National Grid ESO
Faraday House, Gallows Hill
Warwick, CV34 6DA

Habitat Energy ODFM Terms and Conditions Consultation – Response

No	Question	Response	ESO Comments
1	Do you agree with the approach taken in the proposal? Please provide rationale.	In the current proposal the implications for not meeting a unit's ramp rates are severe. Whilst the assessment considers the costs of ramping and so the service is in principal designed to incentivise an accurate reflection of a unit's capability, the penal nature of not delivering to a units notified ramp rate leads to providers submitting wide ramp rate envelopes. These wide ramp rates are then non-sensical and not reflective of the normal operating characteristics of the asset. Paying for periods in which the service delivers, and not paying for periods in which it does not, is a strong enough incentive on providers to deliver. Additionally, it is currently unclear whether the ramp rates required are to include processing time or are the period from which the asset begins changing its output to the point it meets its contracted service level. This should be clarified to refer to the ramp rate of the output of the asset and not include processing time. For a service seeking flexibility, being able to provide SP granularity of availability for a day, but that availability pattern being fixed for a week is highly inflexible. Given the amount of consumer's money being spent on this service, having insufficient resource to assess this service with different availabilities for different days feels highly justifiable. The assessment could still be performed weekly, but it would enable assets which have other commitments throughout the week to participate when available, or not have to price in the opportunity cost of a week's worth of forgone revenue from elsewhere.	ESO are in agreement with the comments regarding Ramp Rates and the clarity required in this area. In response to this feedback ESO have modified the Ramp Rate penalties to encourage delivery where possible. Should parties miss their ramping data the updated terms will not seek to wipe out any remaining instruction period. Should this scenario occur, ESO reserve the right to withhold 50% of the service fee for the settlement periods impacted by poor ramping. ESO believe that this encourages party to submit the best ramp rates possible and attempt to still reach full deliver should ramp rate envelope not be met. ESO have also updated the definition of Ramp Rates within the service terms/glossary to include instruction processing time to offer clarity to providers how this data should be submitted. By splitting out the instruction processing time parties should be able to submit more accurate technical ramp rate data which will enhance ESO scheduling capability. Within the provider data template, we have added additional data fields to capture instruction processing time so this information can be separated from the technical ramp rate data of MW/min change following instruction processing. With regards to availability declaration concerns that have been flagged, ESO recognise the value that offering such flexibility would offer. At this stage we have moved our FFR auction to weekly bidding and declarations which is supported by an innovation funded platform. In the timescales ODFM was implemented we were unable to utilise automated systems for availability and processing. Therefore, it was not possible to move to greater granularity

		The availability submissions should align with the ESO's other procurement activities in a sensible manner. Either by allowing availability submissions post weekly response auction results, or accepting indicative submissions ahead of time as now, allowing providers to still enter the weekly response auction, and then allowing providers to amend their availability based on the auction outcome. Not doing this leads to higher prices both from the aforementioned opportunity cost pricing, but also from having assets that may not be delivering response also being unable to deliver ODFM due to a timing issue.	of availability profiles. As part of our forward plan we have outlined our ambition to move towards day ahead procurement, offering this enhanced flexibility around availability. Due to the limited lifespan of this product ESO believe the enduring markets should remain the focus of day ahead procurement ambitions. ESO recognise the importance between interaction with other markets and that aligning tender activities may offer benefit to some parties. Due to the nature of the ODFM service (minimum 3 hour curtailment of MWs or demand turnup to access flexibility currently not available to NGESO, for a requirement which is non-firm) ESO did not envision this as being a likely alternative market to providers already active in our response markets (which are firm). This will be reviewed in future work to design an enduring footroom product as part of Reserve Reform. Our requirements for ODFM are more likely to occur over weekends and bank holidays and therefore if we had set deadline submissions after the weekly auction processes this would not have left adequate time to internally conduct the appropriate analysis of the data ahead of weekend low demand periods.
2	Do you have any comments on the proposal letter?	No	N/A
3	**Annex 1**: Do you have any comments on the highlighted mapping for ODFM service?	No	N/A
4	Do you have any other comments in relation to the proposal?	No	