Demand Flexibility
Service overview and eligibility

Overview

• The demand flexibility service is one of the enhanced actions we are creating as an additional tool in our toolkit for this winter.

• It will be procured when required at Day Ahead timescales

• The DFS is most likely to be used during high demand periods of the day such as the evening peak on weekdays

• Payment will be based on actual delivery and Pay As Bid (no penalty for over or under delivery)

• Accepted bid volume and prices will energy flagged and fed in cash out through Balancing Service Adjustment Data (BSAD)

Participation

• Assets require half-hourly metering

• Demand reduction must be for a minimum of 30 minutes

• Providers must provide relevant HH metering and baselining data to demonstrate delivery of demand reduction
Service overview and eligibility

Target participants

- As much new demand flexibility as possible
- This includes parties/assets which we cannot currently access through BM or other ancillary services

Exclusions

- Assets with a Capacity Market (CM) contract
- Assets participating in Balancing Services for the ESO or similar services to other 3rd parties (except for ANMS)
- Stacking/splitting other services are not permitted
Commercial proposition

- We expect the service to run from **November 2022 to March 2023**
- It is **uncertain** how much we will need to use the service for real
- We want to make the service **viable** and to build confidence in its use
- Providers will be invited to participate in a series of tests while the service is live:
  - two “regular tests” per month, plus
  - two “onboarding test” in their first full month of provision
- This is up to a **total of twelve tests**
- Each test for each provider will be for a **1-hour period**
- We may spread providers over different hours or different days, to manage to overall delivery and impact on the system and the market.

### Example for a provider entering from Nov ‘22

<table>
<thead>
<tr>
<th></th>
<th>Regular</th>
<th>Onboarding</th>
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<tbody>
<tr>
<td>Nov</td>
<td>1</td>
<td>2</td>
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<td>Dec</td>
<td>5</td>
<td>6</td>
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<td>Mar</td>
<td>11</td>
<td>12</td>
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*Example for a provider entering from Nov ‘22*
Guaranteed Acceptance Price

- We need to balance between incentivising participation and managing the overall cost and impact of tests on the wider market.

- Tests will have a “Guaranteed Acceptance Price” to provide revenue certainty for providers:
  - if they bid *at or below* this price, they are guaranteed to be accepted at the price they submit.
  - higher priced bids *may* be accepted, but *are not guaranteed* to be accepted.
  - Prices that exceed the marginal BM action price will *not* be accepted.
  - We will publish this price with the test requirement before they submit bids.

The “Guaranteed Acceptance Price” only applies to tests of the service; it is not applicable when we use the service in a non-test scenario.
## Consultation Timeframe

<table>
<thead>
<tr>
<th>Q2 22/23</th>
<th>Q3 22/23</th>
<th>Q4 22/23</th>
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<tbody>
<tr>
<td>July</td>
<td>September</td>
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<td>August</td>
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<tr>
<td>September</td>
<td>October</td>
<td>December</td>
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<tr>
<td>Q3 22/23</td>
<td>Q4 22/23</td>
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<tr>
<td>November</td>
<td>January</td>
<td>February</td>
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<td>December</td>
<td>March</td>
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**Consultation**

<table>
<thead>
<tr>
<th>Event</th>
<th>Date</th>
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<tbody>
<tr>
<td>Industry Consultation</td>
<td>01/09</td>
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<tr>
<td>Launch</td>
<td>03/10</td>
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<tr>
<td>ESO review, W/C 03/10</td>
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<tr>
<td>Ofgem Decision</td>
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<tr>
<td>C16 Launched</td>
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<td>Industry Engagement</td>
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<td>Industry Workshop</td>
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<td>Industry Webinar - 5/09</td>
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<tr>
<td>Industry Open Event - 13/09</td>
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**Service Delivery**

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<thead>
<tr>
<th>Event</th>
<th>Date</th>
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<tbody>
<tr>
<td>GO LIVE (1&lt;sup&gt;st&lt;/sup&gt; Nov)</td>
<td>01/11</td>
</tr>
<tr>
<td>Service Delivery</td>
<td></td>
</tr>
<tr>
<td>SERVICE ENDS (31&lt;sup&gt;st&lt;/sup&gt; Mar)</td>
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New provider and new volume can enter the market throughout the winter.
Responding to the consultation

The full consultation on terms and conditions for a new Demand Flexibility Service can be found on our website [EBR Article 18 Demand Flexibility Terms and Conditions | National Grid ESO](#). All formal responses must be submitted by emailing the proforma to [DemandFlexibility@nationalgrideso.com](mailto:DemandFlexibility@nationalgrideso.com) by the 3rd October 2022 when the consultation formally closes.

The consultation will be reviewed by Ofgem and once approved all details will be published on the National Grid ESO website.

Throughout the consultation we’ll be offering opportunities for you to speak to our Demand Flexibility Service team. If you would like to be included on our mailing list, please email [DemandFlexibility@nationalgrideso.com](mailto:DemandFlexibility@nationalgrideso.com).
Firm Regulating Reserve
Firm Regulating Reserve

We are exploring buying Regulating Reserve through a firm market (day ahead).

What is Regulating Reserve?

Regulating Reserve is used to manage imbalances in generation and demand. We take actions in the BM to secure and then utilise headroom and footroom on units in real time.

BM parameters

- Maximum Export Limit (MEL)
- Headroom (MW)
- Final Physical Notification (FPN) (MW)
- Footroom (MW)
- Stable Export Limit (SEL)
Regulating Reserve today

Today, we access Regulating Reserve in real time via the Balancing Mechanism.

Day Ahead

Unit A has sold energy in the forward markets up to its Maximum Export Limit (MEL).

Unit B is desynchronised with a Final Physical Notification (FPN) of 0MW but available for real time actions.

In Real Time

ENCC takes bids on Unit A to create headroom for Reg Reserve.

ENCC synchronises Unit B for replacement energy (Offer via BM).

Unit A

Unit B

Unit A

Unit B
Why buy this service firm?

The cost of bids and offers has risen significantly and BM - DA price spread has increased

- Reduce balancing costs
- Increase transparency
- Increase security of supply

We are planning a webinar to seek industry feedback on our design and delivery plan w/c 17th Oct
Enduring Auction Capacity (EAC)
Enduring Auction Capability (EAC)

Enduring auction capability is a RIIO-2 deliverable. The project, partnering with N-SIDE, will:

- design, build and implement a new auction platform
- provide a co-optimised assessment algorithm to procure day-ahead response and reserve services
- replace interim solutions for the procurement of day ahead ancillary services

There will be further updates on how you can get involved with the design, development, testing and implementation phases of this project.

We invite you to take part in the Auction Functionalities Questionnaire
We are eager to get your feedback to help shape the new market design that will support NG ESO in meeting this ambitious commitment

Link: https://forms.office.com/r/Z6H2pTCbZ4
Enduring Auction Capability (EAC)

- Better user experience

Project benefits
Enduring Auction Capability (EAC)

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- Closer to real-time procurement

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Enduring Auction Capability (EAC)

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- Consistent procurement route
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- Connected and co-optimised auctions
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Enduring Auction Capability (EAC)

- Improved flexibility and configurability
- Better user experience
- Integration with SMP
- Closer to real-time procurement
- Connected and co-optimised auctions
- Consistent procurement route
Enduring Auction Capability (EAC)

Join the medium term breakout room this afternoon to find out more

- Improved flexibility and configurability
- Better user experience
- Integration with SMP
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<table>
<thead>
<tr>
<th>Time</th>
<th>Agenda</th>
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<tbody>
<tr>
<td>09:15-10:00</td>
<td>Arrival</td>
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<tr>
<td>10:00-10:05</td>
<td>Welcome</td>
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<tr>
<td>10:05-10:20</td>
<td>Introduction and welcome from Head of Markets</td>
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<tr>
<td>11:20-11:35</td>
<td>Break</td>
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<tr>
<td>11:35-12:30</td>
<td>Medium-term priorities: Updates on new projects such as demand flexibility and upward firm regulating reserve</td>
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<tr>
<td>12:30-13:25</td>
<td>Lunch</td>
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<tr>
<td>14:10-14:15</td>
<td>Close to online delegates.</td>
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<tr>
<td>14:25-16:00</td>
<td>Breakout Collaborative Sessions</td>
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<tr>
<td>16:15-16:45</td>
<td>Summary, Q&amp;A and Close</td>
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<tr>
<td>17:00-18:30</td>
<td>Networking event</td>
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Lunch
12.30-13.25
#ESOMarkets