other new products) should be seen as a 'Relevant Balancing Service' for Capacity Market purposes, so there is no need to respond to a System Stress Event if already providing ODFM Services – we ask if National Grid ESO has considered these options? Regardless of the way forward, we would welcome at least 6 months of industry engagement before a decision is made on the approach taken towards downward flexibility management. Energy UK members would also welcome the opportunity to take an active role in the development and design of any future products.

Further to this, we would also like to highlight that in 2020, when ODFM was used, there were distortions to the cash-out prices caused by the ODFM volumes not being included in the NIV calculations. We note that looking at cash-out prices is out of scope for this consultation; however, we request that this is looked at when considering a future downward flexibility management tool if it does continue to be procured outside the BM. Energy UK members would welcome an opportunity to be part of any discussions to suggest potential solutions to rectify this distortion in the future.

5. Further engagement with Industry before 'Go-Live'

Energy UK would like to request that National Grid ESO commits to corresponding with industry once this consultation closes and before the 30 April 'Go-Live' date, with further clarifications of the updates applying to this version of ODFM.

We would like to thank you in advance for considering our response and look forward to hearing further clarification of the next steps in due course. If you have any questions regarding our response in the meantime please do not hesitate to contact me on the details below.

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