

15th February 2021

Dear Colleague

I hope you are well in these challenging times. As communicated in our letter dated 3rd February 2021, restrictions associated with COVID-19 are likely to present lower demand periods for longer durations this summer than we have seen in the past. To help manage these changing system conditions we will be reinstating an Optional Downward Flexibility Management (ODFM) Service across the summer period.

In accordance with Article 18 of COMMISSION REGULATION (EU) 2017/2195 of 23 November 2017 establishing a guideline on electricity balancing (EBGL), National Grid ESO is required to consult on terms and conditions related to balancing. This letter confirms additional terms and conditions for ODFM. Detailed references to the service terms for ODFM have been included in Table 1 in Annex 1 of this letter. If approved, these ODFM terms will then form part of the Article 18 terms and conditions as envisaged in CUSC section 4, paragraph 4.2B.5 and as required in that paragraph for any subsequent amendments to the ODFM terms to follow an amendment process which is compliant with the EBGL amendment process requirements.

Today NGESO has published the below draft documentation to outline our proposed changes to the contractual documentation for ODFM which can be found via the link below.

- Service Terms
- Guidance Document
- Glossary of Terms
- General Terms & Conditions
- EBGL Article 18 Proposal - Response Proforma

<https://www.nationalgrideso.com/industry-information/codes/european-network-codes-old/meetings/consultation-open-ebgl-article-18-1>

The service is planned to go live at 23:00 Friday 30th April 2021 and remain in place until 23:00 Sunday 31st October. We will be seeking to publish responses to the consultation following its conclusion on 15th March 2021 at 17:00.

We recognise where providers have previously told us that service improvements could be made to ODFM, and whilst we welcome your views and comments through this consultation, we are also keen to highlight that changes to this years' service will only be made where necessary, economic and efficient to do so. One such area we do not propose to change is a movement to pay-as-clear pricing. Analysis shows that pay-as-bid is

much more economically efficient than pay-as-clear. We therefore propose to seek a derogation for ODFM to remain as pay-as-bid. A derogation was not required last year because ODFM was not a specific product.

We will explore improvements in parallel to the consultation, it is unlikely that significant changes such as addressing imbalance and cashout can be accommodated due to the costs and time that would be required. Our focus will instead be on more enduring solutions that offer greater value to the end consumer. ODFM is not considered to be an enduring solution to downward flexibility management. The enduring solution will be delivered through our Reserve Reform programme, while wider access to the Balancing Mechanism also provides a continuous route to an enduring downward flexibility service.

We wish to remind you that whilst our central case for this summer suggests there is no requirement for ODFM, our forecasts demonstrate that there are credible worst-case scenarios where we might experience lower demand periods for longer durations that could require additional downwards flexibility. We therefore feel it is prudent to have access to an ODFM service for the summer of 2021. The service will only be instructed in the event that such challenging conditions occur and will therefore be in place to insure against the need for emergency disconnections.

As the Electricity System Operator (ESO), we are committed to communicating regularly with our industry stakeholders and to working in partnership to manage the effects of the pandemic. We want to reassure you, and all our colleagues across the industry, that we have well-developed procedures in place for situations such as these and do not expect any issues with continuing to reliably supply electricity.

If providers have flexible volume that could be available to participate in the service, we welcome parties to speak to their Account Manager or contact [commercial.operation@nationalgrideso.com](mailto:commercial.operation@nationalgrideso.com)

Thanks again for your continued support.



**David Wildash**  
**Market Services - Senior Manager,**  
National Grid Electricity System Operator

## Annex 1

### Amendment of EBGL Article 18 mapping to include Optional Downward Flexibility Management Terms and Conditions requirements

Please note: In accordance with EBGL Article 18, this table provides references to relevant parts of the GB codes and additional Service Terms which place obligations on registered service providers.

**This document does not constitute compliance with Article 18 of the EBGL. Its purpose is to demonstrate where Terms and Conditions for ODFM in the scope of EBGL Article 18 can be found. Where there is any conflict between this document, the Service Terms and GB Codes, the Service Terms and GB Codes shall take precedence.**

**Table 1**

Below is the mapping of EBGL Article 18 for ODFM service terms:

<b>Article</b>	<b>Text</b>	<b>Code</b>	<b>Section</b>
<b>18.2</b>	The terms and conditions pursuant to paragraph 1 shall also include the rules for suspension and restoration of market activities pursuant to Article 36 of Regulation (EU) 2017/2196 and rules for settlement in case of market suspension pursuant to Article 39 of Regulation (EU) 2017/2196 once approved in accordance with Article 4 of Regulation (EU) 2017/2196.	Grid Code	OC9.4
		BSC	G3
<b>18.4</b>	The terms and conditions for balancing service providers shall:	-	-
<b>18.4.a</b>	define reasonable and justified requirements for the provisions of balancing services;	Grid Code	BC1, BC2, BC3 & BC4
		ODFM	ODFM Service Terms – paragraphs 1, 5, 6, 7, 14.3 & 15
		BSC	BSC Section A, H3, H4.2, H4.7, H4.8, H5.5, H6, H10, J3.3, J3.6, J3.7 and J3.8
		CUSC	Section 4.1.3

<b>18.4.b</b>	allow the aggregation of demand facilities, energy storage facilities and power generating facilities in a scheduling area to offer balancing services subject to conditions referred to in paragraph 5 (c);	BSC	K3.3, K8, S6.2, S6.3 and S11
		Grid Code	DRSC 4.2, BC1.4
<b>18.4.c</b>	allow demand facility owners, third parties and owners of power generating facilities from conventional and renewable energy sources as well as owners of energy storage units to become balancing service providers;	BSC	K3.2, K3.3, K8
<b>18.4.d</b>	require that each balancing energy bid from a balancing service provider is assigned to one or more balance responsible parties to enable the calculation of an imbalance adjustment pursuant to Article 49.	BSC	T4, Q7.2, Q6.4
<b>18.5</b>	The terms and conditions for balancing service providers shall contain:	-	-
<b>18.5.a</b>	the rules for the qualification process to become a balancing service provider pursuant to Article 16;	BSC	J3.3, J3.6, J3.7, J3.8, K3.2, K3.3 and K8
		ODFM	ODFM Guidance Document – Service Parameters, Registration and Availability Declarations sections
		Grid Code	BC5, BC4.4.2
		CUSC	Section 4.1

<b>Article</b>	<b>Text</b>	<b>Code</b>	<b>Section</b>
<b>18.5.b</b>	the rules, requirements and timescales for the procurement and transfer of balancing capacity pursuant to Articles 32, 33 and 34;	ODFM	N/A
<b>18.5.c</b>	the rules and conditions for the aggregation of demand facilities, energy storage facilities and power generating facilities in a scheduling area to become a balancing service provider;	BSC	K3.3 and K8

		Grid Code	BC1.4 and BC1.A.10
		ODFM	ODFM Guidance Document – Service Parameters, Registration and Availability Declarations sections
<b>18.5.d</b>	the requirements on data and information to be delivered to the connecting TSO and, where relevant, to the reserve connecting DSO during the prequalification process and operation of the balancing market;	BSC	BSC Section O
		Grid Code	DRC, BC5 BC1.4,
		ODFM	ODFM Guidance Document – Registration and Availability Declarations sections
		CUSC	Section 4.1.3.14 and 4.1.3.19
<b>18.5.e</b>	the rules and conditions for the assignment of each balancing energy bid from a balancing service provider to one or more balance responsible parties pursuant to paragraph 4 (d);	BSC	T4
<b>18.5.f</b>	the requirements on data and information to be delivered to the connecting TSO and, where relevant, to the reserve connecting DSO to evaluate the provisions of balancing services pursuant to Article 154(1), Article 154(8), Article 158(1)(e), Article 158(4)(b), Article 161(1)(f) and Article 161(4)(b) of Regulation (EU) 2017/1485;	Grid Code	Grid Code BC1.4, BC1.A.10,
		ODFM	ODFM Service Terms – Section 15
		CUSC	4.1.3.19

<b>18.5. g</b>	the definition of a location for each standard product and each specific product taking into account paragraph 5 (c);	Grid Code	BC1.4
<b>18.5. h</b>	the rules for the determination of the volume of balancing energy to be settled with the balancing service provider pursuant to Article 45;	BSC	BSC T3
<b>18.5. i</b>	the rules for the settlement of balancing service providers defined pursuant to Chapters 2 and 5 of Title V;	BSC	T1.14, T3 and U
		ODFM	ODFM Service Terms – paragraphs 7 and 8  ODFM General Terms and Conditions – paragraph 4
		CUSC	Section 4.1.3.9 and 4.1.3.9A
<b>18.5. j</b>	a maximum period for the finalisation of the settlement of balancing energy with a balancing service provider in accordance with Article 45, for any given imbalance settlement period;	BSC	U2.2
		ODFM	ODFM General Terms and Conditions – paragraph 4
		CUSC	Section 4.3.2.6
<b>18.5. k</b>		BSC	H3, Z7 and A5.2

	the consequences in case of non-compliance with the terms and conditions applicable to balancing service providers.	ODFM	ODFM General Terms and Conditions – paragraph 4.2 ODFM Service Terms - paragraph 7
		CUSC	Sections 4.1.3.9, 4.1.3.9A and 4.1.3.14
<b>18.6</b>	The terms and conditions for balance responsible parties shall contain:	-	-
<b>18.6. a</b>	the definition of balance responsibility for each connection in a way that avoids any gaps or overlaps in the balance responsibility of different market participants providing services to that connection;	BSC	K1.2, P3 and T4.5
<b>18.6. b</b>	the requirements for becoming a balance responsible party;	BSC	A, H3, H4.2, H4.7, H4.8, H5.5, H6, H10, J3.3, J3.6, J3.7, J3.8., K2, K3.3 and K8
<b>18.6.c</b>	the requirement that all balance responsible parties shall be financially responsible for their imbalances, and that the imbalances shall be settled with the connecting TSO;	BSC	N2, N6, N8, N12, and T4,
<b>18.6. d</b>	the requirements on data and information to be delivered to the connecting TSO to calculate the imbalances;	BSC	BSC Section O, Q3, Q5.3, Q5.6, Q6.2, Q6.3, Q6.4
		Grid Code	BC1.4.2,3,4, BC1 Appendix 1 BC2.5.1,
<b>18.6. e</b>	the rules for balance responsible parties to change their schedules prior to and after the intraday energy gate closure time pursuant to paragraphs 3 and 4 of Article 17;	BSC	P2
		Grid Code	BC1.4.3,4,
<b>18.6.f</b>	the rules for the settlement of balance responsible parties defined pursuant to Chapter 4 of Title V;	BSC	T4, U2

<b>Article</b>	<b>Text</b>	<b>Code</b>	<b>Section</b>
<b>18.6.g</b>	the delineation of an imbalance area pursuant to Article 54(2) and an imbalance price area;		<i>GB constitutes one imbalance area and imbalance price area and they are equal to the synchronous area</i>
<b>18.6.h</b>	a maximum period for the finalisation of the settlement of imbalances with balance responsible parties for any given imbalance settlement period pursuant to Article 54;	BSC	U2.2
<b>18.6.i</b>	the consequences in case of non-compliance with the terms and conditions applicable to balance responsible parties;	BSC	H3, Z7 and A5.2
<b>18.6.j</b>	an obligation for balance responsible parties to submit to the connecting TSO any modifications of the position;	BSC	P2
<b>18.6.k</b>	the settlement rules pursuant to Articles 52, 53, 54 and 55;	BSC	T4, U2
<b>18.6.l</b>	where existing, the provisions for the exclusion of imbalances from the imbalance settlement when they are associated with the introduction of ramping restrictions for the alleviation of deterministic frequency deviations pursuant to Article 137(4) of Regulation (EU) 2017/1485.	Deterministic frequency deviation is a continental European concept and is not a characteristic of the GB system. Therefore, this requirement does not apply to GB. <sup>1</sup>	N/A

### **Non- Mandatory elements**

<b>Article</b>	<b>Text</b>	<b>Comment</b>
<b>18.7. a</b>	a requirement for balancing service providers to provide information on unused generation capacity and other balancing resources from balancing service providers, after the day-ahead market gate closure time and after the intraday cross-zonal gate closure time;	NG ESO does not expect to require this from Balancing Service Providers.
<b>18.7. b</b>	where justified, a requirement for balancing service providers to offer the unused generation capacity or other balancing resources through balancing energy bids or integrated scheduling process bids in the balancing markets after day ahead market gate closure time, without prejudice to the possibility of balancing service providers to change their balancing energy bids prior to the balancing energy gate closure time or the integrated	NG ESO does not expect to require this from Balancing Service Providers, except where balancing capacity or energy has been contracted. Although in the BM defaulting rules apply if data is not updated, there is no legal requirement for parties to offer unused generation capacity or any other balancing resource.

<sup>1</sup> For more information on this phenomenon please [click here](#)



	scheduling process gate closure time due to trading within intraday market;	
<b>18.7.c</b>	where justified, a requirement for balancing service providers to offer the unused generation capacity or other balancing resources through balancing energy bids or integrated scheduling process bids in the balancing markets after intraday cross-zonal gate closure time;	NG ESO does not expect to require this from Balancing Service Providers, except where balancing capacity or energy has been contracted. Although in the BM defaulting rules apply if data is not updated, there is no legal requirement for parties to offer unused generation capacity or any other balancing resource.
<b>18.7.d</b>	specific requirements with regard to the position of balance responsible parties submitted after the day-ahead market timeframe to ensure that the sum of their internal and external commercial trade schedules equals the sum of the physical generation and consumption schedules, taking into account electrical losses compensation, where relevant;	NG ESO does not expect to require this from Balancing Service Providers. No BSC party is required to contract to match its Final Physical Notifications (FPNs).
<b>18.7.e</b>	an exemption to publish information on offered prices of balancing energy or balancing capacity bids due to market abuse concerns pursuant to Article 12(4)	NG ESO does not expect to require this exemption. Such data is published on BMRS.
<b>18.7.f</b>	an exemption for specific products defined in Article 26(3)(b) to predetermine the price of the balancing energy bids from a balancing capacity contract pursuant to Article 16(6)	There is no requirement for this exemption as prices for balancing energy bids are not predetermined.
<b>18.7.g</b>	An application for the use of dual pricing for all imbalances based on the conditions established pursuant to Article 52(2)(d)(i) and the methodology for applying dual pricing pursuant to Article 52(2)(d)(ii).	NG ESO does not expect to apply for the use of dual pricing for all imbalances. A single imbalance price was adopted by the GB market in November 2015.