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19 March 2021

**Optional Downward Flexibility Management Terms and Conditions**

Dear Ofgem,

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 propose terms and conditions related to balancing.

ODFM was developed for summer 2020 to mitigate the operational risks of low electricity demand resulting from the COVID-19 pandemic. Whilst our central case for summer 2021 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, which could require additional downwards flexibility. We therefore feel it is prudent to reinstate ODFM for 2021 - for instruction only if such challenging conditions occur, and to mitigate the need for emergency instructions.

In accordance with EBGL, a consultation with industry on the Article 18 ODFM terms and conditions was launched from 15th February to 15th March 2021, to outline our proposed updates to the ODFM contractual documents and Article 18 mapping. We have received 13 responses as outlined in Annex 2, and commented appropriately to each of these, also included in Annex 2. The changes we have made to the contractual documents from the 2020 terms and conditions and following the EBGL industry consultation are summarised in Annex 3.

This letter confirms additional terms and conditions for the reinstatement of the Optional Downward Flexibility Management (ODFM) service. We are proposing that the approved EBGL Article 18 terms and conditions are amended to include the updated ODFM terms and conditions which are relevant for the purposes of Article 18. Detailed references to the relevant terms for the ODFM service 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 any subsequent amendments to the Article 18 terms within the ODFM terms will follow an amendment process which is compliant with the EBGL amendment process requirements.

National Grid ESO request Ofgem's approval of the mapping of the ODFM terms and conditions against Article 18, by Friday 9th April 2021 in order to ensure that go-live of the ODFM service can take place by Friday 30th April 2021.

If you have any queries regarding this proposal, please contact Hannah Rochford on Hannah.Rochford1@nationalgrideso.com

Yours Sincerely,

**David Wildash**

**Market Services - Senior Manager,**

National Grid Electricity System Operator

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## 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 for ODFM 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 new 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:

| ***Article*** | ***Text*** | ***Code*** | ***Section*** |
|---|---|---|---|
| ***18.2*** | 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 |
| ***18.4*** | The terms and conditions for balancing service providers shall: | - | - |
| ***18.4.a*** | 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 |

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| ***18.4.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 |
| ***18.4.c*** | 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 |
| ***18.4.d*** | 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 |
| ***18.5*** | The terms and conditions for balancing service providers shall contain: | - | - |
| ***18.5.a*** | 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 |

| ***Article*** | ***Text*** | ***Code*** | ***Section*** |
|---|---|---|---|
| ***18.5.b*** | the rules, requirements and timescales for the procurement and transfer of balancing capacity pursuant to Articles 32, 33 and 34; | ODFM | N/A |
| ***18.5.c*** | 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 |

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| | | Grid Code | BC1.4 and BC1.A.10 |
| | | ODFM | ODFM Guidance Document – Service Parameters, Registration and Availability Declarations sections |
| ***18.5.d*** | 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 |
| ***18.5.e*** | 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 |
| ***18.5. f*** | 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 |

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| ***18.5. g*** | the definition of a location for each standard product and each specific product taking into account paragraph 5 (c); | Grid Code | BC1.4 |
| ***18.5.h*** | 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 |
| ***18.5. i*** | 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<br><br>ODFM General Terms and Conditions – paragraph 4 |
| | | CUSC | Section 4.1.3.9 and 4.1.3.9A |
| ***18.5. j*** | 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 |
| ***18.5. k*** | | BSC | H3, Z7 and A5.2 |

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| | 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<br>ODFM Service Terms - paragraph 7 |
| | | CUSC | Sections 4.1.3.9, 4.1.3.9A and 4.1.3.14 |
| ***18.6*** | The terms and conditions for balance responsible parties shall contain: | - | - |
| ***18.6. a*** | 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 |
| ***18.6. 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 |
| ***18.6.c*** | 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, |
| ***18.6. d*** | 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, |
| ***18.6. e*** | 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, |
| ***18.6.f*** | the rules for the settlement of balance responsible parties defined pursuant to Chapter 4 of Title V; | BSC | T4, U2 |

| Article | Text | Code | Section |
|---|---|---|---|
| ***18.6.g*** | the delineation of an imbalance area pursuant to Article 54(2) and an imbalance price area; | | *GB constitutes one imbalance area and imbalance price area and they are equal to the synchronous area* |
| ***18.6.h*** | 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 |
| ***18.6.i*** | the consequences in case of non-compliance with the terms and conditions applicable to balance responsible parties; | BSC | H3, Z7 and A5.2 |
| ***18.6.j*** | an obligation for balance responsible parties to submit to the connecting TSO any modifications of the position; | BSC | P2 |
| ***18.6.k*** | the settlement rules pursuant to Articles 52, 53, 54 and 55; | BSC | T4, U2 |
| ***18.6.l*** | 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.[1] | N/A |

***Non- Mandatory elements***

| Article | Text | Comment |
|---|---|---|
| ***18.7. a*** | 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. |
| ***18.7. 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. |

[1] For more information on this phenomenon please *click here*

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| | scheduling process gate closure time due to trading within intraday market; | |
| ***18.7.c*** | 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. |
| ***18.7. d*** | 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). |
| ***18.7. e*** | 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. |
| ***18.7. f*** | 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. |
| ***18.7. g*** | 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. |

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## Annex 2

## EBGL Article 18 Optional Downward Flexibility Management Terms and Conditions Consultation Responses Summary

**Table 1**

Responses received to the industry consultation and NGESO comments:

| Respondent | Response | NGESO comments |
|---|---|---|
| ADE | **Do you agree with the updates in the proposal for ODFM?**<br>The ADE agrees with the updates, but believes that three more key updates should be included, as detailed in the response to Question 3. | Thank you for your supportive comments and the suggested key updates to which our responses are also listed in section 3. |
| | **Do you have any comments on the Art 18 mapping for ODFM?**<br>No. | |
| | **Do you have any other comments on the ODFM proposal?**<br>The ADE notes NGESO's statement that major changes to the design of ODFM are unlikely, given the plan to focus on the design of the enduring Reserve products. The ADE supports this approach but notes that, if there is any delay to delivery of the reformed Reserve products, it is likely that ODFM will be in place not only for this summer, but for next summer too.<br><br>We therefore believe that NGESO should prioritise three changes that could be achieved quickly and would increase participation in the service and give the market greater clarity on its usage.<br><br>1. The ADE would strongly support NGESO allowing participation from generators that can reduce or de-load, but not reduce to 0kW. If, for example, a 30MW generator can reduce export to 10MW and has the operational metering in place to demonstrate this, NGESO should allow it to offer | **Reserve Product Reform**<br>We are grateful for the supporting statements around the delivery of reserve product reform as the enduring solution for accessing downward flexibility and are working hard to achieve the committed timeline.<br><br>**Partial Curtailment**<br>ODFM is a service of last resort and is therefore a simple service. Allowing partial de-loading adds complexity and will be considered as part of reserve reform. In the current ODFM service, providers are paid to curtail to 0MW, this allows a wide range of providers to take part in this service, a move to partial curtailment would require change to large parts of the service terms that would add complexity to the service for both the ESO and providers.<br><br>**Arming Payments** |

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| | this flexibility into the service.<br><br>2. The ADE believes that NGESO should introduce arming payments for contracts procured, with a utilisation fee on the day. The arming payment ensures that the required volumes are available to deliver at short notice. In the context of the ESO stating that ODFM does not form part of their central forecast, and the lower-than-expected levels of utilisation last year, an arming payment could play an important role in making participation in the service more attractive.<br><br>3. The ADE would welcome clarity from the ESO on when they will use ODFM, in particular, a commitment to use it and all other commercial solutions before any GC0147-type solution or bilateral agreement. This transparency is essential, so that providers can see that the ESO is using the lowest cost option possible.<br><br>In the context of the 'competition everywhere' principle, there should always be a presumption that market-based solutions are preferable to bilaterals, unless proven otherwise. Last year, for example, while the initial agreement with Sizewell B was understandable, the extensions should not have been sought or used, unless the ESO had publicly demonstrated that this approach was more cost-effective than using market-based solutions. | ODFM is a service of last resort to mitigate the risk of emergency disconnection of DER. Our preference for providers providing downward flexibility is through the Balancing Mechanism and Wider Access or the STOR Day Ahead service. Introducing an arming fee and making the ODFM service more attractive risks cannibalising these operational tools. We don't wish to make the last commercial resort more attractive than our business as usual operational tools.<br><br>**ODFM Requirement and Merit Order**<br>**Further insight – merit order**<br>ODFM is an additional tool for NGESO and will be assessed based on a merit order only when the everyday actions are not forecast to be sufficient. In the event that ODFM is instructed then it is assessed as per the assessment principles.<br>More information can be found in the Interactive Guidance Document on our website, specifically slides 18 and 19.<br>The forecast load factors will be shared following any instructions of the service. Flexibility from wind and solar generation is less useful in periods when the output from wind and solar generation is lower. Eg solar on an overcast day and wind on a still day. To reflect this an effective price is calculated and applied in the assessment using NGESO forecast load factors for each unit. Note for some technology types (e.g. demand turn up) the load factor is 100%.<br><br>**Further insight – Sizewell**<br>The contract we signed with EDF at the start of summer 2020 dealt with a specific operational challenge in which low electricity demand, coupled with low inertia impeded on our operation of the network with continued operation of Sizewell B. As part of operational rules we are required to secure the network against the largest loss on the network, Sizewell B is currently the UK's largest single generator. Low demand and low inertia pose a challenge to securing this loss, as the activation of backup power stations to replace the loss of power from Sizewell B could have overpowered the system by adding more MWs and inertia than it could cope with in a very short period of time. By reducing output from Sizewell B to 50% we were able to create more room on the network for other generators, |

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| | | whilst allowing our control room to have the tools to manage the network safely. These conditions do not currently exist as electricity demand has trended back to normal levels over the last couple of months. We have also introduced new services such as Dynamic Containment to ensure we can operate plants like Sizewell B at low demand/inertia.<br>We decided to exercise the final extension option for the contract, as we felt that continuing with the contract to its close on 24th September was in the best interests of consumers. Reduced output from Sizewell B continued to give vital additional options to our control room engineers as they managed the stability of the electricity system. |
| Centrica | **Do you agree with the updates in the proposal for ODFM?**<br>We welcome that National Grid ESO is enacting its ODFM product again for summer-2021. We believe that this is prudent for NG ESO to have all the commercial tools available to manage low demand periods.<br><br>As the reserve reform will not be completed until 2022, we support maintaining the current STOR and Fast Reserve products to ensure upwards flexibility and re-introducing ODFM to ensure downwards flexibility. This is all under-pinned by the Balancing Mechanism.<br><br>It is accepted by all parties that ODFM is not an enduring product. It is therefore crucial that the reserve reform work is delivered by April 2022.<br><br>We support the minor changes to the product as proposed by NG ESO, but we strongly believe that other changes can - and should - be made to ensure the product is effective and to reduce distortions on wholesale markets.<br><br>The base-case is that ODFM will not be used at all in summer 2021. With this analysis it will be challenging to sign up customers to the service when the base-case revenue for customers is zero. As we have noted previously to both NG ESO and Ofgem, we believe it needs to be clearer when NG ESO would consider using ODFM. We believe introducing a demand threshold for when ODFM will be considered should be introduced. This would allow ODFM providers to better forecast potential periods when downward flexibility may be needed. In | Thank you for your comments and support for the decision to enact ODFM for summer 2021. Please find our responses to your comments below:<br><br>**Reserve Product Reform**<br>We are grateful for the supporting statements around the delivery of reserve product reform as the enduring solution for accessing downward flexibility and are working hard to achieve the committed timeline.<br><br>**Market distortions**<br>Thank you for your suggestion. We agree that it is important to send ODFM data to BSC Systems to be included in cash-out. We have worked internally to develop a process to include ODFM data in cash-out. This involves sending ODFM data alongside trade data. This cannot be submitted in real time for each settlement period but will be submitted post event for the previous day. This will ensure inclusion in any cash-out calculations. This is dependant on the approval of the BSAD Methodology Statement by Ofgem.<br><br>**Demand threshold**<br>Similarly to last year we will share a requirements paper of the size and frequency of the requirement. The system backdrop that is used for the study uses a number of inputs as well as demand, so the demand can only be used as an indication on whether we may have a requirement.<br><br>**Insight ahead of day ahead** |

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| | addition, NG ESO should give an indication beyond the day-ahead stage that ODFM may be needed.<br><br>NG ESO should introduce 'arming payments' for ODFM contracted capacity. Readying an asset, especially a customer asset, requires resource and may also require the customer to forego revenues by reducing its demand. If NG ESO introduced a small arming fee this would incentivise providers to continue to participate even if the utilisation fee is not paid.<br><br>During summer 2020, during the periods that ODFM was used, we saw cash-out prices markedly different to what they should have been if ODFM had been accounted for in the calculation. Therefore, NG ESO should ensure that the delivery of the service is appropriately accounted for in balancing volumes and values. At present, ODFM actions do not feed into net imbalance volume (NIV) and cash-out calculations, resulting in the market appearing shorter than it is. As a result, non-BM assets may turn up to capture value, thereby undoing a proportion of the actions paid for in ODFM, resulting in higher costs to consumers. We are happy to share data demonstrating this impact.<br>As ODFM will be rarely used, we strongly believe that NG ESO should work with Elexon to introduce a manual process to ensure ODFM volumes are factored in for these periods that ODFM is used.<br><br>We accept ODFM at pay-as-bid rather than pay-as-clear. | Thank you for your suggestion of providing an indication to the market ahead of day ahead for when ODFM may be used. We will consider this as we implement the service ahead of go-live and will look at the potential options. It will also be considered as part of the reserve reform work. If you wish to view the ESO's day and day ahead demand forecasts, these are shared on BMRS, here is a link.<br><br>**Arming Payments**<br>ODFM is a service of last resort to mitigate the risk of emergency disconnection of DER. Our preference for providers providing downward flexibility is through the Balancing Mechanism and Wider Access or the STOR Day Ahead service. Introducing an arming fee and making the ODFM more attractive risks cannibalising these operational tools. We don't wish to make the last commercial resort more attractive than our business as usual operational tools.<br><br>**Pay-as-Bid**<br>Thank you for comments supporting the Pay-as-Bid approach. |
| | **Do you have any comments on the Art 18 mapping for ODFM?**<br>We do not have any comments. | |
| | **Do you have any other comments on the ODFM proposal?**<br>These have all been captured in Q1. | |
| E.ON | **Do you agree with the updates in the proposal for ODFM?**<br>E.ON fully support the re-instatement of ODFM as a means of managing low demand. Broadly speaking, we are comfortable with the updates to ODFM, especially the ability to resubmit offer prices at the day ahead timescale. Having the ability to reflect all true real time costs will ensure that the market is more efficient and will help prevent participants not being able to cover real time issues and associated costs. | Thank you for your support for the re-instatement of ODFM for the management of low demand this summer. Please find responses to your comments below:<br><br>**Declarations Clarity**<br>Thank you for your support for the proposed changes to the declarations process. We have subsequently added some extra clarity to the Service Terms and Guidance Document on the process to make sure it is as clear as it can be. We |

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| | We are less comfortable with the limited duration of the ODFM proposal and believe careful consideration needs to be given to any replacement mechanism. ODFM addressed a gap in managing low demand by offering an incentive to a range of assets, including traditional embedded generators, to reduce supply thereby expanding NGESO's suite of available products for balancing the system. The development of an enduring set of reserve products is welcomed by E.ON. However, the cited reserve replacement mechanisms do not accommodate conventional CHP plants as acknowledged by NGESO's Reserve Product Reform Consultation.<br><br>Although reference is made in this Consultation to the Regional Development Programme being explored for less inherently flexible assets, there is at this point in time no clarity as to whether these markets will be suitable for all of the assets which were able to partake in ODFM. Furthermore, by relying on a regional market, there may be instances where there is a conflict between the most suitable mechanism for delivering balancing services at a regional level and what is required nationally which needs to be carefully considered.<br><br>E.ON believe that, without an enduring commercial mechanism similar to ODFM in place for embedded generators which do not have the ability to either part load or respond within <15 minutes several risks arise.<br>Firstly, the fact that the compensation mechanism currently being voted for under Last Resort and which is contingent on commercial products for managing low demand being called upon will not be feasible since certain assets are excluded from these markets. Secondly the useful contribution conventional embedded generators can make towards managing low demand scenarios may be jeopardised. Whilst spring 2020 saw unprecedented levels of low demand, the fact ODFM was not only called upon in several instances but also relied upon a level of supply reduction from conventional embedded generators illustrates that there is a requirement to have a commercial mechanism in place for these types of plant. | have added naming conventions for the declaration emails that are sent. We have also added some clarity to the timings around the Day Ahead Price Declaration to highlight it must be received by 09:00 for it to be effective 23:00 on the same day.<br><br>**Reserve Reform**<br>We are grateful for the support to our reserve product reform work to which an enduring solution to downward flexibility will be included. We would note that we are currently consulting on initial strawman concepts which are likely to change, however our guiding principle (as set out in SNaPS in 2017) is that products should be designed for operational needs rather than technology characteristics in the first instance.<br><br>We would note that ODFM was always intended to be a last commercial resort prior to demand disconnection, and as such should not be considered as a viable long-term source of revenue. However, we are working closely with the DNOs to develop commercial mechanisms through the RDPs to ensure that the flexibility of different technologies and business models can be accommodated as far as possible.<br><br>**Last Resort Commercial Mechanism**<br>The ESO does not support compensation arrangements as part of the 'last resort' GC0147 modification as this is a final tool to avoid system disruption and is not intended as a commercial mechanism. However, a number of alternatives giving different paths to compensation have been raised as part of this modification and will be submitted to Ofgem for their decision. Putting ODFM in place for 2021 is an additional insurance policy against the need to have to rely on emergency last resort instructions as in GC0147. Other preferred commercial mechanisms such as wider BM access will be further developed in the future to continue to mitigate against use of the last resort. |
| | **Do you have any comments on the Art 18 mapping for ODFM?**<br>We are satisfied that the EBGL Article 18 requirements have been mapped across to UK codes sufficiently, especially with regard to ODFM. | Thank you for your comment. |

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| | **Do you have any other comments on the ODFM proposal?**<br>One of the main legacies of the ODFM mechanism introduced in spring 2020 was that it provided a platform for assets that wouldn't normally be able to participate in balancing services to access this market. Whilst we fully recognise the importance of a robust process for ensuring participants in any balancing service can deliver in accordance with requirements, it is important to also accommodate smaller assets and encourage them to participate. To achieve this balance of ensuring all service providers can deliver whilst not precluding smaller market participants from taking part in a service such as ODFM, a "one off" pre-qualification process could be held annually and a central repository of assets with their technical parameters maintained. This would mirror the proposed approach prospective DSOs are considering and allow for a more agile market where eligible assets can be quickly identified, as well as encouraging higher uptake from all market participants. Any changes to an asset's ability to deliver services could be captured by ensuring there is a notification process or an "opt out" mechanism as and when technical parameters change. | Thank you for your comments regarding the current ODFM mechanisms and the proposal of a robust process for ensuring participants in any balancing service can deliver in accordance with requirements. We will consider the comments as part of our ongoing Reserve Reform work. |
| Ecotricity | **Do you agree with the updates in the proposal for ODFM?**<br>Some but not all. I do not agree with the following updates to the service terms:<br>3.3 – why is this clause defining the term "prevailing" being removed? Please provide rationale.<br>5.1.ii – Allowing MW of availability to vary across settlement periods would be sensible when applied to intermittent generators in particular and would allow the service to be used more economically.<br>5.5 – Partial unavailability (e.g. 1 of 7 turbines being serviced) should not require complete withdrawal. This discourages providers from providing the latest and best information to the ESO.<br>6.2 – Pushing the time service instructions back from 17:00 to 18:00 is not ideal from a providers' perspective. An earlier instruction deadline of 15:00 would be preferable.<br><br>I do support the following updates to the service terms:<br>5.3 – Revised availability declarations is a good concept. The last sentence should allow for partial volumes to be declared though. | Thank you for taking the time to provide your comments and suggestions on the ODFM product for summer 2021.<br><br>**3.3**<br>This provision established that, for any trading day, the version of the GTCs and Glossary applicable was the one "prevailing" at the deadline for submission of Availability Declarations for that trading day (3pm Wed for the week starting 11pm Friday). This prevented ESO from changing the GTCs and Glossary after the deadline, and in so doing essentially changing the terms after the point at which participants could withdraw the service if they didn't like the change. This provision was no longer necessary, because we changed the rules for updating the GTCs and Glossary (and service terms – see 2.1) so that updated versions can only apply to a service week commencing 11pm Friday if published prior to the Wednesday 3pm declaration deadline. So, effectively, we've moved the protection from the old 3.3 into the revised 2.1.<br><br>**MW variability across settlement periods/5.1.ii** |

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| | 5.9 – Day ahead price redeclaration could be useful, but not as useful as partial volumes would be. | The assessment process is set up on the basis that we pay for the full capacity of a unit and then apply a load factor to understand the MWs we can access. The process is set up to look at a fixed full capacity. It does not have the capability to look at a different capacity in each settlement period. Thank you for your suggestion but we would not be able to implement this change to the assessment process.<br><br>**Partial withdrawal of availability/5.5**<br>ODFM is a service of last resort and is therefore a simple service. Allowing partial volumes to be declared unavailable adds complexity and will be considered as part of reserve reform.<br><br>**Instruction time/6.2**<br>We understand there is an impact on participants with the notification time. One of the key inputs into the decision making process is the day ahead flows on interconnectors. Following EU Exit and GB no longer being part of day ahead coupling, the flows are now available at a later time. This has a knock on impact onto the time that the requirement for ODFM is known, the decision to enact and therefore the notification time. We cannot instruct the service ahead of having all relevant information.<br><br>**Declarations clarity/5.3 & 5.9**<br>Thank you for your support for the proposed changes to the declarations process, unfortunately as mentioned above we will not be able to accommodate partial volumes due to the nature of the service.<br><br>We have added some extra clarity to the Service Terms and Guidance Document on the declarations process to make sure it is as clear as it can be. We have added naming conventions for the declaration emails that are sent. We have also added some clarity to the timings around the Day Ahead Price Declaration to highlight it must be received by 09:00 for it to be effective 23:00 on the same day. |
| | **Do you have any comments on the Art 18 mapping for ODFM?**<br>No. | |
| | **Do you have any other comments on the ODFM proposal?** | **Reserve Product Reform** |

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| | Only to express some concern at the apparent lack of urgency in delivering the Reserve Reform programme that will ultimately provide the enduring solution in place of ODFM.<br><br>Last year, scope for amending and improving ODFM was curtailed on the basis it was a one off temporary solution. Now that ODFM is being deployed again as a temporary solution the obvious question is will it return next year?<br><br>In some ways ODFM has been very successful in making a truly accessible service so it's a shame if this foundation is not built upon iteratively.<br><br>Wider Access to the Balancing Mechanism is sometimes cited as providing a route to downward flexibility. Cost Benefit Analysis presented as part of GC0134 would caution against believing that the BM is anywhere near as accessible as ODFM.<br><br>Wider Access in theory allows units as small as 1MW to participate but in practice the costs required to participate are disproportionate to the benefit a 1MW unit can earn. In reality, it would be unlikely for anything much smaller than 40MW to enter the BM as currently arranged and roughly 20MW if GC0134 is implemented.<br><br>Therefore, ODFM is providing a vital route to market for smaller units or anyone that finds the BM access process too burdensome. It would be good to see NGESO stop viewing ODFM as a temporary solution and take the development of the service more seriously.<br><br>Finally, as is no doubt the intent with Reserve Reform, ODFM ought to be deployed as an economic alternative to other balancing actions and not a last resort. | We are working hard to progress reserve product reform for 31 March 2022 and have recently published a consultation to further progress the co-creation of the new products.<br><br>**BM Wider Access**<br>We note the respondent's concerns regarding the accessibility of the BM for smaller participants and are actively working to improve the user experience in this area. However, we would caution against a direct read across of the participation requirements between the BM and ODFM, as they were created with very different aims in mind: one being the real time operation of the system and one being the last commercial resort prior to demand disconnection. |
| Energy UK | **Do you agree with the updates in the proposal for ODFM?**<br>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. | Thank you for comments relating to preparation time afforded to ODFM for 2021. We recognise that timescales to introduce the service for this summer have been expedited in the backdrop of continued uncertainty of the Covid-19 pandemic. However, this has allowed us to maximise the resource allocated to value added enduring solutions such as Reserve Reform. In addition – timescales have been suitable to consider a number of service improvements; however our continued focus is on enduring |

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| | 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. | solutions that will provide greater benefit to the end-consumer.<br><br>**Declarations clarity**<br>Thank you for your support for the proposed changes to the declarations process.<br>Please note we are moving the service to day-ahead pricing as with other Ancillary Services, however we are maintaining the ability to submit prices weekly for those providers who may find daily pricing too burdensome.<br>We have also subsequently added some extra clarity to the Service Terms and Guidance Document on the process to make sure it is as clear as it can be. We have added naming conventions for the declaration emails that are sent. We have also added some clarity to the timings around the Day Ahead Price Declaration to highlight it must be received by 09:00 for it to be effective 23:00 on the same day. |
| | **Do you have any comments on the Art 18 mapping for ODFM?**<br>No. | |
| | **Do you have any other comments on the ODFM proposal?**<br>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.<br><br>In the future National Grid ESO should consider:<br>• Allowing at least six months for consultation and implementation on the next ODFM (or similar) product<br>• Ensure direct participation with potential ODFM participants in the consultation process<br>• Improve communication and transparency with wider industry through a traffic light notification system and provision of forecasts up to three days ahead<br>• Communicate clear thresholds for when the service is likely to be used<br>• NG ESO to avoid approaching generators directly to participate in ODFM - in order to mitigate the problem of breaching a fixed PPA contract<br>• NG ESO to provide an update Energy UK as to whether an enduring solution to downward flexibility management is | **Insight ahead of day ahead**<br>Thank you for your suggestion of providing an indication to the market ahead of day ahead for when ODFM may be used. We will consider this as we implement the service ahead of go-live and will look at the potential options. It will also be considered as part of the reserve reform work. If you wish to view the ESO's day and day ahead demand forecasts, these are shared on BMRS, here is a link.<br><br>**Demand threshold**<br>Similarly to last year we will share a requirements paper of the size and frequency of the requirement. The system backdrop that is used for the study uses a number of inputs as well as demand, so the demand can only be used as an indication on whether we may have a requirement.<br><br>**Direct engagement with generators**<br>As part of this year's process, we have been engaging with industry and existing ODFM providers through the existing industry forums and communication channels, relevant to balancing services and operational requirements. We |

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| | 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.<br>• 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.<br>• Commit to coming back to industry with further clarifications before 30 April 2021 | believe these to be the appropriate channels to provide communication and will continue to engage this way.<br><br>**CM Regulations**<br>The Capacity Market Regulations are generally consulted on once a year (by both BEIS and Ofgem separately) and both consultations are entering their final phases and are unable to accept new proposals, by the time the next consultation process happens the ODFM service would have finished.<br><br>The purpose of the ODFM service, to increase demand/reduce generation for improving the downwards margin, goes against the purpose of any Capacity Market Notice, which is to reduce demand/increase generation on the system to improve the upwards margin. Adding any new reserve services to the Capacity Market Regulations as a 'Relevant Balancing Service' will be progressed with BEIS.<br><br>**<u>Further responses to issues raised in the letter:</u>**<br><br>**Inclusion in cash-out**<br>Thank you for your suggestion. We agree that it is important to send ODFM data to BSC Systems to be included in cash-out. We have worked internally to develop a process to include ODFM data in cash-out. This involves sending ODFM data alongside trade data. This cannot be submitted in real time for each settlement period but will be submitted post event for the previous day. This will ensure inclusion in any cash-out calculations. This is dependant on the approval of the BSAD Methodology Statement by Ofgem.<br><br>**Instruction time**<br>We understand there is an impact on participants with the notification time. One of the key inputs into the decision-making process is the day ahead flows on interconnectors. Following EU Exit and GB no longer being part of day ahead coupling, the flows are now available at a later time. This has a knock-on impact onto the time that the requirement for ODFM is known, the decision to enact and therefore the notification time. We cannot instruct the service ahead of having all relevant information.<br><br>**Route to market through the BM** |

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| | | We encourage ODFM providers to participate more fully with the ESO's markets such as the BM and have been working to support interested parties through this process. We would also note that we fully intend reserve product reform to deliver enduring commercial access to downward flexibility from 31 March 2022, which will allow us to lock in downward flexibility at day ahead. Therefore, we do not foresee a requirement for ODFM for summer 2022.<br><br>**GC0147**<br>The problem in tying GC0147 to ODFM in this way, which is one of the alternative solutions proposed to GC0147, is that the Grid Code change is enduring whereas ODFM is a temporary commercial solution for 2021, although it is intended to avert any risk of emergency actions as in GC0147 being required. The real risk in this is that if GC0147 is too closely tied to the availability of a commercial alternative then if at any point in the future a commercial alternative were not available then this would mean that the last resort actions were not available either. This would mean that disruption to the system was inevitable in this situation which is not a prudent outcome. As in the use of Low Frequency Demand Disconnection on 9 Aug 2019, it is apparent that any use of last resort measures will be subject to in depth scrutiny and would never be lightly undertaken by the ESO.<br><br>**Further Engagement**<br>We will continue to engage with industry through the appropriate channels and forums as we reinstate the service for 2021. |
| ENGIE | Responses have been redacted for confidentiality. | ESO comments have been submitted to Ofgem in full, however we have also redacted these on this publicly available version to maintain the confidentiality of the respondent. |
| Ferrybridge MFE Ltd | **Do you agree with the updates in the proposal for ODFM?**<br>Overall yes, changes to the weekly availability notifications and only allowing a single change per notification will simplify use of forms at site level. | **Declarations clarity**<br>Thank you for your support for the proposed changes to the declarations process. We have subsequently added some extra clarity to the Service Terms and Guidance Document on the process to make sure it is as clear as it can be. We have added naming conventions for the declaration emails that are sent. We have also added some clarity to the |

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| | | timings around the Day Ahead Price Declaration to highlight it must be received by 09:00 for it to be effective 23:00 on the same day. |
| | **Do you have any comments on the Art 18 mapping for ODFM?**<br>No. | |
| | **Do you have any other comments on the ODFM proposal?**<br>Consideration of a change to the scheme qualification criteria to include generation assets with a turbine output which cannot be reduced to zero or within 10% of zero output, but can be reliably and repeatedly reduced from c70MW to a steady 20MW for the instructed period, offering a 50MW net output reduction into the scheme. | **Partial de-load**<br>ODFM is a service of last resort and is therefore a simple service. Allowing partial de-loading adds complexity and will be considered as part of reserve reform. In the current ODFM service, providers are paid to curtail to 0MW, this allows a wide range of providers to take part in this service, a move to partial curtailment would require change to large parts of the service terms that would add complexity to the service for both the ESO and providers. |
| Flexible Generation Group | **Do you agree with the updates in the proposal for ODFM?**<br>While FGG believes the updates are helpful, we do want to comment on the process NGESO has followed in reviewing ODFM.<br><br>NGESO raised GC147 without raising ODFM at the same time, sending a clear signal that they believe command and control is necessary and commercial services are a second best. Leaving the market such a short time to comment on refining the service has created a missed opportunity. We note that NGESO believes that ODFM should be reviewed as part of its wider reserve reform, but we feel that ODFM could have been developed further in the last 6 months so would be fit for purpose for a couple of years. We do not believe that reviewing all reserve products in one go, especially when this is different from most reserve products (being turn down not turn up), is necessarily helpful or efficient.<br><br>While most FGG members would not expect to provide ODFM, some could if the turn down was partial and not full. We believe we could do this more cheaply than those for whom the turn down also results in lost subsidies, so could be cheaper. We do not understand why a turn down to XMWh could not be facilitated. | Thank you for your response and we're pleased the updates have been helpful. Please find our responses to your comments below:<br><br>**GC0147**<br>Development of ODFM took place once greater clarity over market conditions in 2021 had become apparent. The key distinction though is that ODFM for 2021 is a stopgap solution while the Grid Code change is an enduring final emergency mechanism and is symmetrical to the last resort of demand disconnection at the other end of the scale (for which similarly no bespoke compensation arrangements exist).<br><br>**ODFM Implementation**<br>Thank you for comments relating to preparation time afforded to ODFM for 2021. We recognise that timescales to introduce the service for this summer have been compressed against the backdrop of continued uncertainty as-a-result of the Covid-19 pandemic. This has allowed us to understand our requirements with more certainty, and we have now concluded that it's prudent to progress reinstatement of the service. We believe that timescales whilst tight have been suitable to consider a number of service improvements, however our continued focus is on |

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| | We broadly welcome the ability to change the prices and availability closer to real time, but with more development time this could possibly have been done using a simple platform rather than sending forms back and forth.<br><br>FGG believes that the ODFM actions should also feed into cash-out. Again, NGESO has not given the market enough time to consider if there were any easy way for this to be achieved – given the other services feeding into cash-out and the minimal use ODFM. However, there is a principle about the treatment of ancillary services being the same that should have been considered, not just rules out on the basis of thinking ODFM may not be needed.<br><br>Finally, there is nothing in the changes about communications. We would like to see NGESO giving some notice to the market in real time that ODFM is being used, how much, etc. We and other parties continue to believe that ALL NGESO balancing actions should be visible, in real time to allow the market to respond accordingly. | enduring solutions that will provide greater benefit to the end-consumer.<br><br>**Partial de-load**<br>ODFM is a service of last resort and is therefore a simple service. Allowing partial de-loading adds complexity and will be considered as part of reserve reform. In the current ODFM service, providers are paid to curtail to 0MW, this allows a wide range of providers to take part in this service, a move to partial curtailment would require change to large parts of the service terms that would add complexity to the service for both the ESO and providers.<br><br>**Instruction Insight**<br>Thank you for your suggestion of providing an indication to the market in advance of day ahead for when ODFM may be used. We will consider this as we implement the service ahead of go-live and will look at the potential options. It will also be considered as part of the reserve reform work. If you wish to view the ESO's day and day ahead demand forecasts, these are shared on BMRS, here is a link.<br><br>**Declaration Clarity**<br>Thank you for your support for the proposed changes to the declarations process. We have subsequently added some extra clarity to the Service Terms and Guidance Document on the process to make sure it is as clear as it can be. We have added naming conventions for the declaration emails that are sent. We have also added some clarity to the timings around the Day Ahead Price Declaration to highlight it must be received by 09:00 for it to be effective 23:00 on the same day.<br>We have considered any service improvements against the temporary nature of the service, required resource, cost, and added value activities such as enduring solution and service design. As a result we believe the existing manual processes to be suitable to run the service this summer.<br><br>**Inclusion in cash-out**<br>Thank you for your suggestion. We agree that it is important to send ODFM data to BSC Systems to be included in cash-out. We have worked internally to develop a process to include ODFM data in cash-out. This involves sending ODFM data alongside trade data. This cannot be submitted |

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| | | in real time for each settlement period but will be submitted post event for the previous day. This will ensure inclusion in any cash-out calculations. This is dependant on the approval of the BSAD Methodology Statement by Ofgem.<br><br>**Real-time communications**<br>Thank you for your comments. In 2020 we published ODFM actions on BMRS at this link. We will be publishing any ODFM actions for this summer in the same place. The post real-time market information on ODFM is published on the data portal. |
| | **Do you have any comments on the Art 18 mapping for ODFM?**<br>No. | |
| | **Do you have any other comments on the ODFM proposal?**<br>FGG has separately replied to the GC147 consultation. However, we would note that Ofgem should not sign that off until ODFM is implemented again. Going forward, we still feel that GC147 is half baked and NGESO needs a far more robust way to communicate with and utilise embedded assets as required. We very much hope that reserve reform will not just focus on what the ESO requires, but on the needs of the market more widely. | **GC0147**<br>The problem in tying GC0147 to ODFM in this way, which is one of the alternative solutions proposed to GC0147, is that the Grid Code change is enduring whereas ODFM is a temporary commercial solution for 2021, although it is intended to avert any risk of emergency actions as in GC0147 being required. The real risk in this is that if GC0147 is too closely tied to the availability of a commercial alternative then if at any point in the future a commercial alternative were not available then this would mean that the last resort actions were not available either. This would mean that disruption to the system was inevitable in this situation which is not a prudent outcome.<br><br>As in the use of Low Frequency Demand Disconnection on 9 Aug 2019, it is apparent that any use of last resort measures will be subject to in depth scrutiny and would never be lightly undertaken by the ESO. |
| Flexitricity | **Do you agree with the updates in the proposal for ODFM?**<br>Yes. The service terms offer flexibility for redeclarations of availability, within strict parameters, which is a positive improvement given that market conditions, and operational conditions can change.<br>Accepting that the likelihood of enacting the service is extremely low, the updates are the necessary one to improve upon last year, without the burden of redesigning a service pre-Reserve Reform. A good compromise. | Thank you for your support for the proposed changes and the decision to focus resource on the reserve reform work.<br><br>**Declarations clarity**<br>Thank you for your support for the proposed changes to the declarations process. We have subsequently added some extra clarity to the Service Terms and Guidance Document on the process to make sure it is as clear as it can be. We have added naming conventions for the declaration emails |

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| | | that are sent. We have also added some clarity to the timings around the Day Ahead Price Declaration to highlight it must be received by 09:00 for it to be effective 23:00 on the same day. |
| | **Do you have any comments on the Art 18 mapping for ODFM?**<br>None | |
| | **Do you have any other comments on the ODFM proposal?**<br>There is a broken link reference in GTCs, clause 2.1. | Thank you for highlighting this, we have rectified the broken link in the General Ts & Cs. |
| Limejump | **Do you agree with the updates in the proposal for ODFM?**<br>We welcome the opportunity to provide feedback on the proposed ODFM product. Many of our customers participated in the product last year.<br><br>We support the move to weekly rather than daily Availability Declarations to make the process less burdensome. We also support the option to update prices via the Day Ahead Redeclaration process.<br><br>One change which we believe will be detrimental is the proposal to provide notifications at 18:00 D-1 rather than 17:00 D-1. As many of the participants require an engineer to visit the site to manually disconnect it, the more notification time the better. This is especially true on a Friday night, the weekends and public holidays when reaching customers can be harder. We ask if NG could consider providing notifications as soon as possible even if these are firmed up later when possible. | Thank you for your comments and providing feedback on the ODFM product for summer 2021.<br><br>**Declarations clarity**<br>Thank you for your support for the proposed changes to the declarations process. We have subsequently added some extra clarity to the Service Terms and Guidance Document on the process to make sure it is as clear as it can be. We have added naming conventions for the declaration emails that are sent. We have also added some clarity to the timings around the Day Ahead Price Declaration to highlight it must be received by 09:00 for it to be effective 23:00 on the same day.<br><br>**Instruction time**<br>We understand there is an impact on participants with the notification time. One of the key inputs into the decision-making process is the day ahead flows on interconnectors. Following EU Exit and GB no longer being part of day ahead coupling, the flows are now available at a later time. This has a knock- on impact onto the time that the requirement for ODFM is known, the decision to enact and therefore the notification time. We cannot instruct the service ahead of having all relevant information. |
| | **Do you have any comments on the Art 18 mapping for ODFM?**<br>We have no comments on the mapping. | |
| | **Do you have any other comments on the ODFM proposal?**<br>In the existing process participants are required to submit their availability across different technology types. We believe there | **Wind and solar availability**<br>The availability of an asset is for the participant to decide, this is a commercial decision. The ESO publishes |

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| | would be merit in NG pre-populating the availability for wind and solar rather than everyone submitting something different.<br><br>We would welcome more guidance on acceptable ramp rates and the tolerance around them.<br><br>We would like to raise an issue we experience whilst participating in ODFM last year. There were significant delays in processing data for the ABSVD. We request that NG review this process ahead of recommencing this version of ODFM.<br><br>Last year saw NG approach key generators and suppliers directly to encourage them to participate in ODFM. Whilst we appreciate that NG needed to ensure participation, we would like to flag that this caused issues where customers held fixed price PPA contracts. In these cases, they would have breached their PPA contract if they had participated in ODFM. In order to avoid a repeat of this issue we kindly request that NG does not approach generators directly.<br><br>We understand that NG are supportive of ODFM (and in fact other new products), being included as a 'Relevant Balancing Service' as defined in the Capacity Market Regulations. We urge NG to follow this up with BEIS so that the necessary amendment is made.<br><br>Like other trades outside of the Balancing Mechanism, we believe that ODFM activity should be included in the Balancing Service Adjustment Data (BSAD) and the Single Imbalance Price. If this is not possible for this summer, it should be considered as part of the enduring solution.<br><br>We would welcome further insight into the merit order for instructing ODFM by NG. Specifically, that ODFM would be used in advance of any emergency embedded generation disconnection and any bilateral contracts similar to the Sizewell B undertaken last year. | embedded wind and solar forecasts on the data portal, which can be found here. As mentioned below, ESO forecasts load factors which are used within the assessment process.<br><br>**Ramp rates**<br>Having clarified this point further with yourselves, we can confirm that participants need to provide the ramp rates of the assets, using the Provider Data Template and these need to be followed when meeting an instruction. The payment terms are covered in the Service Terms Clause 7, these explain how it will be dealt with if ramping rates are not met. We are open to continuing the conversation if more clarification is required.<br><br>**ABSVD delays**<br>Thank you for your comments, we were aware of this delay and have taken steps with the aim of reducing any delays. We will be looking to on-board participants and pass the relevant data to Elexon as soon as possible.<br><br>**Direct engagement with generators**<br>As part of this year's process, we have been engaging with industry and existing ODFM providers through the existing industry forums and communication channels, relevant to balancing services and operational requirements. We believe these to be the appropriate channels to provide communication and will continue to engage this way.<br><br>**CM Regulations**<br>The Capacity Market Regulations are generally consulted on once a year (by both BEIS and Ofgem separately) and both consultations are entering their final phases and are unable to accept new proposals, by the time the next consultation process happens the ODFM service would have finished.<br><br>The purpose of the ODFM service, to increase demand/reduce generation for improving the downwards margin, goes against the purpose of any Capacity Market Notice, which is to reduce demand/increase generation on the system to improve the upwards margin. Adding any new reserve services to the Capacity Market Regulations as a 'Relevant Balancing Service' will be progressed with BEIS. |

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| | | **Inclusion in cash-out**<br>Thank you for your suggestion. We agree that it is important to send ODFM data to BSC Systems to be included in cash-out. We have worked internally to develop a process to include ODFM data in cash-out. This involves sending ODFM data alongside trade data. This cannot be submitted in real time for each settlement period but will be submitted post event for the previous day. This will ensure inclusion in any cash-out calculations. This is dependant on approval of the BSAD Methodology Statement by Ofgem.<br><br>**Further insight – merit order**<br>ODFM is an additional tool for NGESO and will be assessed based on a merit order only when the everyday actions are not forecast to be sufficient.<br>In the event that ODFM is instructed then it is assessed as per the assessment principles.<br>More information can be found in the Interactive Guidance Document on our website, specifically slides 18 and 19.<br>The forecast load factors will be shared following any instructions of the service. Flexibility from wind and solar generation is less useful in periods when the output from wind and solar generation is lower. E.g. solar on an overcast day and wind on a still day. To reflect this, an effective price is calculated and applied in the assessment using NGESO forecast load factors for each unit. Note for some technology types (e.g. demand turn up) the load factor is 100%.<br><br>**Further insight – Sizewell**<br>The contract we signed with EDF at the start of summer 2020 dealt with a specific operational challenge in which low electricity demand, coupled with low inertia impeded on our operation of the network with continued operation of Sizewell B. As part of operational rules we are required to secure the network against the largest loss on the network, Sizewell B is currently the UK's largest single generator. Low demand and low inertia pose a challenge to securing this loss, as the activation of backup power stations to replace the loss of power from Sizewell B could have overpowered the system by adding more MWs and inertia than it could cope with in a very short period of time. By reducing output from Sizewell B to 50% we were able to |

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| | | create more room on the network for other generators, whilst allowing our control room to have the tools to manage the network safely. These conditions do not currently exist as electricity demand has trended back to normal levels over the last couple of months. We have also introduced new services such as Dynamic Containment to ensure we can operate plants like Sizewell B at low demand/inertia. |
| RES Group | **Do you agree with the updates in the proposal for ODFM?**<br>Yes. Availability withdrawal declaration and day ahead price redeclarations are welcome enhancements. | **Declaration Clarity**<br>Thank you for your support for the proposed changes to the declarations process. We have subsequently added some extra clarity to the Service Terms and Guidance Document on the process to make sure it is as clear as it can be. We have added naming conventions for the declaration emails that are sent. We have also added some clarity to the timings around the Day Ahead Price Declaration to highlight it must be received by 09:00 for it to be effective 23:00 on the same day. |
| | **Do you have any comments on the Art 18 mapping for ODFM?**<br>No. | |
| | **Do you have any other comments on the ODFM proposal?**<br>We note that NGESO's "central case for this summer suggests there is no requirement for ODFM". Even with "roll over" of registrations and data templates from 2020 into 2021, ODFM is a bureaucratically onerous process for a service that seems highly unlikely to be required. We will continue to support through engagement with ODFM on the understanding that this is a one-off work around until an enduring set of commercial compensation arrangements for emergency disconnection of distributed generation is established through or associated with the GC0147 process. | **ODFM Processes**<br>ODFM is a service introduced in 2019 to manage the unexpected low demand created as a result of the COVID-19 pandemic. Due to the continued uncertainty around the pandemic and national lockdown, we believe it is prudent to reinstate ODFM for 2021 to mitigate the risk of emergency disconnection of DER. We do not anticipate having to use ODFM this summer and having considered service improvement against resource, cost, and value-added activities such as enduring solution development, we don't believe significant improvements are in the interest of the end-consumer.<br><br>**GC0147**<br>The ESO does not support compensation arrangements as part of the 'last resort' GC0147 modification as this is a final tool to avoid system disruption and is not intended as a commercial mechanism. However, a number of alternatives giving different paths to compensation have been raised as part of this modification and will be submitted to Ofgem for |

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| | | their decision. Putting ODFM in place for 2021 is an additional insurance policy against the need to have to rely on emergency last resort instructions as in GC0147. Other preferred commercial mechanisms such as wider BM access will be further developed in the future to continue to mitigate against use of the last resort. |
| ScottishPower Renewables | **Do you agree with the updates in the proposal for ODFM?**<br>We are happy with the proposal, but we believe this could have been foreseen much earlier. The fact that there is high likelihood of not having an ODFM requirement should not prevent NGESO to prepare well in advance by proposing and designing suitable market routes for distributed generation. | Thank you for comments relating to preparation time afforded to ODFM for 2021. We recognise that timescales to introduce the service for this summer have been compressed against the backdrop of continued uncertainty as-a-result of the Covid-19 pandemic. This has allowed us to understand our requirements with more certainty, and we have now concluded that it's prudent to progress reinstatement of the service. We believe that timescales whilst tight have been suitable to consider a number of service improvements, however our continued focus is on enduring solutions that will provide greater benefit to the end-consumer. |
| | **Do you have any comments on the Art 18 mapping for ODFM?**<br>No Comments | |
| | **Do you have any other comments on the ODFM proposal?**<br>We expect that ODFM is enacted once all commercial options available are exhausted. We also expect NGESO to produce ex-post reports of when the service has been enacted and the different market routes that have been exhausted.<br><br>There is a need to improve communication and transparency with wider industry about system scarcities and requirements, providing the industry with forecasts up to three days ahead on system margin. Forecasts provided by the transparency forum in a weekly basis were useful although we would encourage NGESO to produce forecasts for shorter timeframes.<br><br>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. | **Further insight – merit order**<br>ODFM is an additional tool for NGESO and will be assessed based on a merit order only when the everyday actions are not forecast to be sufficient. In the event that ODFM is instructed then it is assessed as per the assessment principles.<br>More information can be found in the Interactive Guidance Document on our website, specifically slides 18 and 19.<br>The forecast load factors will be shared following any instructions of the service. Flexibility from wind and solar generation is less useful in periods when the output from wind and solar generation is lower. E.g. solar on an overcast day and wind on a still day. To reflect this an effective price is calculated and applied in the assessment using NGESO forecast load factors for each unit. Note for some technology types (e.g. demand turn up) the load factor is 100%.<br>The post real-time market information on ODFM is published on the data portal. |

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| | We fully expect ODFM or a similar product to be needed again in summer 2022 and going forward. We welcome the fact that National Grid ESO have committed to looking at this through the Reserve Reform. However, we have noted that timescales on this have slipped and we would welcome an update on the status of this work.<br><br>We recognise that ODFM is an interim solution but would require National Grid ESO to develop an enduring solution going forward. | **Insight ahead of day ahead**<br>Thank you for your suggestion of providing an indication to the market ahead of day ahead for when ODFM may be used. We will consider this as we implement the service ahead of go-live and will look at the potential options. It will also be considered as part of the reserve reform work. If you wish to view the ESO's day and day ahead demand forecasts, these are shared on BMRS, here is a link.<br><br>**Demand threshold**<br>Similarly to last year we will share a requirements paper of the size and frequency of the requirement. The system backdrop that is used for the study uses a number of inputs as well as demand, so the demand can only be used as an indication on whether we may have a requirement.<br><br>**Reserve Product Reform**<br>We are grateful for the support for our reserve product reform work. Our timescales remain to deliver new products by 31 March 2022, and we have provided updates to our timescales through industry groups such as Energy UK and the ADE. We will look into how to best increase this engagement in the future. |
| Uniper | **Do you agree with the updates in the proposal for ODFM?**<br>- | |
| | **Do you have any comments on the Art 18 mapping for ODFM?**<br>None | |
| | **Do you have any other comments on the ODFM proposal?**<br>Uniper notes the reasoning behind the proposal to implement the ODFM service in this way for summer 2021 on the basis that the service is unlikely to be called and the terms of the service are short lived. The consultation letter intent to develop an enduring solution is welcome, on the expectation that the enduring solution will better maintain the integrity of the day ahead and intraday markets. | **Reserve Product Reform**<br>We thank you for the comments, and look forward to engaging with you on the enduring solution through our reserve product reform work. |

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## Annex 3

## Summary of changes to Optional Downward Flexibility Management Terms and Conditions

**Table 1**

Summary of changes to the ODFM contract documents from the ODFM 2020 service and following responses received via the EBGL industry consultation:

| | From 2020 terms | Following consultation |
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| **Guidance Doc** | | |
| Introductory para | Updated text to refer to intended usage in 2021 | |
| Service Parameters | Clarification on terminology for non-working days | |
| Registration | Confirmation that Forms A and B submitted in 2020 remain valid | |
| | Confirmation that for 2020 service providers the Provider Data Template must be resubmitted | |
| Availability Declarations | Explanation on how the declaration processes work (weekly, revised and price submissions) | Further clarification on email submissions |
| Timelines | Updated per above | Further clarification of when pricing changes take effect |
| Embedded Generation Connection Agreements | Updated to reflect intended usage in 2021 | |
| **Service Terms** | | |
| 2.1 and 2.2 | Updated for alignment with structure of equivalent clause in DC and STOR service terms, and to link with weekly declaration timetable | |
| 3.3 | Deleted as no longer needed, because of changes to 2.1 | |
| 5 | Clauses restructured to accommodate day ahead pricing and declaration processes | 5.1 – correction of cross reference “5.2” changed to “5.4”<br><br>5.5 and 5.9 –clarificatory wording inserted to link clause 5.5 to 5.7, and 5.9 to 5.10 |
| 6.2ii | Timing of ESO instruction changed from “as close as reasonably practicable to 17.00 hours” on the prior trading day, to “at or about 18.00 hours (and NGESO shall use reasonable endeavours to do so sooner)” on the prior trading day | |
| 6.4 | Consequent on changes to para 5 | |
| 7.1 | Consequent on changes to para 5 | |
| 8.1 | Simplified to remove duplication and better align with STOR and DC service terms | |
| 13.2 | Consequent on changes to para 5 | |
| 14.3 | New sunset clause | |
| 16.2/16.3 | Consequent on changes to para 5 | |
| **GTCs** | | |
| 2.1 and 2.2 | Updated for alignment with structure of equivalent clause in DC and STOR GTCs, and to link with weekly declaration timetable | 2.1 - correction of broken cross-reference link |

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| 2.3 | Deleted as unnecessary | |
| 4.5 | Inserted to align with STOR and DC GTCs | |
| 4.6 | Inserted to align with STOR and DC GTCs | |
| 4.7 | Inserted to align with STOR and DC GTCs | |
| 5.1.2 | Inserted to align with STOR and DC GTCs | |
| **Glossary** | | |
| Pt 1, paras 3 and 4 | Updated for alignment with structure of equivalent clause in DC and STOR GTCs, and to link with weekly declaration timetable | |
| Pt 1, para 5 | Deleted as unnecessary | |
| "Electricity Balancing Guidelines" | Updated for Brexit | |
| "Insolvency Event" | Updated for alignment with STOR and DC Glossary | |
| New service definitions | New definitions of "Availability Withdrawal Declaration", "Day Ahead Price Redeclaration", "Weekly Availability Declaration", "ODFM Declarations" and "Service Week" consequent on changes to para 5 service terms | |
| | "Offered Service Period" – updated cross reference consequent on changes to para 5 service terms | |
| | Updated definition of "Service Fee" to reflect daily pricing | |